

SESSION OF 2014

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2642**

As Amended by House Committee on Taxation

**Brief\***

HB 2642 would create a tax deduction for the net gain from the sale of certain livestock and would reinstate two tax credits for expenditures used to make a dwelling or facility accessible for persons with disabilities.

***Livestock Net Gain Deduction***

The bill would create an income tax deduction from federal adjusted gross income in determining Kansas adjusted gross income for the net gain of the sale of any cattle or horses held by the taxpayer for draft, breeding, dairy, or sporting purposes that were held by the taxpayer for 24 months or more from the date of acquisition. The bill would create the same deduction for other livestock held for draft, breeding, dairy, or sporting purposes for 12 months or more from the date of acquisition. The deduction would be limited to the amount of losses reported on schedules C, E, and F and lines 12, 17, and 18 of the federal form 1040 attributable to the business in which the livestock sold had been used.

***Dwelling and Facility Accessibility Credits***

The bill would reinstate, retroactive to tax year 2013, an individual income tax credit repealed in 2012 to provide reimbursement under certain circumstances for a portion of the costs associated with modifying a taxpayer's principal residence to make it more accessible to persons with

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

disabilities. The maximum amount allowed would be \$9,000 and the credit phased out altogether at Kansas adjusted gross income of \$55,000 and above.

The bill also would reinstate, retroactive to tax year 2013, a second credit to provide reimbursement for a portion of the costs borne by individual income taxpayers making other facilities more accessible to persons with disabilities. This credit, which also was repealed in 2012 for individual (but not corporation) income taxpayers, generally would be limited to 50 percent of qualifying expenditures and capped at \$10,000.

## **Background**

The bill was introduced by the House Committee on Taxation. At the House Committee hearing on the bill, representatives from the Kansas Farm Bureau, the Kansas Livestock Association, and the Kansas Department of Agriculture testified in support of the bill. The Kansas Department of Revenue provided neutral testimony on the bill, and there was no opponent testimony.

The House Committee amended the bill to limit the amount of the livestock sale deduction according to the losses reported. The House Committee also amended the bill to include the two tax credits for expenditures in making dwellings and other facilities accessible to persons with disabilities (the provisions of Senate Bill 189, which was recommended favorably for passage by the Senate Committee on Assessment and Taxation during the 2013 legislative session).

The fiscal note on the bill, as introduced, indicated the bill would reduce revenues to the state general fund by \$3.7 million in fiscal year 2015 and by \$2.0 million in fiscal year 2016. The Department of Revenue estimates the amendment made by the Committee to limit the amount of the deduction would reduce those amounts to \$2.6 million for fiscal year

2015 and \$1.6 million for fiscal year 2016 and all future years. The amendment to add the two tax credits for disability accessibility expenditures is estimated to reduce revenues to the state general fund by \$64,000 in fiscal year 2015 and \$32,000 in fiscal year 2016 and all years thereafter.

The total estimated fiscal impact for the House Committee on Taxation version of the bill would be to reduce revenues to the state general fund by \$2.664 million in fiscal year 2015 and \$1.632 million for fiscal year 2016 and all years thereafter.