

House Substitute for SENATE BILL No. 149

By Committee on Taxation

3-18

1 AN ACT concerning income tax; relating to income tax returns and
2 instructions, use tax remittance, checkoff for schools; credits, angel
3 investment credit; amending K.S.A. 2015 Supp. 74-8133 and repealing
4 the existing section.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 New Section 1. (a) For the tax years commencing after December 31,
8 2016, each Kansas state individual income tax return form shall contain a
9 designation as follows:

10 Local School District Contribution Program. Check if you wish to
11 donate, in addition to your tax liability, or designate from your refund,
12 ___\$10, ___\$25, ___\$50, \$___, or ___ entire refund to unified school
13 district No. _____.

14 (b) The director of taxation of the department of revenue shall
15 determine annually the total amount designated for contribution to the
16 local school district contribution program pursuant to subsection (a) and
17 shall report such amount to the state treasurer who shall credit the entire
18 amount thereof to the local school district contribution program checkoff
19 fund which is hereby established in the state treasury. All moneys
20 deposited in such fund shall be used for the purpose of financing education
21 in the school district of the taxpayer's choice. In the case where donations
22 are made pursuant to subsection (a), the director shall remit the entire
23 amount thereof to the state treasurer in accordance with the provisions of
24 K.S.A. 75-4215, and amendments thereto. Upon receipt of such
25 remittance, the state treasurer shall deposit the entire amount in the state
26 treasury to the credit of such fund. All expenditures from such fund shall
27 be made in accordance with appropriation acts upon warrants of the
28 director of accounts and reports issued pursuant to vouchers approved by
29 the state board of education. Such moneys shall be treated as a donation by
30 the school district in accordance with K.S.A. 72-8210, and amendments
31 thereto, and shall be reported as gifts for the purposes of the Kansas
32 uniform financial and reporting act.

33 New Sec. 2. (a) In order to raise awareness of liabilities of use taxes
34 levied in article 37 of chapter 79 of the Kansas Statutes Annotated, and
35 amendments thereto, for purchases of tangible personal property made
36 outside this state to be consumed within this state, and to increase

1 compliance with such provisions of law, the director of taxation is hereby
2 directed to include a line for the remittance of sales tax on out-of-state and
3 internet purchases where the tax was not paid on individual tax returns for
4 tax years beginning on or after July 1, 2016.

5 (b) The director shall include the following information in the income
6 tax form instructions:

7 (1) An explanation of an individual's obligation to pay use tax on
8 items purchased from mail order, internet or other sellers that do not
9 collect state and local sales and use taxes on the items; and

10 (2) a method to help an individual determine the amount of use tax
11 the individual owes. The method may include a table that gives the
12 average amounts of use tax payable by taxpayers in various income
13 ranges.

14 (c) No penalties or interest shall be applied with respect to any taxes
15 remitted pursuant to the provisions of this section.

16 Sec. 3. K.S.A. 2015 Supp. 74-8133 is hereby amended to read as
17 follows: 74-8133. (a) A credit against the tax imposed by article 32 of
18 chapter 79 of the Kansas Statutes Annotated, *and amendments thereto*, on
19 the Kansas taxable income of an angel investor and against the tax
20 imposed by K.S.A. 40-252, and amendments thereto, shall be allowed for
21 a cash investment in the qualified securities of a qualified Kansas business.
22 The credit shall be in a total amount equal to 50% of such investors' cash
23 investment in any qualified Kansas business, subject to the limitations set
24 forth in subsection (b). This tax credit may be used in its entirety in the
25 taxable year in which the cash investment is made except that no tax credit
26 shall be allowed in a year prior to January 1, 2005. If the amount by which
27 that portion of the credit allowed by this section exceeds the investors'
28 liability in any one taxable year, beginning in the year 2005, the remaining
29 portion of the credit may be carried forward until the total amount of the
30 credit is used. If the investor is a permitted entity investor, the credit
31 provided by this section shall be claimed by the owners of the permitted
32 entity investor in proportion to their ownership share of the permitted
33 entity investor.

34 (b) The secretary of revenue shall not allow tax credits of more than
35 \$50,000 for a single Kansas business or a total of \$250,000 in tax credits
36 for a single year per investor who is a natural person or owner of a
37 permitted entity investor. No tax credits authorized by this act shall be
38 allowed for any cash investments in qualified securities for any year after
39 the year ~~2016~~ 2021. The total amount of tax credits which may be allowed
40 under this section shall not exceed \$4,000,000 during the tax year 2007
41 and \$6,000,000 for tax year 2008 and each tax year thereafter, except that
42 for tax year 2011, the total amount of tax credits which may be allowed
43 under this section shall not exceed \$5,000,000. The balance of unissued

1 tax credits may be carried over for issuance in future years until ~~2016~~
2 2021.

3 (c) A cash investment in a qualified security shall be deemed to have
4 been made on the date of acquisition of the qualified security, as such date
5 is determined in accordance with the provisions of the internal revenue
6 code.

7 (d) No investor shall claim a credit under this section for cash
8 investments in Kansas venture capital, inc. No Kansas venture capital
9 company shall qualify for the tax credit for an investment in a fund created
10 by articles 81, 82, 83 or 84 of chapter 74 of the Kansas Statutes Annotated,
11 *and amendments thereto*.

12 (e) Any investor who has not owed any Kansas income tax under the
13 provisions of article 32, chapter 79 of the Kansas Statutes Annotated, *and*
14 *amendments thereto*, for the immediate past three taxable years, who does
15 not reasonably believe that it will owe any such tax for the current taxable
16 year and who makes a cash investment in a qualified security of a qualified
17 Kansas business shall be deemed to acquire an interest in the nature of a
18 transferable credit limited to an amount equal to 50% of this cash
19 investment. This interest may be transferred to any natural person of net
20 worth, as defined in 17 C.F.R. § 230.501(a) as in effect on the effective
21 date of this act whether or not such person is then an investor and be
22 claimed by the transferee as a credit against the transferee's Kansas income
23 tax liability beginning in the year provided in subsection (a). No person
24 shall be entitled to a refund for the interest created under this section. Only
25 the full credit for any one investment may be transferred and this interest
26 may only be transferred one time. A credit acquired by transfer shall be
27 subject to the limitations prescribed in this section. Documentation of any
28 credit acquired by transfer shall be provided by the investor in the manner
29 required by the director of taxation.

30 (f) The reasonable costs of the administration of this act, the review
31 of applications for certification as qualified Kansas businesses and the
32 issuance of tax credits authorized by this act shall be reimbursed through
33 fees paid by the qualified Kansas businesses and the investors or the
34 transferees of investors, according to a reasonable fee schedule adopted by
35 the secretary by rules and regulations in accordance with the rules and
36 regulations filing act.

37 Sec. 4. K.S.A. 2015 Supp. 74-8133 is hereby repealed.

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