

February 19, 2024

Senate Assessment and Taxation Committee, Honorable Caryn Tyson, Chair

RE: Considerations for HB 2465-Timothy Ellis, member of the Kansas Society of CPAs (KSCPA)

Thank you, Chairman Tyson and Committee members for the opportunity to provide information on HB 2465 applicable to clarifications to the SALT Parity Act (K.S.A. 79-32,287). On behalf of the Kansas Society of CPAs, the professional association representing over 2,000 Certified Public Accountants (CPAs) and accountants in Kansas, we offer the following perspectives of our member CPAs.

Background

In 2022, the Kansas legislature enacted the SALT Parity Act. This legislation was in response to the Tax Cuts and Jobs Act of 2017's \$10,000 limit on state and local tax deductions for federal itemized deductions. Under the SALT Parity Act, a partnership or S-corporation may elect to be taxed at the entity level starting with the entity's 2022 tax year. The partnership or S-corporation is then allowed a full unlimited state tax deduction in computing the entity's federal taxable income.

What We Are Trying to Clarify

During the 2023 tax filing season (for the 2022 tax year) Kansas CPAs and accountants and the Kansas Department of Revenue offered different interpretations of (1) how to calculate the Kansas tax liability for Kansas resident owners versus non-resident owners and (2) how to administer the income tax credit that the electing pass-through owner receives.

The Solution

We have worked with the Chair and the Kansas Department of Revenue to clarify the statute so that there is one uniform interpretation of the 2022 legislation. We support the amendments that KDOR has proposed for HB 2465. We encourage your support of this bill and the proposed amendments.

Thank you for your time and consideration of HB 2465.