



LEGISLATIVE REPORT

KEDA

MAY 8, 2021

OVERVIEW

The Kansas legislature adjourned early Saturday morning, May 7, 2021. They will return one day for sine die on May 26. The legislature wrapped up the budget, school finance, and a host of other issues after overriding five vetoes presented to them by the Governor. And, after passing the budget, Kansas is projecting an ending balance of \$1.1 billion in FY2021 and \$542.1 million in FY2022.

The Governor and legislature came to an agreement on utilizing the SPARK Committee instead of the legislative coordinating council to review coronavirus relief funds. The budget adds language directing that the SPARK Executive Committee shall be comprised of three appointees from the Governor with one serving as chairperson, two from the Speaker of the House, and two from the Senate President, and no expenditures authorized by the State Finance Council shall be made by any agency from coronavirus relief funds without prior review and recommendation by this SPARK Executive Committee for FY 2022.

The House passed medical marijuana, but the Senate did not take it up and sent it back to the Senate Federal and State Committee. And there was no action on Medicaid expansion. All of the following, except for the tax bill, will be sent to the Governor for her action.

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.

SB47 would also authorize, for tax years 2021 to 2025, nonrefundable income or financial institutions privilege tax credits equivalent to 50.0 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.

K-12 Funding

The majority of the K-12 funding was passed in HB2134, which was a bipartisan bill to fund K-12. The bill made appropriations for the Kansas State Department of Education (KSDE) for FY 2021, FY 2022, and FY 2023. The bill would also limit remote learning hours based on emergency circumstances of the individual student and school district and provide a different calculation for school finance related to remote learning and increased the amount available for the Tax Credit for Low Income Students Scholarship Program. Along with HB2134, HB2313 re-authorized the 20-mill property tax levy for school years 2021-2022 and 2022-2023.

Tax Bill

Following are provisions of SB50, the tax bill that the legislature passed this week, over the Governor's veto.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Session Update

A full update of actions taken by the 2021 legislature will be provided after they officially adjourn sine die on Wednesday, May 26, 2021.

Links to House and Senate Calendars

http://kslegislature.org/li/b2021_22/chamber/calendars/

Audio and visual link <http://kslegislature.org/li/>

Link to bills that the Governor has signed and vetoed:

http://kslegislature.org/li/b2021_22/year1/measures/reports/

Sandy Braden, President, Braden Heidner Lowe & Associates

Email: sandy@bhlandassociates.com

Office: 785-233-4512