

SESSION OF 2016

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE SUBSTITUTE FOR SENATE BILL NO. 63**

As Agreed to April 29, 2016

Brief*

House Sub. for SB 63 would restore, effective for tax year 2017, all remaining non-wage business income exempted since tax year 2013 to Kansas state income taxation. Generally, this would include the income of pass-through entities (limited liability companies, subchapter S corporations, sole proprietorships), as well as certain royalty, rental and farm income.

Specifically, language in the bill would eliminate the federal net operating loss add-back modification, losses from business income reported on federal schedule C, losses from rentals, royalties, partnerships, and subchapter S corporations reported on federal schedule E, and farm losses reported on federal schedule F. The add-back provisions for self-employment taxes, pension and annuity plans of self-employed individuals, self-employed health insurance, and the deduction for domestic production activities, also would be eliminated.

Additionally, subtraction modifications would be eliminated for business income reported on federal schedule C, income from rentals, royalties, partnerships, and subchapter S corporations reported on federal schedule E, and farm income reported on federal schedule F. The subtraction modification for the net gain from the sale of cattle and horses, and other livestock held for draft, breeding, dairy or sporting purposes also would be eliminated beginning in tax year 2017.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

Conference Committee Action

The Conference Committee on April 29 agreed to remove all prior Senate and House provisions of the bill and insert the provisions that would restore, as of January 1, 2017, the remaining non-wage business income exempted pursuant to 2012 legislation. (Note: A relatively small part of the income exempted in that 2012 legislation, guaranteed payments, was restored to income taxation by 2015 legislation.)

Background

As approved by the Senate during the 2015 Session, SB 63 concerned the authority of municipalities levying special assessments on property acquired by a land bank.

The House Taxation Committee, on March 17, 2016, deleted the prior contents of the bill, recommended a substitute bill be created, and inserted certain sales and electronic cigarette tax provisions.

The Department of Revenue indicated that the bill, as agreed to by the Conference Committee, would be expected to increase SGF receipts by the following amounts:

(\$ in millions)

FY 2017	\$	61.1
FY 2018		205.0
FY 2019		209.1
FY 2020		213.3
FY 2021		217.6

non-wage business income

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