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MEMORANDUM

To: Members of the House Committee on Taxation

From: Adam Siebers, Assistant Revisor

Date: March 17, 2021

Subject: House Bill No. 2421

Summary

House Bill No. 2421 provides for several income tax changes. These include several modifications for determining Kansas income, the election for Kansas itemized deductions, expanding the eligibility for the expensing deduction and amending the calculation thereof, and exemption of unemployment compensation income as a result of identity fraud.

Section 1

Fraudulently obtained unemployment compensation as a result of the individual's identification theft would not be included for income tax purposes for income allocated to that person.

Sections 2 and 4

Provide for several modifications for determining Kansas income. These modifications include modifications for global intangible low-taxed income, business interest, capital contributions, FDIC premiums, business meal expenditures, Payment Protection Program loans and corresponding expenses. The modifications for global intangible low-taxed income, business interest, capital contributions, FDIC premiums will apply for tax year 2021 and thereafter. The modifications for business meal expenditures, Payment Protection Program loans and corresponding expenses will apply for tax year 2020 and thereafter.

Section 3

Individuals who take the federal standard deduction would be able to elect to either itemize or take the standard deduction for Kansas income tax purposes. The provision would apply for tax year 2021 and thereafter.

Section 5

Amends how the expensing deduction is calculated by including section 179 property deductions rather than excluding from the calculation. Additionally, the expensing deduction will be available to taxpayers subject to income tax in addition to the corporate and privilege tax taxpayers for tax year 2021 and thereafter.