



Kansas Update

- ▶ The 2021 Kansas Legislature was a very productive session for economic development.
- ▶ And a good year for the State of Kansas. The state of Kansas overcame bleak expectations to collect 9.3% more tax revenue than expected in the 2021 budget year.
- ▶ The \$8.9 billion general revenue outperformed expectations by \$758 million, leaving Kansas with its highest ending balance of since at least 1980. The \$1.9 billion in reserves represents a quarter of the spending financed by general taxes.



Kansas Legislature 2021

- ▶ **Star Bonds – SB124** amends STAR bonds by adding rural redevelopment projects and major business facilities, changing certain project financing, investment and sales provisions, adding a visitor tracking plan requirement and additional feasibility study requirements with oversight by the secretary, requiring approval by the secretary for real estate transfers, requiring district contiguity, making other amendments and extending the sunset date for five years.
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- ▶ **KIT and KUR HPIP Decoupling and HPIP Transfer of Credits- SB65** would decouple the requirement of participating in the Kansas industrial training, Kansas industrial retraining in order to receive HPIP credits and allow a taxpayer with HPIP projects placed in service after January 1, 2021 to transfer up to 50% of the tax credit. The taxpayer may make a transfer to one or more transferees, but the total of all transfers shall not exceed 50% of the taxpayer's tax credit. The taxpayer shall make the transfer or transfers within a single tax year.



Kansas Legislature 2021

- ▶ **Angel Investor Tax Credit - SB66** would extend the sunset for the Angel Investor Tax Credit from tax year 2021 to tax year 2026 and would increase the amounts of tax credits allowed.
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- ▶ **Rural Housing Incentive District -SB90** would amend the Kansas rural housing incentive district act to permit bond funding for vertical residential renovation of older buildings in central business districts. The structures would need to be 25 years or older.
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- ▶ **Governor's ERO 48** - Governor Kelly's ERO 48 has been approved. The ERO would transfer the Division of Tourism and the office of the Director of Tourism from the Kansas department of wildlife, parks and tourism to the Kansas Department of Commerce.
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- ▶ **COVID Business Liability – SB283** would extend the business liability provision for the COVID-19 response and reopen for business liability protection act to apply to actions accruing on or after March 12, 2020. This bill would extend provisions until March 31, 2022.



Kansas Legislature 2021

- **SB47**

- **ROZ, Tax Credits, Withholding Corporate and Income Tax Deadline**

- SB47 would extend the sunset on the Rural Opportunity Zone (ROZ) Student Loan Repayment Program from July 1, 2021, to July 1, 2023. The bill would also extend the sunset on the income tax credit two years through tax year 2023 and would also extend reporting requirements for the Secretary of Commerce from January 1, 2022, to January 1, 2024. It would change the definition of “rural opportunity zone” from any of the listed 77 counties to any county with a population less than or equal to 40,000.

- The bill would extend the deadline for the filing of Kansas corporation income tax returns to one month after the due date established under federal law and also provide that for calendar years 2021 and 2022, for wages paid to employees temporarily teleworking in a state other than their primary work location, employers would have the option to withhold income taxes based on the state of each employee’s primary work location instead of the state in which the employee is teleworking.





Kansas Legislature 2021

- ▶ SB47 would also authorize, for tax years 2021 to 2025, nonrefundable income or financial institutions privilege tax credits equivalent to 50 percent of certain contributions to the Eisenhower Foundation and Cedar Crest. Credits would be capped at \$25,000 for any individual income taxpayer and at \$50,000 for any corporation income or privilege taxpayer. The total amount of credits claimed in any fiscal year would be limited to \$350,000.



- ▶ **Senate Bill 50**



- ▶ *Marketplace Facilitators Tax Collection and Remittance* section requires the collection and remittance of sales and compensating use tax by most marketplace facilitators beginning July 1, 2021. Entities with annual gross receipts from sales sourced into Kansas in excess of \$100,000 are subject to the requirement. Marketplace facilitators will also collect and remit local transient guest taxes and prepaid wireless 911 fees.



- ▶ *Fraudulent Unemployment Benefits* section clarifies that victims of identity theft do not owe Kansas individual income tax on unemployment compensation that was fraudulently obtained by another individual.



- ▶ *Itemized Deductions* section allows beginning in tax year 2021, individual income taxpayers have the option to take Kansas itemized deductions regardless of whether deductions are itemized, or the standard deduction is claimed for federal income tax.





Kansas Legislature 2021

- ▶ *Standard Deductions* section increases the standard deduction by \$500 to \$3,500 for single filers, \$6,000 for single head-of-household filers, and \$8,000 for married filers filing jointly, beginning in tax year 2021.
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- ▶ *Global Intangible Low Tax Income (GILTI)* allows for a subtraction modification exempting GILTI, as defined in section 951A of the federal Internal Revenue Code (IRC), before any deductions allowed under section 250(a)(1)(B) of the IRC, beginning in tax year 2021.
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- ▶ *Business Interest* allows for beginning in tax year 2021, a subtraction modification exempting certain business interest, to the extent such business interest is currently disallowed as a deduction pursuant to the IRC but was deductible under the IRC as in effect on December 31, 2017.
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- ▶ *Capital Contributions*, beginning in tax year 2021, specifies for Kansas corporation income tax purposes that the exemption from federal taxable income for capital contributions shall be the exemption as it existed in section 118 of the IRC as in effect on December 31, 2017.



Kansas Legislature 2021

- ▶ *Federal Deposit Insurance Corporation Premiums* section allows for a subtraction modification for the amount disallowed as a deduction by section 162(r) of the IRC, as in effect on January 1, 2018, for (FDIC) premiums paid by the taxpayer, beginning in tax year 2021.
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- ▶ *Business Meal Expenses* allows beginning in tax year 2021, a subtraction modification exempting certain meal expenditures, to the extent such expenses are currently disallowed as a deduction pursuant to the IRC but were deductible prior to 2017.
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- ▶ *Expensing Deduction* would allow individual income taxpayers to claim the expensing deduction (provided by KSA 79-32,143(a)) for the costs of placing certain tangible property and computer software into service in the state beginning in tax year 2021. A second change, also effective with tax year 2021, requires all taxpayers claiming the Kansas expensing deduction to offset the amount of federal expensing deduction claimed pursuant to Section 179.
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- ▶ *Net Operating Loss Carry Forward Extension* would allow Kansas income taxpayers to carry forward net operating losses indefinitely, beginning with such losses in tax year 2018. Current law provides for net operating losses to be carried forward for ten years.
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Kansas Legislature 2021

- ▶ **University Engineering Initiative Act - HB2101** extends the program, which provides \$10.5M each year from the Lottery Act Fund that is evenly split by Kansas State University, Wichita State University and Kansas University.
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- ▶ **Kansas Promise Scholarship Act – HB2064** would establish the Kansas promise scholarship act to provide scholarships to students who attend postsecondary educational programs that correspond to high-need career fields.
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- ▶ **Licensure Bill - HB2066** provides that people licensed out of state and/or military spouses who move to Kansas are on the fast track to obtain a Kansas license unless the requirements are substantially different.
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- ▶ **Unemployment Issues - HB2196** would change provisions of the employment security law and address many of the concerns with issues of the unemployment system.
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Kansas Legislature 2022

- Redistricting, redistricting and once again redistricting
 - Election year for all House members and statewide office holders
 - Medical Marijuana
 - Sports Betting
 - Medicaid Expansion
 - Housing Initiatives
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