

SB 508 CLOSING THE LOOPHOLE

PRESENTATION TO SENATE TAX COMMITTEE

*KS State Senator Jim Denning (R – 8th District, Overland Park)
April 28, 2016*

THE LOOPHOLE LANGUAGE

- Eliminating individual income tax on **non-wage business income** as reported by LLC's, S-Corps, and Sole Proprietorships
- Lines 12, 17, and 18 of Federal Form 1040 allows LLC's, S-Corps, Sole Proprietorships, and farmers to *treat their personal income as "non-wage" income; paying zero personal income tax.*



PERCENT OF BUSINESS TYPES WITH EMPLOYEES

2%



Line 12 - Sole Proprietors

35%



Line 17 - LLC's, S-Corp, Real Estate

2%



Line 18 - Farms

8a Taxable interest. Attach Schedule B if required		8a
b Tax-exempt interest. Do not include on line 8a		8b
8a Ordinary dividends. Attach Schedule B if required		8a
b Qualified dividends		8b
0 Taxable refunds, credits, or offsets of state and local income taxes		10
1 Alimony received		11
2 Business income or (loss). Attach Schedule C or C-EZ		12
3 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13
4 Other gains or (losses). Attach Form 4797		14
5a IRA distributions		15a
b Taxable amount		15b
6a Pensions and annuities		16a
b Taxable amount		16b
7 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17
8 Farm income or (loss). Attach Schedule F		18
9 Unemployment compensation		19
10a Social security benefits		20a
b Taxable amount		20b
11 Other income. List type and amount		21

NON-WAGE INCOME TAX POLICY

CURRENT

- Exempts all income, including owner draws and salary.



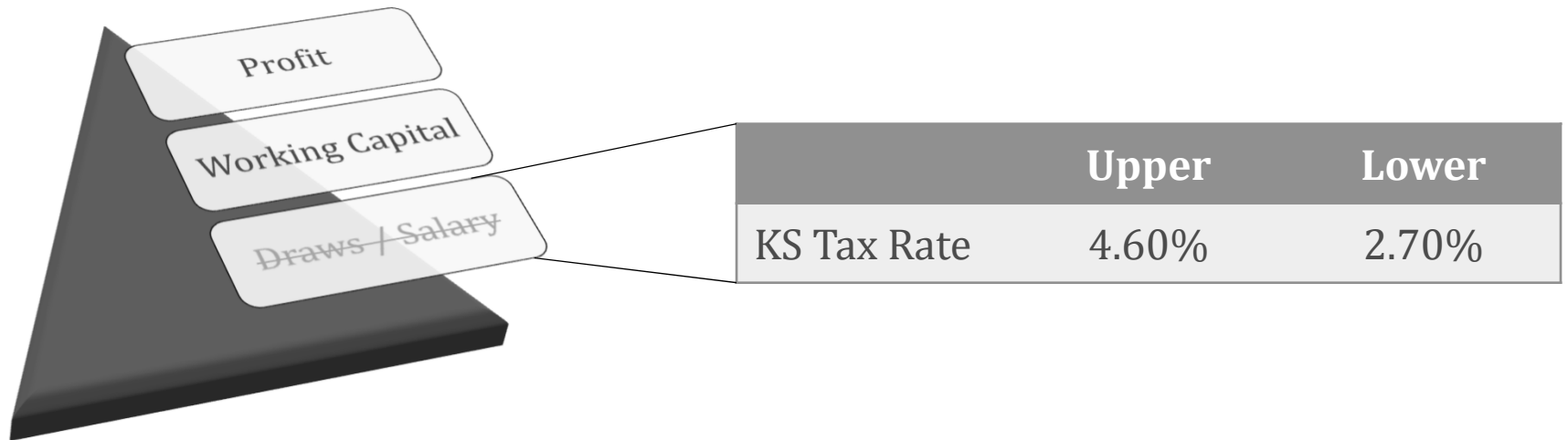
SENATE BILL 508

- Closes loophole by removing exemption for draws and salary.



CLOSE THE LOOPHOLE

- Tax personal income at KS low rates.



KANSAS PERSONAL INCOME TAX RATES

Before Tax Reform	
Colorado	4.63%
Oklahoma	5.25%
Missouri	6.00%
Kansas	6.45%
Nebraska	6.84%

After Tax Reform	
Kansas	4.60%
Colorado	4.63%
Oklahoma	5.25%
Missouri	6.00%
Nebraska	6.84%

**THANK YOU
FOR YOUR
ATTENTION**