

SESSION OF 2018

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 236**

As Amended by Senate Committee on  
Assessment and Taxation

**Brief\***

SB 236, as amended, would allow a net operating loss to be carried back up to three years for the purposes of determining Kansas income tax liability under certain circumstances.

The net operating loss carry back would be limited to taxpayers who incurred a loss from the sale of a historic hotel located in a community with a population of less than 2,500 people in tax year 2006. Further, the hotel would be required to have been improved by funds borrowed on both the hotel and farmland owned by the taxpayer that is located within 20 miles of the hotel. Additionally, the farmland used to secure the mortgage for the hotel would be required to have been sold at a gain and a majority of the proceeds of the sale of the farmland would be required to have been used to pay off the mortgage on the hotel.

The bill would allow the taxpayer to file an amended return for the three preceding tax years.

**Background**

The bill was introduced by the Senate Committee on Assessment and Taxation. In the Senate Committee hearing, proponent testimony was provided by a private citizen who indicated he would be the only taxpayer affected by the bill and the bill would allow him to correct an error he made in

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\*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>

filing his income taxes for the year 2004. The conferee indicated his tax liability that would be able to be offset by the carry back provision was \$27,842. No opponent or neutral testimony was provided.

The Senate Committee adopted a technical amendment to the bill.

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue indicates that the bill, as introduced, would result in a decrease of revenues to the State General Fund (SGF), but absent a waiver of confidentiality from the taxpayer, the Department cannot provide the specific amount of revenue loss. The Department also indicates that the bill would require \$36,736 from the SGF to implement the bill and update the automated tax system. However, the Department notes that this required programming may be able to be implemented by the Department's existing staff. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2019 Governor's Budget Report*.