

SENATE BILL No. 126

By Committee on Assessment and Taxation

2-7

1 AN ACT concerning income taxation; relating to certain public utilities;
2 exemption from income tax; income tax expenses, exclusion from retail
3 rates; amending K.S.A. 79-32,113 and repealing the existing section.
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 New Section 1. (a) If a public utility as defined in K.S.A. 66-104, and
7 amendments thereto, includes expenses related to income taxes as a
8 component of its retail rates, the utility shall track any overcollection of
9 such income tax expense if the income taxes assessed on such utility are
10 reduced as a result of any changes in state or federal law.

11 (b) When any change in state or federal law that reduces the amount
12 of incomes taxes assessed on a utility results in an overcollection of such
13 utility's income tax expenses, such utility shall file new retail rates
14 reflecting the lower income tax rates and promptly refund the tracked
15 overcollected amounts to retail customers within 30 days of such change in
16 state or federal law.

17 (c) For the purposes of this section, "overcollection of income tax
18 expense" means the portion of utility revenue representing the difference
19 between the cost of service as approved by the state corporation
20 commission in the utility's most recent base rate proceeding and the cost of
21 service that would have resulted had the provision for state or federal
22 income taxes been based upon the reduced corporate income tax rate.

23 Sec. 2. K.S.A. 79-32,113 is hereby amended to read as follows: 79-
24 32,113. (a) A person or organization exempt from federal income taxation
25 under the provisions of the federal internal revenue code shall also be
26 exempt from the tax imposed by this act in each year in which such person
27 or organization satisfies the requirements of the federal internal revenue
28 code for exemption from federal income taxation. If the exemption
29 applicable to any person or organization under the provisions of the federal
30 internal revenue code is limited or qualified in any manner, the exemption
31 from taxes imposed by this article shall be limited or qualified in a similar
32 manner.

33 (b) Notwithstanding the provisions of subsection (a) ~~of this section,~~
34 the unrelated business taxable income, as computed under the provisions
35 of the federal internal revenue code, of any person or organization
36 otherwise exempt from the tax imposed by this act and subject to the tax

1 imposed on unrelated business income by the federal internal revenue code
2 shall be subject to the tax which would have been imposed by this act but
3 for the provisions of subsection (a) ~~of this section~~.

4 (c) In addition to the persons or organizations exempt from federal
5 income taxation under the provision of the federal internal revenue code,
6 there shall also be exempt from the tax imposed by this act, insurance
7 companies, banks, trust companies, savings and loan associations, credit
8 unions and any other organizations, entities or persons specifically exempt
9 from Kansas income taxation under the laws of the state of Kansas.

10 (d) *Notwithstanding the provisions of K.S.A. 79-32,110, and*
11 *amendments thereto, for tax years 2019, 2020, 2021, and 2022, every*
12 *electric and natural gas public utility as defined in K.S.A. 66-104, and*
13 *amendments thereto, that is investor owned and subject to the jurisdiction*
14 *of the state corporation commission shall: (1) Be exempt from the tax*
15 *imposed by the Kansas income tax act; and (2) not collect, as a component*
16 *of such utility's retail rates, Kansas income tax expenses.*

17 Sec. 3. K.S.A. 79-32,113 is hereby repealed.

18 Sec. 4. This act shall take effect and be in force from and after its
19 publication in the Kansas register.