

SESSION OF 2004

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2882**

As Amended by House Committee of the Whole

**Brief\***

HB 2882, as amended by the House Committee of the Whole, would require the Secretary of Revenue to adopt rules and regulations regarding the filing of documentation to support income, premiums, and privilege tax credits claimed to help offset a portion of property taxes actually and timely paid for commercial and industrial machinery and equipment.

The bill also would amend a section of the law relating to penalties assessed relative to the underpayment of estimated (income) tax liability to provide that no penalties could be assessed to individuals with federal income tax liabilities, net of federal withholding, estimated tax payments, credits and other payments, equal to or less than zero.

The bill further would expand the Homestead Property Tax Refund Program in several ways, effective for tax year 2004. The upper threshold income level would be expanded from \$25,000 to \$26,300; the upper bracket lower income threshold would be increased from \$3,000 to \$6,000; and the maximum refund amount would be increased from \$600 to \$720.

Finally, the bill would amend the definition of "resident trust" for income tax purposes to include trusts administered in the state; trusts created by wills of decedents who at the time of death are domiciled in Kansas, provided at least one beneficiary was a resident on the last day of the taxable year; and trusts created by or consisting of property owned by persons domiciled in Kansas on the date the trusts or portions thereof become irrevocable, provided at least one beneficiary was a resident on the last day of the taxable year.

---

\*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.kslegislature.org>

## **Background**

The original bill was recommended for introduction by the Kansas Society of Certified Public Accountants. That group also recommended HB 2883, which would have increased from \$200 to \$500 the amount of tax individuals could reasonably be expected to owe before estimated payments are required. The House Taxation Committee discussed that issue but opted instead to provide for the "safe harbor" provision eliminating penalties when federal liabilities under certain circumstances are equal to or less than zero. The House Committee subsequently amended that provision into HB 2882. The latest fiscal note available from the Department of Revenue indicated that the safe harbor amendment would be expected to reduce receipts by about \$0.1 million.

The House Committee of the Whole added the amendments to further expand the Homestead program and to change the definition of resident trust for income tax purposes.

The latest fiscal notes provided by the Department of Revenue suggest that these latter two provisions would be revenue neutral. Homestead refunds would be expanded by \$6.0 million, while additional revenue received from the resident trust provisions also would be \$6.0 million.

The Homestead program is currently available to individuals with household income of not more than \$25,000, provided at least one person in the household is age 55 or above; a dependent child below 18; blind; or otherwise disabled.