

SESSION OF 2018

**SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR
HOUSE BILL NO. 2228**

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

Senate Sub. for HB 2228 would make a number of changes to individual and corporation income tax provisions.

One major component of the bill would remove a restriction under current law preventing Kansas individual income taxpayers from itemizing deductions for state income tax purposes unless they also are itemizing deductions for federal income tax purposes. Beginning with tax year 2018, the bill would provide an option to take Kansas itemized deductions regardless of whether itemized or standard deductions are being claimed at the federal level.

A second change relative to Kansas itemized deductions would accelerate the restoration of certain federal itemized deductions for state income tax purposes provided by income tax reform and restructuring legislation (SB 30) enacted in 2017. Current Kansas law provides for the availability of itemized deductions for medical expenses, mortgage interest, and property taxes paid equivalent to 50.0 percent of the allowable federal amounts in tax year 2018; 75.0 percent in tax year 2018; and 100.0 percent beginning in tax year 2020. These three itemized deductions would now be available at 100.0 percent of the federal allowable amount beginning in tax year 2018.

Additional provisions of the bill would increase current Kansas standard deduction amounts by 25.0 percent relative

*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>

to current law beginning in tax year 2018. The deduction for single filers would be increased from \$3,000 to \$3,750; for heads of household from \$5,500 to \$6,875; and for married taxpayers filing jointly from \$7,500 to \$9,375.

Certain individual income taxpayers would become eligible to claim the expensing deduction (available under KSA 2017 Supp. 79-32,143a) for the costs of placing certain tangible property and computer software into service in the state. These provisions would be retroactive to tax year 2017.

Other language would clarify for tax year 2017 and thereafter that the state would be taxing 20.0 percent of deferred foreign income, defined to include income under section 965(a) of the federal Internal Revenue Code (certain repatriation income) after allowing for deductions, and for tax year 2018 and thereafter 20.0 percent of global intangible low-taxed income under section 250(b)(1) after allowing for deductions.

Background

The subject matter of HB 2228, as introduced, involved eliminating filing requirements with the State Board of Tax Appeals for owners of certain tax-exempt property. Those provisions were enacted in HB 2212 during the 2017 Session. The Senate Committee on Assessment and Taxation on March 23, 2018, replaced the bill's original contents with the aforementioned income tax provisions and recommended a substitute bill be created.

Allowing all taxpayers to itemize deductions for state income tax purposes was the subject matter of SB 453. The expensing provisions were originally in SB 303.

As of March 27, 2018, the fiscal note on the substitute bill remained unavailable.