

March 28, 2024

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

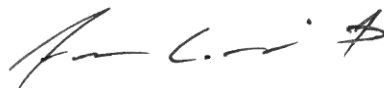
SUBJECT: Fiscal Note for HB 2836 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2836 is respectfully submitted to your committee.

HB 2836 would amend the SALT Parity Act to clarify the determination of taxable income of an electing pass-through entity, and to provide for the passing-through of tax credits to electing pass-through entity owners. The bill would declare the purpose of the SALT Parity Act is to avoid double taxation of income on electing pass-through entity owners. The bill would clarify that an electing pass-through entity would be subject to tax equal to highest individual income tax rate multiplied by the sum of each resident and nonresident electing pass-through entity's income attributable to Kansas; and each resident electing passthrough entity owner's pro rata or distributive share of the electing pass-through entity's income calculated either before or after allocation and apportionment to Kansas. The bill includes language that would simplify the passing-through of tax credits to electing pass-through entity owners. The changes to the SALT Parity Act would be applied retroactively beginning in tax year 2022.

The Department of Revenue estimates that HB 2836 would have no fiscal effect on State General Fund receipts. The SALT Parity Act only impacts individual taxpayers who receive income from a pass-through entity and allows only those taxpayers to lower their federal income taxes by working around the federal government limitation on the deduction of certain state and local taxes.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue