

## HOUSE BILL No. 2798

By Committee on Taxation

Requested by Eric Stafford on behalf of the Kansas Chamber of Commerce

2-13

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1 AN ACT concerning taxation; relating to income and privilege taxes;  
2 providing for the apportionment of business income by the single sales  
3 factor and the apportionment of financial institution income by the  
4 receipts factor; establishing for deductions from income when using the  
5 single sales factor and receipts factor; providing for the decrease in  
6 corporate income tax rates; amending K.S.A. 79-1129 and 79-3279 and  
7 K.S.A. 2023 Supp. 79-32,110 and repealing the existing sections.  
8

9 *Be it enacted by the Legislature of the State of Kansas:*

10 New Section 1. (a) Commencing with fiscal year 2026, the director of  
11 the budget, in consultation with the director of legislative research, shall  
12 certify, at the end of each such fiscal year, the amount of actual corporate  
13 income tax receipt revenues generated pursuant to K.S.A. 79-32,110(c),  
14 and amendments thereto, that is in excess of the prior fiscal year's  
15 corporate income tax receipts. The director of the budget shall transmit  
16 such certification to the secretary of revenue. Upon receipt of such  
17 certification, the secretary shall compute the reduction of the corporate  
18 income tax rate pursuant to K.S.A. 79-32,110(c), and amendments thereto.  
19 The certified amount shall be computed in dollars by the secretary for a  
20 reduction rounded down to the nearest 0.1% in the corporate income tax  
21 rate, if any, to go into effect for the next calendar year that would reduce  
22 the corporate income tax rate in an amount approximately equal to the  
23 amount computed by the secretary. The secretary shall reduce the normal  
24 tax on corporations. Such rate reductions shall remain in effect unless  
25 further reduced pursuant to law.

26 (b) The secretary shall publish by October 1, 2026, the new income  
27 tax rates to take effect on January 1, 2027.

28 Sec. 2. K.S.A. 79-1129 is hereby amended to read as follows: 79-  
29 1129. (a) Except as otherwise specifically provided, a financial institution  
30 whose business activity is taxable both within and without this state shall  
31 allocate and apportion its net income as provided in this act. All items of  
32 nonbusiness income, income which is not includable in the apportionable  
33 income tax base, shall be allocated pursuant to the provisions of K.S.A.  
34 79-3274 through 79-3278 and amendments thereto. A financial institution  
35 organized under the laws of a foreign country, the commonwealth of

1 Puerto Rico, or a territory or possession of the United States whose  
2 effectively connected income, as defined under the federal internal revenue  
3 code, is taxable both within this state and within another state, other than  
4 the state in which it is organized, shall allocate and apportion its net  
5 income as provided in this act and its apportionment factors shall include  
6 the part of its property, payroll and receipts that is related to its  
7 apportionable income.

8 (b) (1) *For taxable years prior to January 1, 2026, all business*  
9 *income shall be apportioned as follows:*

10 (A) All business income, income which is includable in the  
11 apportionable income tax base, shall be apportioned to this state by  
12 multiplying such income by the apportionment percentage. The  
13 apportionment percentage is determined by adding the taxpayer's receipts  
14 factor, as described in K.S.A. 79-1130, *and amendments thereto*, property  
15 factor, as described in K.S.A. 79-1131, *and amendments thereto*, and  
16 payroll factor, as described in K.S.A. 79-1132, *and amendments thereto*,  
17 together and dividing the sum by three. If one of the factors is missing, the  
18 two remaining factors are added and the sum is divided by two. If two of  
19 the factors are missing, the remaining factor is the apportionment  
20 percentage. A factor is missing if both its numerator and denominator are  
21 zero, but it is not missing merely because its numerator is zero.

22 (B) (i) *For tax years commencing December 31, 2023, and ending*  
23 *before January 1, 2026, at the election of the taxpayer, all business income*  
24 *that is includable in the apportionable income tax base, may be*  
25 *apportioned to this state by the taxpayer's receipts factor, as described in*  
26 *K.S.A. 79-1130, and amendments thereto.*

27 (ii) *An election under this subparagraph shall be made by including*  
28 *a statement with the original tax return for which the election is made*  
29 *indicating that the taxpayer elects to apply this apportionment method.*  
30 *The election shall be effective and irrevocable for the taxable year of the*  
31 *election and shall be binding on all members of a unitary group of*  
32 *corporations.*

33 (2) *For tax years commencing December 31, 2025, all business*  
34 *income shall be apportioned to this state by multiplying the business*  
35 *income by the receipts factor.*

36 (c) Each factor shall be computed according to the method of  
37 accounting, cash or accrual basis, used by the taxpayer for the taxable year.

38 (d) If the allocation and apportionment provisions of this act do not  
39 fairly represent the extent of the taxpayer's business activity in this state,  
40 the taxpayer may petition for or the secretary of revenue may require, in  
41 respect to all or any part of the taxpayer's business activity, if reasonable:

42 (1) Separate accounting;

43 (2) the exclusion of any one or more of the factors;

1 (3) the inclusion of one or more additional factors which will fairly  
2 represent the taxpayer's business activity in this state; or

3 (4) the employment of any other method to effectuate an equitable  
4 allocation and apportionment of the taxpayer's income.

5 (e) In the event a combined report is utilized to determine the Kansas  
6 income attributable to a unitary group of financial institutions, the  
7 financial institutions in the combined group shall include only those  
8 institutions which have a branch or office in Kansas.

9 (f) (1) *There shall be allowed as a deduction an amount computed in*  
10 *accordance with this subsection.*

11 (2) *As of July 1, 2024, only publicly traded companies, including*  
12 *affiliated corporations participating in the filing of a publicly traded*  
13 *company's financial statements prepared in accordance with generally*  
14 *accepted accounting principles, shall be eligible for this deduction.*

15 (3) *If the provisions of this section result in an aggregate increase in*  
16 *the taxpayer's net deferred tax liability or an aggregate decrease in the*  
17 *taxpayer's net deferred tax asset, or an aggregate change from a net*  
18 *deferred tax asset to a net deferred tax liability, the taxpayer shall be*  
19 *entitled to a deduction, as determined in this subsection.*

20 (4) *A taxpayer shall be entitled to a deferred tax impact deduction*  
21 *from the taxpayer's entire net income equal to the amount necessary to*  
22 *offset the increase in the net deferred tax liability or decrease in the net*  
23 *deferred tax asset, or aggregate change from a net deferred tax asset to a*  
24 *net deferred tax liability. Such increase in the net deferred tax liability,*  
25 *decrease in the net deferred tax asset or the aggregate change from a net*  
26 *deferred tax asset to a net deferred tax liability shall be computed based*  
27 *on the change that would result from the imposition of the single sales*  
28 *factor requirements pursuant to this section, excluding the deduction*  
29 *provided under this paragraph, as of the end of the tax year prior to the*  
30 *year in which the taxpayer makes an election or is required to apportion*  
31 *by the sales factor. The amount of the deduction shall equal the annual*  
32 *deferred tax deduction amount set forth in paragraph (5).*

33 (5) *The annual deferred tax deduction amount shall be calculated as*  
34 *follows:*

35 (A) *The deferred tax impact determined in paragraph (4) shall be*  
36 *divided by the income tax rate for corporations in effect for the tax year*  
37 *pursuant to K.S.A. 79-32,110, and amendments thereto;*

38 (B) *the resulting amount shall be further divided by the Kansas*  
39 *apportionment factor that was used by the taxpayer in the calculation of*  
40 *the deferred tax assets and deferred tax liabilities as provided in this*  
41 *subsection; and*

42 (C) *the result multiplied by  $\frac{1}{10}$  shall represent the total net deferred*  
43 *tax deduction available for the 2027 tax year and the next nine successive*

1 tax years.

2 (6) *The deduction calculated under paragraph (5) shall not be*  
3 *adjusted as a result of any events subsequent to such calculation,*  
4 *including, but not limited to, any disposition or abandonment of assets.*  
5 *Such deduction shall be calculated without regard to any tax liabilities*  
6 *under the federal internal revenue code and shall not alter the tax basis of*  
7 *any asset. If the deduction under this section is greater than the taxpayer's*  
8 *Kansas adjusted gross income, any excess deduction shall be carried*  
9 *forward and applied as a deduction for future tax years until fully utilized.*

10 (7) *At the discretion of the taxpayer, the taxpayer may be allowed to*  
11 *claim other available tax credits before claiming the deferred tax*  
12 *deduction calculated under this section. Any taxpayer intending to claim a*  
13 *deduction under this subsection shall file a statement with the secretary on*  
14 *or before July 1 of the year after the first tax year for which a single sales*  
15 *factor is required. Such statement shall specify the total amount of the*  
16 *deduction that the taxpayer claims on such form and in such manner as*  
17 *prescribed by the secretary. No deduction shall be allowed under this*  
18 *paragraph for any tax year unless claimed on such timely filed statement*  
19 *in accordance with this paragraph.*

20 (8) *For purposes of this subsection:*

21 (A) *"Net deferred tax liability" means deferred tax liabilities that*  
22 *exceed the deferred tax assets of the taxpayer, as computed in accordance*  
23 *with generally accepted accounting principles.*

24 (B) *"Net deferred tax asset" means that deferred tax assets exceed the*  
25 *deferred tax liabilities of the taxpayer, as computed in accordance with*  
26 *generally accepted accounting principles.*

27 (g) *Any taxpayer intending to claim a deduction under this section*  
28 *shall file a statement with the secretary of revenue on or before July 1,*  
29 *2026, specifying the total amount of the deduction that the taxpayer*  
30 *claims. The statement shall be made on such form and in such manner as*  
31 *prescribed by the secretary and shall contain such information or*  
32 *calculations as the secretary may specify. No deduction shall be allowed*  
33 *under this section for any taxable year except to the extent claimed in the*  
34 *manner prescribed on or before July 1, 2026. This paragraph does not*  
35 *limit the authority of the secretary under K.S.A. 79-3226, and amendments*  
36 *thereto, to review or redetermine the proper amount of any deduction*  
37 *claimed, whether on the statement required under this subsection or on a*  
38 *tax return for any taxable year.*

39 Sec. 3. K.S.A. 79-3279 is hereby amended to read as follows: 79-  
40 3279. (a) ~~All business income of railroads and interstate motor carriers of~~  
41 ~~persons or property for hire~~ shall be apportioned to this state by  
42 multiplying the business income by a fraction, in the case of railroads, the  
43 numerator of which is the freight car miles in this state and the

1 denominator of which is the freight car miles everywhere, and, in the case  
2 of interstate motor carriers, the numerator of which is the total number of  
3 miles operated in this state and the denominator of which is the total  
4 number of miles operated everywhere.

5 (b) *For the tax years ending before January 1, 2026*, all business  
6 income of any other taxpayer shall be apportioned to this state by one of  
7 the following methods:

8 (1) By multiplying the business income by a fraction, the numerator  
9 of which is the property factor plus the payroll factor plus the sales factor,  
10 and the denominator of which is three; or

11 (2) at the election of a qualifying ~~a~~ taxpayer, by multiplying the  
12 business income by a fraction, the numerator of which is the property  
13 factor plus the sales factor, and the denominator of which is two.

14 (A) For purposes of this subsection (b)(2), a qualifying taxpayer is  
15 any taxpayer whose payroll factor for a taxable year exceeds 200% of the  
16 average of the property factor and the sales factor. Whenever two or more  
17 corporations are engaged in a unitary business and required to file a  
18 combined report, the fraction comparison provided by this subsection (b)  
19 (2) shall be calculated by using the payroll factor, property factor and sales  
20 factor of the combined group of unitary corporations.

21 (B) An election under this subsection (b)(2) shall be made by  
22 including a statement with the original tax return indicating that the  
23 taxpayer elects to apply the apportionment method under this subsection  
24 (b)(2). The election shall be effective and irrevocable for the taxable year  
25 of the election and the following nine taxable years. The election shall be  
26 binding on all members of a unitary group of corporations.  
27 Notwithstanding the above, the secretary of revenue may upon the request  
28 of the taxpayer, grant permission to terminate the election under this  
29 subsection (b)(2) prior to expiration of the ten-year period.

30 (3) At the election of a qualifying telecommunications company, by  
31 multiplying the business income by a fraction, the numerator of which is  
32 the information carrying capacity of wire and fiber optic cable available  
33 for use in this state, and the denominator of which is the information  
34 carrying capacity of wire and fiber optic cable available for use  
35 everywhere during the tax year.

36 (A) For purposes of this subsection (b)(3), a qualifying  
37 telecommunications company is a telecommunications company that is a  
38 qualifying taxpayer under paragraph (A) of subsection (b)(2).

39 (B) A qualifying telecommunications company shall make the  
40 election under this subsection (b)(3) in the same manner as provided under  
41 paragraph (B) of subsection (b)(2).

42 (4) At the election of a distressed area taxpayer, by multiplying the  
43 business income by the sales factor. The election shall be made by

1 including a statement with the original tax return indicating that the  
2 taxpayer elects to apply this apportionment method. The election may be  
3 made only once, it must be made on or before December 31, 1999 and it  
4 shall be effective for the taxable year of the election and the following nine  
5 taxable years for so long as the taxpayer maintains the payroll amount  
6 prescribed by ~~subsection (j)~~ of K.S.A. 79-3271(j), and amendments  
7 thereto.

8 (5) At the election of the taxpayer made at the time of filing of the  
9 original return, the qualifying business income of any investment funds  
10 service corporation organized as a corporation or S corporation which  
11 maintains its primary headquarters and operations or is a branch facility  
12 that employs at least 100 individuals on a full-time equivalent basis in this  
13 state and has any investment company fund shareholders resided in this  
14 state shall be apportioned to this state as provided in this subsection, as  
15 follows:

16 (A) By multiplying the investment funds service corporation's  
17 qualifying business income from administration, distribution and  
18 management services provided to each investment company by a fraction,  
19 the numerator of which shall be the average of the number of shares  
20 owned by the investment company's fund shareholders resided in this  
21 state at the beginning of and at the end of the investment company's  
22 taxable year that ends with or within the investment funds service  
23 corporation's taxable year, and the denominator of which shall be the  
24 average of the number of shares owned by the investment company's fund  
25 shareholders everywhere at the beginning of and at the end of the  
26 investment company's taxable year that ends with or within the investment  
27 funds service corporation's taxable year.

28 (B) A separate computation shall be made to determine the qualifying  
29 business income from each fund of each investment company. The  
30 qualifying business income from each investment company shall be  
31 multiplied by the fraction calculated pursuant to paragraph (A) for each  
32 fund of such investment company.

33 (C) The qualifying portion of total business income of an investment  
34 funds service corporation shall be determined by multiplying such total  
35 business income by a fraction, the numerator of which is the gross receipts  
36 from the provision of management, distribution and administration  
37 services to or on behalf of an investment company, and the denominator of  
38 which is the gross receipts of the investment funds service company. To  
39 the extent an investment funds service corporation has business income  
40 that is not qualifying business income, such business income shall be  
41 apportioned to this state pursuant to subsection (b)(1).

42 (D) For tax year 2002, the tax liability of an investment funds service  
43 corporation that has elected to apportion its business income pursuant to

1 paragraph (5) shall be increased by an amount equal to 50% of the  
2 difference of the amount of such tax liability if determined pursuant to  
3 subsection (b)(1) less the amount of such tax liability determined with  
4 regard to paragraph (5).

5 (E) When an investment funds service corporation is part of a unitary  
6 group, the business income of the unitary group attributable to the  
7 investment funds service corporation shall be determined by multiplying  
8 the business income of the unitary group by a fraction, the numerator of  
9 which is the property factor plus the payroll factor plus the sales factor,  
10 and the denominator of which is three. The property factor is a fraction,  
11 the numerator of which is the average value of the investment funds  
12 service corporation's real and tangible personal property owned or rented  
13 and used during the tax period and the denominator of which is the  
14 average value of the unitary group's real and tangible personal property  
15 owned or rented and used during the tax period. The payroll factor is a  
16 fraction, the numerator of which is the total amount paid during the tax  
17 period by the investment funds service corporation for compensation, and  
18 the denominator of which is the total compensation paid by the unitary  
19 group during the tax period. The sales factor is a fraction, the numerator of  
20 which is the total sales of the investment funds service corporation during  
21 the tax period, and the denominator of which is the total sales of the  
22 unitary group during the tax period.

23 (F) A taxpayer seeking to make the election available pursuant to  
24 ~~subsection (b)(5)~~ of K.S.A. 79-3279(b)(5), and amendments thereto, shall  
25 only be eligible to continue to make such election if the taxpayer maintains  
26 at least 95% of the Kansas employees in existence at the time the taxpayer  
27 first makes such an election.

28 (6) At the election of a qualifying taxpayer, by multiplying such  
29 taxpayer's business income by the sales factor. The election shall be made  
30 by including a statement with the original tax return indicating that the  
31 taxpayer elects to apply this apportionment method. The election may be  
32 made only once and must be made on or before the last day of the taxable  
33 year during which the investment described in paragraph (A) is placed in  
34 service, but not later than December 31, 2009, and it shall be effective for  
35 the taxable year of the election and the following nine taxable years or for  
36 so long as the taxpayer maintains the wage requirements set forth in  
37 paragraph (A). If the qualifying taxpayer is a member of a unitary group of  
38 corporations, all other members of the unitary group doing business within  
39 this state shall apportion their business income to this state pursuant to  
40 subsection (b)(1).

41 (A) For purposes of this subsection, a qualifying taxpayer is any  
42 taxpayer making an investment of \$100,000,000 for construction in  
43 Kansas of a new business facility identified under the North American

1 industry classification system (NAICS) subsectors of 31-33, as assigned  
2 by the secretary of the department of labor, employing 100 or more new  
3 employees at such facility after July 1, 2007, and prior to December 31,  
4 2009, and meeting the following requirements for paying such employees  
5 higher-than-average wages within the wage region for such facility:

6 (i) The taxpayer's new Kansas business facility with 500 or fewer  
7 full-time equivalent employees will provide an average wage that is above  
8 the average wage paid by all Kansas business facilities that share the same  
9 assigned NAICS category used to develop wage thresholds and that have  
10 reported 500 or fewer employees to the Kansas department of labor on the  
11 quarterly wage reports;

12 (ii) the taxpayer's new Kansas business facility with 500 or fewer  
13 full-time equivalent employees is the sole facility within its assigned  
14 NAICS category that has reported wages for 500 or fewer employees to  
15 the Kansas department of labor on the quarterly wage reports;

16 (iii) the taxpayer's new Kansas business facility with more than 500  
17 full-time equivalent employees will provide an average wage that is above  
18 the average wage paid by all Kansas business facilities that share the same  
19 assigned NAICS category used to develop wage thresholds and that have  
20 reported more than 500 employees to the Kansas department of labor on  
21 the quarterly wage reports;

22 (iv) the taxpayer's new Kansas business facility with more than 500  
23 full-time equivalent employees is the sole facility within its assigned  
24 NAICS category that has reported wages for more than 500 employees to  
25 the Kansas department of labor on the quarterly wage reports, in which  
26 event it shall either provide an average wage that is above the average  
27 wage paid by all Kansas business facilities that share the same assigned  
28 NAICS category and that have reported wages for 500 or fewer employees  
29 to the Kansas department of labor on the quarterly wage reports, or be the  
30 sole Kansas business facility within its assigned NAICS category that has  
31 reported wages to the Kansas department of labor on the quarterly wage  
32 reports;

33 (v) the number of NAICS digits to use in developing each set of wage  
34 thresholds for comparison purposes shall be determined by the secretary of  
35 commerce;

36 (vi) the composition of wage regions used in connection with each set  
37 of wage thresholds shall be determined by the secretary of commerce; and

38 (vii) alternatively, a taxpayer may wage-qualify its new Kansas  
39 business facility if, after excluding the headcount and wages reported on  
40 the quarterly wage reports to the Kansas department of labor for  
41 employees at that new Kansas business facility who own five percent or  
42 more equity in the taxpayer, the average wage calculated for the taxpayer's  
43 new Kansas business facility is greater than or equal to 1.5 times the



1 aggregate state-wide average wage paid by industries covered by the  
2 employment security law based on data maintained by the secretary of  
3 labor.

4 (B) For the purposes of the wage requirements in paragraph (A), the  
5 number of full-time equivalent employees shall be determined by dividing  
6 the number of hours worked by part-time employees during the pertinent  
7 measurement interval by an amount equal to the corresponding multiple of  
8 a 40-hour work week and adding the quotient to the average number of  
9 full-time employees.

10 (C) When the qualifying taxpayer is part of a unitary group, the  
11 business income of the unitary group attributable to the qualifying  
12 taxpayer shall be determined by multiplying the business income of the  
13 unitary group by a fraction, the numerator of which is the property factor  
14 plus the payroll factor plus the sales factor, and the denominator of which  
15 is three. The property factor is a fraction, the numerator of which is the  
16 average value of the qualifying taxpayer's real and tangible personal  
17 property owned or rented and used during the tax period and the  
18 denominator of which is the average value of the unitary group's real and  
19 tangible personal property owned or rented and used during the tax period.  
20 The payroll factor is a fraction, the numerator of which is the total amount  
21 paid during the tax period by the qualifying taxpayer for compensation,  
22 and the denominator of which is the total compensation paid by the unitary  
23 group during the tax period. The sales factor is a fraction, the numerator of  
24 which is the total sales of the qualifying taxpayer during the tax period,  
25 and the denominator of which is the total sales of the unitary group during  
26 the tax period.

27 (D) For purposes of this subsection, the secretary of revenue, upon a  
28 showing of good cause and after receiving a certification by the secretary  
29 of commerce of substantial compliance with provisions of this subsection  
30 (b)(6), may extend any required performance date provided in this  
31 subsection (b)(6) for a period not to exceed six months.

32 (c) *For tax years commencing December 31, 2023, and ending before*  
33 *January 1, 2026, at the election of the taxpayer, all business income of any*  
34 *other taxpayer may be apportioned to this state by multiplying such*  
35 *taxpayer's business income by the sales factor. An election under this*  
36 *subsection shall be made by including a statement with the original tax*  
37 *return for which the election is made indicating that the taxpayer elects to*  
38 *apply this apportionment method. The election shall be effective and*  
39 *irrevocable for the taxable year of the election.*

40 (d) *For tax years commencing December 31, 2025, all business*  
41 *income shall be apportioned to this state by multiplying the business*  
42 *income by the sales factor.*

43 (e) *Any taxpayer having previously made an election pursuant to*

1 subsection (b)(2) shall be permitted to make a new election pursuant to  
2 subsection (c).

3 (f) (1) There shall be allowed as a deduction an amount computed in  
4 accordance with this subsection.

5 (2) As of July 1, 2024, only publicly traded companies, including  
6 affiliated corporations participating in the filing of a publicly traded  
7 company's financial statements prepared in accordance with generally  
8 accepted accounting principles, shall be eligible for this deduction.

9 (3) If the provisions of this section result in an aggregate increase in  
10 the taxpayer's net deferred tax liability or an aggregate decrease in the  
11 taxpayer's net deferred tax asset, or an aggregate change from a net  
12 deferred tax asset to a net deferred tax liability, the taxpayer shall be  
13 entitled to a deduction, as determined in this subsection.

14 (4) A taxpayer shall be entitled to a deferred tax impact deduction  
15 from the taxpayer's entire net income equal to the amount necessary to  
16 offset the increase in the net deferred tax liability or decrease in the net  
17 deferred tax asset, or aggregate change from a net deferred tax asset to a  
18 net deferred tax liability. Such increase in the net deferred tax liability,  
19 decrease in the net deferred tax asset or the aggregate change from a net  
20 deferred tax asset to a net deferred tax liability shall be computed based  
21 on the change that would result from the imposition of the single sales  
22 factor requirements pursuant to this section, excluding the deduction  
23 provided under this paragraph, as of the end of the tax year prior to the  
24 year in which the taxpayer makes an election or is required to apportion  
25 by the sales factor. The amount of the deduction shall equal the annual  
26 deferred tax deduction amount set forth in paragraph (5).

27 (5) The annual deferred tax deduction amount shall be calculated as  
28 follows:

29 (A) The deferred tax impact determined in paragraph (4) shall be  
30 divided by the income tax rate for corporations in effect for the tax year  
31 pursuant to K.S.A. 79-32,110, and amendments thereto;

32 (B) the resulting amount shall be further divided by the Kansas  
33 apportionment factor that was used by the taxpayer in the calculation of  
34 the deferred tax assets and deferred tax liabilities as provided in this  
35 subsection; and

36 (C) the result multiplied by  $\frac{1}{10}$  shall represent the total net deferred  
37 tax deduction available for the 2027 tax year and the next nine successive  
38 tax years.

39 (6) The deduction calculated under paragraph (5) shall not be  
40 adjusted as a result of any events subsequent to such calculation,  
41 including, but not limited to, any disposition or abandonment of assets.  
42 Such deduction shall be calculated without regard to any tax liabilities  
43 under the federal internal revenue code and shall not alter the tax basis of

1 any asset. If the deduction under this section is greater than the taxpayer's  
 2 Kansas adjusted gross income, any excess deduction shall be carried  
 3 forward and applied as a deduction for future tax years until fully utilized.

4 (7) At the discretion of the taxpayer, the taxpayer may be allowed to  
 5 claim other available tax credits before claiming the deferred tax  
 6 deduction calculated under this section. Any taxpayer intending to claim a  
 7 deduction under this subsection shall file a statement with the secretary on  
 8 or before July 1 of the year after the first tax year for which a single sales  
 9 factor is required. Such statement shall specify the total amount of the  
 10 deduction that the taxpayer claims on such form and in such manner as  
 11 prescribed by the secretary. No deduction shall be allowed under this  
 12 paragraph for any tax year unless claimed on such timely filed statement  
 13 in accordance with this paragraph.

14 (8) For purposes of this subsection:

15 (A) "Net deferred tax liability" means deferred tax liabilities that  
 16 exceed the deferred tax assets of the taxpayer, as computed in accordance  
 17 with generally accepted accounting principles.

18 (B) "Net deferred tax asset" means that deferred tax assets exceed the  
 19 deferred tax liabilities of the taxpayer, as computed in accordance with  
 20 generally accepted accounting principles.

21 (g) The amendments made to this section by this act shall apply  
 22 commencing on and after December 31, 2023.

23 Sec. 4. K.S.A. 2023 Supp. 79-32,110 is hereby amended to read as  
 24 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided  
 25 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed  
 26 upon the Kansas taxable income of every resident individual, which tax  
 27 shall be computed in accordance with the following tax schedules:

28 (1) *Married individuals filing joint returns*.

29 (A) ~~For tax year 2012:~~

If the taxable income is: _____	The tax is:
31 Not over \$30,000.....	3.5% of Kansas taxable income
32 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of excess
33 _____	over \$30,000
34 Over \$60,000.....	\$2,925 plus 6.45% of excess
35 _____	over \$60,000

36 (B) ~~For tax year 2013:~~

If the taxable income is: _____	The tax is:
38 Not over \$30,000.....	3.0% of Kansas taxable income
39 Over \$30,000.....	\$900 plus 4.9% of excess over
40 _____	\$30,000

41 (C) ~~For tax year 2014:~~

If the taxable income is: _____	The tax is:
42 Not over \$30,000.....	2.7% of Kansas taxable income

1 Over \$30,000.....\$810 plus 4.8% of excess over  
 2 \_\_\_\_\_ \$30,000

3 (D) For tax years 2015 and 2016:

4 If the taxable income is: The tax is:  
 5 Not over \$30,000.....2.7% of Kansas taxable income  
 6 Over \$30,000.....\$810 plus 4.6% of excess over  
 7 \_\_\_\_\_ \$30,000

8 (E) For tax year 2017:

9 If the taxable income is: The tax is:  
 10 Not over \$30,000.....2.9% of Kansas taxable income  
 11 Over \$30,000 but not over \$60,000.....\$870 plus 4.9% of excess over  
 12 \_\_\_\_\_ \$30,000  
 13 Over \$60,000.....\$2,340 plus 5.2% of excess over  
 14 \_\_\_\_\_ \$60,000

15 (F) For tax year 2018, and all tax years thereafter:

16 If the taxable income is: The tax is:  
 17 Not over \$30,000.....3.1% of Kansas taxable income  
 18 Over \$30,000 but not over \$60,000.....\$930 plus 5.25% of excess  
 19 over \$30,000  
 20 Over \$60,000.....\$2,505 plus 5.7% of excess  
 21 over \$60,000

22 (2) *All other individuals.*

23 (A) For tax year 2012:

24 If the taxable income is: The tax is:  
 25 Not over \$15,000.....3.5% of Kansas taxable income  
 26 Over \$15,000 but not over \$30,000.....\$525 plus 6.25% of excess  
 27 over \$15,000  
 28 Over \$30,000.....\$1,462.50 plus 6.45% of excess  
 29 over \$30,000

30 (B) For tax year 2013:

31 If the taxable income is: The tax is:  
 32 Not over \$15,000.....3.0% of Kansas taxable income  
 33 Over \$15,000.....\$450 plus 4.9% of excess over  
 34 \_\_\_\_\_ \$15,000

35 (C) For tax year 2014:

36 If the taxable income is: The tax is:  
 37 Not over \$15,000.....2.7% of Kansas taxable income  
 38 Over \$15,000.....\$405 plus 4.8% of excess over  
 39 \_\_\_\_\_ \$15,000

40 (D) For tax years 2015 and 2016:

41 If the taxable income is: The tax is:  
 42 Not over \$15,000.....2.7% of Kansas taxable income  
 43 Over \$15,000.....\$405 plus 4.6% of excess over

1	_____	\$15,000
2	(E) For tax year 2017:	
3	If the taxable income is:	The tax is:
4	Not over \$15,000.....	2.9% of Kansas taxable income
5	Over \$15,000 but not over \$30,000.....	\$435 plus 4.9% of excess over
6	_____	\$15,000
7	Over \$30,000.....	\$1,170 plus 5.2% of excess over
8	_____	\$30,000

9	(F) For tax year 2018, and all tax years thereafter:	
10	If the taxable income is:	The tax is:
11	Not over \$15,000.....	3.1% of Kansas taxable income
12	Over \$15,000 but not over \$30,000.....	\$465 plus 5.25% of excess
13		over \$15,000
14	Over \$30,000.....	\$1,252.50 plus 5.7% of excess
15		over \$30,000

16 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas  
 17 taxable income of every nonresident individual, which tax shall be an  
 18 amount equal to the tax computed under subsection (a) as if the  
 19 nonresident were a resident multiplied by the ratio of modified Kansas  
 20 source income to Kansas adjusted gross income.

21 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable  
 22 income of every corporation doing business within this state or deriving  
 23 income from sources within this state. Such tax shall consist of a normal  
 24 tax and a surtax and shall be computed as follows unless otherwise  
 25 modified pursuant to K.S.A.–2022 2023 Supp. 74-50,321 and section 1,  
 26 and amendments thereto:

27 (1) The normal tax shall be in an amount equal to 4% of the Kansas  
 28 taxable income of such corporation; and

29 (2) The surtax shall be in an amount equal to 3% of the Kansas  
 30 taxable income of such corporation in excess of \$50,000.

31 (d) *Fiduciaries.* A tax is hereby imposed upon the Kansas taxable  
 32 income of estates and trusts at the rates provided in subsection (a)(2)  
 33 hereof.

34 (e) Notwithstanding the provisions of subsections (a) and (b):~~(1) For~~  
 35 ~~tax years 2016 and 2017, married individuals filing joint returns with~~  
 36 ~~taxable income of \$12,500 or less, and all other individuals with taxable~~  
 37 ~~income of \$5,000 or less, shall have a tax liability of zero; and (2) for tax~~  
 38 ~~year 2018, and all tax years thereafter, married individuals filing joint~~  
 39 ~~returns with taxable income of \$5,000 or less, and all other individuals~~  
 40 ~~with taxable income of \$2,500 or less, shall have a tax liability of zero.~~

41 ~~(f) No taxpayer shall be assessed penalties and interest arising from~~  
 42 ~~the underpayment of taxes due to changes to the rates in subsection (a) that~~  
 43 ~~became law on July 1, 2017, so long as such underpayment is rectified on~~

1 ~~or before April 17, 2018.~~

2       Sec. 5. K.S.A. 79-1129 and 79-3279 and K.S.A. 2023 Supp. 79-  
3 32,110 are hereby repealed.

4       Sec. 6. This act shall take effect and be in force from and after its  
5 publication in the statute book.