

SESSION OF 2018

SUPPLEMENTAL NOTE ON SENATE BILL NO. 303

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

SB 303 would allow certain individual income taxpayers to claim the expensing deduction (available under KSA 2017 Supp. 79-32,143a) for the costs of placing certain tangible property and computer software into service in the state. The provisions of the bill would be retroactive to tax year 2017.

Background

The expensing deduction, which was enacted in 2011 and originally effective for tax year 2012, currently is available to taxpayers paying the corporation income tax or financial institution privilege tax. Legislation enacted in 2012 that repealed the tax on certain non-wage business income also repealed the ability of individual income taxpayers to claim the expensing deduction. The state income tax on non-wage business income subsequently was restored by 2017 legislation for tax years 2017 and thereafter.

In the Senate Committee on Assessment and Taxation hearing, representatives of the Kansas Chamber and the Kansas Chapter of the National Federation of Independent Business testified as proponents, generally stating that those businesses paying taxes through the individual income tax code should have the same ability to claim the expensing deduction as those businesses paying as corporations or financial institutions. The bill had no opponents.

*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>

According to the fiscal note prepared by the Division of the Budget, the Department of Revenue indicates FY 2019 State General Fund (SGF) receipts would be reduced by \$21.1 million; FY 2020 receipts by \$9.8 million; and FY 2021 receipts by \$9.9 million. The Department of Revenue also states the Department would require an additional \$19,570 in SGF resources to implement the bill and modify its automated tax system. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2019 Governor's Budget Report*.