

SESSION OF 2017

**CONFERENCE COMMITTEE REPORT BRIEF  
SENATE BILL NO. 30**

As Agreed to May 2, 2017

**Brief\***

SB 30 would make a number of changes in the Kansas individual income tax structure.

The bill would repeal, effective for tax year 2017, the exemption for non-wage business income that has been in effect since tax year 2013. Taxpayers also could begin claiming certain non-wage business income losses in conformity with federal treatment (but would not be able to file amended returns for previous tax years when such losses were not eligible to be claimed for Kansas income tax purposes). Special subtraction modification provisions relating to net gains from certain livestock and Christmas tree sales would be repealed.

Medical expenses allowed as itemized deductions under federal law also would become available as Kansas itemized deductions beginning in tax year 2018. (Legislation enacted in 2015 repealed the medical expense deduction for state income tax purposes.)

Starting in tax year 2018, the low-income exclusion threshold (below which any positive income tax liability is otherwise eliminated) would be reduced from \$12,500 to \$5,000 for married filers and from \$5,000 to \$2,500 for single filers.

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\*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

Individual income tax rates would be increased beginning in tax year 2017 such that the State would be utilizing a three-bracket system of 2.85 percent, 4.9 percent, and 5.1 percent. For tax year 2018 and all years thereafter, a three-bracket system of 3.0 percent, 5.25 percent, and 5.6 percent would be used. (Current law provides for a two-bracket system with rates of 2.70 percent and 4.60 percent.) Additional formulaic provisions that could have provided for rate reductions in certain future years based on growth in selected State General Fund (SGF) tax receipts would be repealed.

### **Conference Committee Action**

The Conference Committee agreed to delete the contents of SB 30, pertaining to changes in statutory references and dates for filing certain tax forms, and insert the contents described above.

### **Background**

SB 30 previously addressed statutory references to a successor organization and filing dates for certain tax forms. Conferees also agreed to later address the contents of SB 30 as part of their deliberations on SB 96.

Individual income tax legislation originally enacted in 2012 provided for the non-wage business income exemption. A three-bracket system (3.50 percent, 6.25 percent, and 6.45 percent) that had remained largely unchanged since the early 1990s also was amended at that time to become a two-bracket system (with rates set at 3.0 and 4.9 percent for tax year 2013 and all years thereafter). Additional changes in that 2012 legislation included the repeal of various tax credits, removal of renters from the Homestead Property Tax Refund program, and increases in standard deductions.

Follow-up legislation enacted in 2013 made a number of reductions to itemized and standard deductions, provided for additional income tax rate reductions to be phased in through tax year 2018, and established formulaic relief that could occur in future years.

A third major round of changes to the state's tax structure enacted in 2015 included removing some of the income tax rate reductions scheduled to occur through tax year 2018, adjusting the formulaic provisions, reducing itemized deductions further, increasing the sales tax rate, and increasing the cigarette tax rate.

The table below provides additional details regarding the income tax brackets under prior law, current law, and the proposal in the bill.

**Individual Income Tax Brackets, Married Filing Jointly**

<u>Taxable Income</u>	<u>Tax Year</u> 1992- <u>2012</u>	<u>Current</u> <u>Law Tax</u> <u>Year</u> <u>2017</u>	<u>Proposal</u> <u>Tax Year</u> <u>2017</u>	<u>Current</u> <u>Law Tax</u> <u>Year</u> <u>2018</u>	<u>Proposal</u> <u>Tax Year</u> <u>2018</u>
\$0-30,000	3.50%	2.70%	2.85%	2.60%	3.00%
\$30,001- \$60,000	6.25%	4.60%	4.90%	4.60%	5.25%
\$60,001- 100,000	6.45%	4.60%	4.90%	4.60%	5.25%
\$100,001 and above	6.45%	4.60%	5.10%	4.60%	5.60%

The latest fiscal information provided by the Department of Revenue indicates the bill would be expected to increase SGF receipts by the following amounts:

- FY 2018: \$514.0 million;

- FY 2019: \$548.7 million;
- FY 2020: \$554.2 million;
- FY 2021: \$559.8 million; and
- FY 2022: \$565.4 million.

taxation; income tax; rates; bracket

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