

SESSION OF 2002

SUPPLEMENTAL NOTE ON SENATE BILL NO. 575

As Amended by House Committee of the Whole

Brief*

SB 575, as amended, would make several amendments to income tax withholding statutes. A definition of "distribution" would include subchapter S corporations, limited liability corporations, and partnerships. Kansas' withholding tax provisions would then be brought into conformity with federal provisions such that state withholding would occur under the same circumstances as federal withholding.

KSA 2001 Supp. 79-31,100a would be amended to provide that withholding would be applicable to distributions to nonresident shareholders and partners.

An additional provision clarifies that any IRS determination relieving payors from withholding responsibilities would also be applicable relative to Kansas withholding.

The term "wages" would be expanded to include prizes and awards paid to professional athletes at sporting events held in the state.

Under a House Committee of the Whole amendment, the bill also would transfer \$39.2 million from the State General Fund to the State School District Finance Fund (SSDFF) on January 1, 2003.

Background

Senator Jenkins appeared as the principal proponent and noted that at least 19 other states provide for withholding on distributions of nonresident subchapter S corporations, limited liability corporations, and partnerships. She said that the bill also could improve compliance.

*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.accesskansas.org/legislature/>

A fiscal note said that the Senate version of the bill would be expected to increase FY 2003 individual income tax receipts by \$0.5 million as a result of acceleration of receipts relative to the new withholding provisions.

The House Taxation Committee amended the bill at the suggestion of the Kansas Bankers' Association to advance the effective date to publication in the *Kansas Register*.

The House Taxation Committee also amended the bill to include certain provisions of HB 3030 that would redefine resident trust for income tax purposes.

The House Committee of the Whole removed the resident trust provisions and added the transfer to the SSDFF.