

SESSION OF 2013

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR
SENATE BILL NO. 83**

As Recommended by House Committee on
Taxation

Brief*

House Sub. for SB 83 would enact service fees related to delinquent tax liabilities and would make a number of adjustments to various income and severance tax provisions enacted in 2012.

Service Fee Provisions

The bill would increase the service fee assessed to set up an installment payment plan for delinquent tax liability in excess of 90 days from \$10 to \$25. It would authorize the Department of Revenue to assess a service fee of \$50 for partial or full abatement requests and withhold \$22 for any funds remitted to the U.S. Internal Revenue Service. All moneys from the fees would be deposited into the Recovery Fund for Enforcement Actions and Attorney Fees, to be used for administration and operational costs.

Income Tax Provisions

One part of the 2012 legislation that requires taxpayers who are partners or Subchapter S corporation shareholders to compute a different adjusted basis for their partnership interests or Subchapter S stock for Kansas income tax purposes than they do for federal income tax purposes would be repealed.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

An additional section would clarify for Kansas income tax purposes, the add back to federal adjusted gross income required of certain losses for Subchapter S corporations would not apply to those entities with wholly owned subsidiaries subject to the financial institutions privilege tax.

A number of other provisions are technical in nature and do not change state policy, including clarifying references to certain federal forms and schedules; adjusting provisions relating to itemized deductions and the food sales tax rebate program; and correcting certain statutory references within the Kansas income tax code.

Severance Tax Provisions

Another section would clarify that the 50-barrel-per-day threshold enacted in 2012, relative to being excluded from the new pool severance tax exemption for oil, would be determined based on the initial six months of production from each well.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The original bill dealt with the service fee issue and was requested for introduction and supported by the Department of Revenue. The Senate Committee on Assessment and Taxation amended the bill by striking provisions concerning an additional proposed processing fee of 12 percent on payments of delinquent taxes, and reinstated provisions to direct the moneys into the Recovery Fund.

The House Taxation Committee amended the bill on March 18 to incorporate the income and severance tax provisions from HB 2059 as amended by the House Taxation Committee; and recommended a substitute bill be created.

The Department of Revenue has indicated the language repealing the different Kansas basis requirement would reduce State General Fund (SGF) receipts by \$8.0 million annually beginning in FY 2014; and eliminating the add back for certain Subchapter S corporations with subsidiaries subject to the privilege tax would reduce receipts by an additional \$2.5 million annually. (No specific fiscal note has been provided with respect to the service fee provisions that remained in the bill as it left the Senate.) The reduction of \$10.5 million in SGF receipts was not taken into account in *The FY 2014 Governor's Budget Report*.