

STATE OF KANSAS

SENATE CHAMBER

MADAM PRESIDENT:

I move to amend **Senate Substitute for HB 2109**, on page 4, in line 25, after the second comma by inserting "and section 23, and amendments thereto,";

On page 5, in line 4, by striking "year" and inserting "years"; also in line 4, by striking "and all tax years thereafter" and inserting "2016 and 2017";

Also on page 5, following line 23, by inserting:

"(E) For tax year 2018:

If the taxable income is:	The tax is:
Not over \$30,000.....	2.4% of Kansas taxable income
Over \$30,000.....	\$720 plus 4.6% of excess over \$30,000

(F) For tax year 2019:

If the taxable income is:	The tax is:
Not over \$30,000.....	2.3% of Kansas taxable income
Over \$30,000.....	\$690 plus 4.6% of excess over \$30,000

(G) For tax year 2020, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$30,000.....	2.3% of Kansas taxable income
Over \$30,000.....	\$690 plus 3.9% of excess over \$30,000";

Also on page 5, in line 42, by striking "year" and inserting "years"; also in line 42, by striking "and all tax years thereafter" and inserting "2016 and 2017";

On page 6, following line 18, by inserting:

"(E) For tax year 2018:

If the taxable income is:	The tax is:
Not over \$15,000.....	2.4% of Kansas taxable income
Over \$15,000.....	\$360 plus 4.6% of excess over \$15,000

(F) For tax year 2019:

If the taxable income is:	The tax is:
Not over \$15,000.....	2.3% of Kansas taxable income
Over \$15,000.....	\$345 plus 4.6% of excess over \$15,000

(G) For tax year 2020, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$15,000.....	2.3% of Kansas taxable income
Over \$15,000.....	\$345 plus 3.9% of excess over \$15,000";

On page 9, in line 30, by striking "2016" and inserting "2017";

On page 10, in line 5, by striking "2016" and inserting "2017"; in line 13, by striking "2016" and inserting "2017"; in line 20, by striking "2016" and inserting "2017"; in line 26, by striking "2016" and inserting "2017";

On page 12, in line 36, by striking "2016" and inserting "2017";

On page 13, in line 43, by striking "2016" and inserting "2017";

On page 14, in line 33, by striking "2016" and inserting "2017";

On page 47, following line 3, by inserting:

"New Sec. 23. (a) As used in this section:

(1) "Business entity" means a limited liability company, S corporation, partnership, association, sole proprietorship, joint venture or other similar form of business organization. The term "business entity" shall not include any business organization subject to the income tax on corporations under K.S.A. 79-32,110(c), and amendments thereto, the privilege tax as measured by net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto;

(2) "qualified income" means:

(A) Net profit from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax

return;

(B) net income from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and

(C) net farm profit as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; and

(3) "qualified loss" means:

(A) Net loss from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return;

(B) net loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and

(C) net farm loss as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return.

(b) For tax years 2015, 2016 and 2017, any individual who has an ownership interest in a business entity shall be eligible for the lowest marginal individual income tax rate applicable under K.S.A. 79-32,110, and amendments thereto, with respect to qualified income received from such business. Any qualified income of the individual received from a business entity shall be taxed at the lowest rate for resident individuals pursuant to, and computed in accordance with, the tax schedules listed in K.S.A. 79-32,110, and amendments thereto. Remaining income of the individual shall be taxed pursuant to, and computed in accordance with, the tax schedules listed in K.S.A. 79-32,110, and amendments thereto, without regard to the provisions of this section.

(c) The director of taxation shall not assess any penalties or interest arising from the underpayment of taxes under this section which occurs before April 15, 2016.

(d) The secretary of revenue shall adopt all necessary rules and regulations to implement and administer the provisions of this section.

Sec. 24. K.S.A. 2014 Supp. 79-32,269 is hereby amended to read as follows: 79-32,269. (a) (1) Except as provided in subsection (a)(2), commencing with fiscal year ~~2018~~ 2020, in any fiscal year in which the amount of selected actual state general fund receipts from such fiscal year exceeds the selected actual state general fund receipts for the immediately preceding fiscal year by more than 2%, the director of legislative research shall certify such excess amount to the secretary of revenue and the director of the budget. Upon receipt of such certified amount, the secretary shall compute the excess percentage increase in selected actual state general fund receipts above 2%. Based on such excess percentage of calculated receipt growth, the secretary shall compute the income tax rate reductions to go into effect for the next tax year that would reduce by such certified amount the tax rates during the fiscal year after the next fiscal year according to the provisions of this section, as follows: (A) Rate reductions for individual income tax rates shall be applied to reduce the highest marginal income tax rate applicable to the current tax year, by such excess percentage minus 0.5%, and the lowest marginal income tax rate applicable to the current tax year by such excess percentage plus 0.5%, except that in no case shall such excess percentage plus 0.5% result in an income tax rate increase. In any such computation by the secretary pursuant to this subsection: (i) The resulting income tax rate shall be rounded down to the nearest 0.1%; and (ii) in any case in which the income tax rate for any individual marginal income tax rate is below 0.4%, such rate shall be 0%. Based on all such determinations, the secretary shall reduce individual income tax rates prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section;

(B) upon all individual marginal income tax rates being reduced to 0% pursuant to the

provisions of subsection (a)(1)(A), rate reduction next shall be applied for the surtax on corporations applicable to the current tax year by such excess percentage. In any such computation by the secretary pursuant to this subsection in which the surtax is below 0.4%, such surtax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section; and

(C) upon the surtax on corporations being reduced to a rate which when combined with the normal tax rate on corporations is equal to or below the combined surtax and normal tax imposed on national banking associations and state banks or is equal to or below the combined surtax and normal tax imposed on trust companies and savings and loan associations, rate reductions shall be proportionately applied for the tax on corporations, the tax on national banking associations and state banks, and the tax on trust companies and savings and loan associations. Such rate reductions shall be first applied to the surtax until reduced to 0% and then applied to the normal tax for each such tax. In any such computation by the secretary pursuant to this subsection in which any such tax is below 0.4%, such tax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax and the normal tax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, the surtax and normal tax on national banking associations and state banks prescribed by K.S.A. 79-1107, and amendments thereto, and the surtax and normal tax on trust companies and savings and loan associations prescribed by K.S.A. 79-1108, and amendments thereto, as required by this section.

(2) In any fiscal year in which the amount of selected actual state general fund receipts for such fiscal year are 102% or less than the selected actual state general fund receipts from the immediately preceding fiscal year, the director of legislative research shall certify such amount and fact to the secretary of revenue and the director of the budget. Upon receipt of such amount and fact, the secretary of revenue shall not make any adjustment to the income tax rates for that tax year.

(b) The secretary of revenue shall report any reduction in income tax rates prescribed by this

section to the chairperson of the assessment and taxation committee of the senate, the chairperson of the taxation committee of the house of representatives and the governor, and shall cause notice of any such reduction to be published in the Kansas register prior to September 15 of the calendar year immediately preceding the tax year in which such reduction takes effect.

(c) As used in this section, "selected actual state general fund receipts" means receipts from the following taxes and fees: Individual and corporation income taxes imposed under K.S.A. 79-32,110, and amendments thereto, financial institutions privilege taxes imposed under article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, retail sales taxes imposed under K.S.A. 79-3601 et seq., and amendments thereto, compensating use taxes imposed under K.S.A. 79-3701 et seq., and amendments thereto, cigarette and tobacco product taxes imposed under K.S.A. 79-3301 et seq., and amendments thereto, cereal malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 et seq., and amendments thereto, liquor enforcement taxes imposed under K.S.A. 79-4101 et seq., and amendments thereto, liquor drink taxes imposed under K.S.A. 79-41a01 et seq., and amendments thereto, corporation franchise taxes imposed under K.S.A. 79-5401, and amendments thereto, annual franchise fees charged pursuant to law and mineral severance taxes imposed under K.S.A. 79-4216 et seq., and amendments thereto.";

Also on page 47, in line 5, after "79-32,120," by inserting "79-32,269,";

And by renumbering sections accordingly;

On page 1, in the title, in line 8, after "79-32,120," by inserting "79-32,269,"

Senator _____