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MEMORANDUM

To: Members of the House Committee on Taxation

From: Adam Siebers, Assistant Revisor

Date: March 22, 2023

Subject: House Bill No. 2465

Summary

House Bill No. 2465 would clarify the determination of taxable income of an electing pass-through entity and provide for the passing through of tax credits to electing pass-through entity owners for the SALT Parity Act.

The bill would amend K.S.A. 2022 Supp. 79-32,287(a) to provide that the tax is calculated based on the sum of:

- (1) Each resident and nonresident electing pass-through entity owner's pro rata or distributive share of the electing pass-through entity's income attributable to the state; and
- (2) each resident electing pass-through entity owner's pro rata or distributive share of the electing pass-through entity's income not attributable to the state.

The bill would also amend subsection (c) to provide that tax credits attributable to the activities of the electing pass-through entity shall be passed through to and claimed by the electing pass-through entity owner.

The provisions would apply to taxable years commencing on or after January 1, 2022.