



2015

**LEGISLATIVE CHANGES &
ENACTMENTS**



09/21/2015

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<http://www.ksrevenue.org/pdf/2015LegislativeChanges.pdf>

Income Tax

2015 SB 270
Notice 15-06

Income Tax Rates for Individuals, Estates & Trusts

<u>Married Filing Joint</u>	<u>TY2015 -2017</u>	<u>TY2018</u>
\$0.00 - \$30,000	2.7%	2.6%
\$30,001 and over	4.6%	4.6%
 <u>Single, Head of Household, Married filing Separate</u>		
\$0.00 - \$15,000	2.7%	2.6%
\$15,001 and over	4.6%	4.6%

2015 SB 270 Sec. 3. K.S.A. 2014 Supp. 79-32,110, as amended by section 25 of 2015 Senate Substitute for House Bill No. 2109, is hereby amended to read as follows: 79-32,110. (a) *Resident Individuals.* Except as otherwise provided by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

(1) *Married individuals filing joint returns.*

(D) For tax years 2015, 2016 and 2017:

If the taxable income is: The tax is:
Not over \$30,000.....2.7% of Kansas taxable income
Over \$30,000\$810 plus 4.6% of excess over \$30,000

(E) For tax year 2018, and all tax years thereafter:

If the taxable income is: The tax is:
Not over \$30,000.....2.6% of Kansas taxable income
Over \$30,000\$780 plus 4.6% of excess over \$30,000

(2) *All other individuals.*

(D) For tax years 2015, 2016 and 2017:

If the taxable income is: The tax is:
Not over \$15,000.....2.7% of Kansas taxable income
Over \$15,000\$405 plus 4.6% of excess over \$15,000

(E) For tax year 2018, and all tax years thereafter:

If the taxable income is: The tax is:
Not over \$15,000.....2.6% of Kansas taxable income
Over \$15,000\$390 plus 4.6% of excess over \$15,000

Trigger Modifications

- Commencing with fiscal year 2020, if selected state general fund tax receipts exceed the prior year's by more than **2.5%**, income tax rates will be reduced, rounded down to the nearest **.1%**. When the tax rate reaches less than **.4%**, tax rate will be set at **0%**.
- Increase in payments to the KPERs employee retirement system is not included in calculation to determine trigger.

2015 SB 270 Sec. 4 (f). K.S.A. 2014 Supp. 79-32,269, as amended by section 28 of 2015 Senate Substitute for House Bill No. 2109, is hereby amended to read as follows: 79-32,269. (a) (1) (A) Except as provided in subsection (a)(2), commencing with fiscal year 2020, in any fiscal year in which the amount of selected actual state general fund receipts less: increases in payments to the Kansas public employees retirement system required pursuant to K.S.A. 74-4914d, 74-4920, 74-4939 and 74-4967, and amendments thereto, or any other statute; from such fiscal year exceeds the selected actual state general fund receipts for the immediately preceding fiscal year by more than 2.5%, the director of legislative research shall certify such excess amount, in dollars, to the secretary of revenue and the director of the budget. Upon receipt of such certified amount, 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, in dollars, the tax rates during the next tax year according to the provisions of this section. The secretary shall compute any income tax rate reductions so that any excess amount is applied such that an equal number of dollars are used to lower all individual income tax rates in K.S.A. 79-32,110, and amendments thereto. In any such computation by the secretary pursuant to this subsection the resulting income tax rate shall be rounded down to the nearest 0.01%. 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 amount. 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. 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 less: increases in payments to the Kansas public employees retirement system required pursuant to K.S.A. 74-4914d, 74-4920, 74-4939 and 74-4967, and amendments thereto, or any other statute; for such fiscal year are 102.5% 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.

Income Tax

2015 SB 270
Notice 15-05
Effective Tax Year 2016

Low Income Exclusion (**NEW FOR TAX YEAR 2016**)

- **No Tax Liability for certain low income individuals**

Married Filing Joint

Taxable Income - \$0.00 - \$12,500

Single, Head of Household,

Married filing Separate

Taxable Income - \$0.00 - \$5,000

2015 SB 270 Sec. 3 (f). *Notwithstanding the provisions of subsections (a) and (b), for tax year 2016, and all tax years thereafter, married individuals filing joint returns with taxable income of \$12,500 or less, and all other individuals with taxable income of \$5,000 or less, shall have a tax liability of zero.*

Income Tax

2015 HB 2109
Notice 15-07
Effective Tax Year 2015

Itemized Allowable Deductions

- **100% of Qualified Charitable Contributions**
(as allowed as deductions in section 170 of Federal IRS code)
- **50% of Qualified Residence Interest**
(as provided in section 163(h) of Federal IRS Code)
- **50% of the amount of taxes on Real and Personal Property** *(as provided in section 164(a) of Federal IRS Code)*

2015 HB 2109 Sec. 26. K.S.A. 2014 Supp. 79-32,120 is hereby amended to read as follows: 79-32,120. (a) (1) If federal taxable income of an individual is determined by itemizing deductions from such individual's federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction.

(2) For the tax year commencing on January 1, 2013, the Kansas itemized deduction of an individual means 70% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(3) For the tax year commencing on January 1, 2014, the Kansas itemized deduction of an individual means 65% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(4) For the tax years commencing on *and after* January 1, 2015, the Kansas itemized deduction of an individual means the *-following* deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (C) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A. 2014 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

Income Tax

SAME-SEX COUPLES

- For tax years 2015 and after, lawfully married same-sex couples must file their Kansas individual income tax returns with the same filing status used to file their federal income tax returns, using either a married filing jointly or married filing separately filing status.
- For tax year 2014, same-sex married couples who timely filed their original Kansas individual income tax returns including extensions may choose to amend their returns to change their filing status to married filing joint or married filing separate to match the filing status on their federal return.

Income Tax

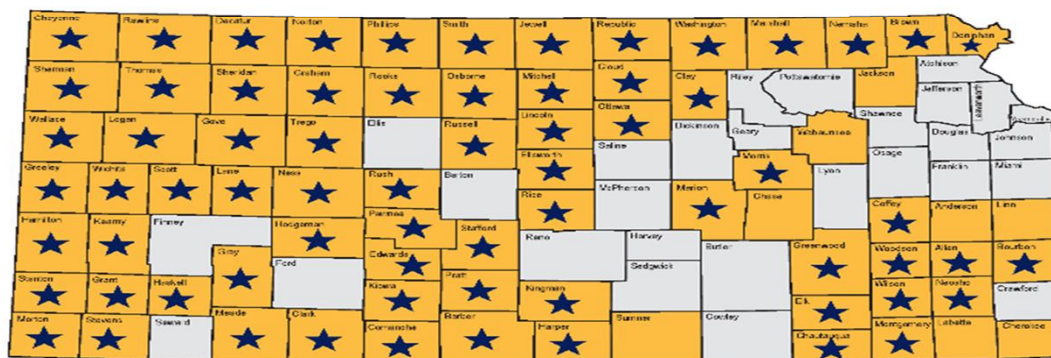
2015 HB 2109
 Notice 15-09

Kansas Rural Opportunity Zone

- The ROZ program, which provides an income tax exemption for certain non-resident individuals who establish residency in the ROZ counties is now **extended through Tax Year 2021.**



RURAL OPPORTUNITY ZONES



★ County is also participating in student loan program.

KansasCommerce.com/rural

2015 HB 2109 Sec. 27. K.S.A. 2014 Supp. 79-32,267 is hereby amended to read as follows: 79-32,267. (a) For taxable years commencing after December 31, 2011, and before January 1, 2022, there shall be allowed as a credit against the tax liability of a resident individual taxpayer an amount equal to the resident individual's income tax liability under the provisions of the Kansas income tax act, when the resident individual: (1) Establishes domicile in a rural opportunity zone on or after July 1, 2011, and prior to January 1, 2021, and was domiciled outside this state for five or more years immediately prior to establishing their domicile in a rural opportunity zone in this state; (2) had Kansas source income less than \$10,000 in any one year for five or more years immediately prior to establishing their domicile in a rural opportunity zone in this state; and (3) was domiciled in a rural opportunity zone during the entire taxable year for which such credit is claimed. (b) A resident individual may claim the credit authorized by this section for not more than five consecutive years following establishment of their domicile in a rural opportunity zone. (c) The maximum amount of any refund under this section shall be equal to the amount withheld from the resident individual's wages or payments other than wages pursuant to K.S.A. 79-3294 et seq., and amendments thereto, or paid by the resident individual as estimated taxes pursuant to K.S.A. 79-32,101 et seq., and amendments thereto. (d) No credit shall be allowed under this section if: (1) The resident individual's income tax return on which the credit is claimed is not timely filed, including any extension; or (2) the resident individual is delinquent in filing any return with, or paying any tax due to, the state of Kansas or any political subdivision thereof. (e) This section shall be part of and supplemental to the Kansas income tax act.

Income Tax

HB 2109

Notice 15-11

Effective Tax Year 2015

Partnership Guaranteed Payments Now Taxable

- Guaranteed payments defined in federal IRC section 707(c) and reported on federal schedule K-1 (form 1065-B) in box 9 code F or federal schedule K-1 (form 1065) box 4, are now included in Kansas Adjusted Gross Income.
- There will be an addition modification for the amount of the guaranteed payments.
- Report on line **A12** of Kansas Schedule S
- Must include federal schedule K-1(s) with Kansas income tax return.

2015 HB 2109 Section 3 (xx) For all taxable years beginning after December 31, 2012, the amount of any: (1) 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; (2) net income, *not including guaranteed payments as defined in section 707(c) of the federal internal revenue code and as reported to the taxpayer from federal schedule K-1, (form 1065-B), in box 9, code F or as reported to the taxpayer from federal schedule K-1, (form 1065) in box 4*, 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 (3) 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; all to the extent included in the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011 and as revised thereafter by the internal revenue service.

Income Tax

2015 HB 2109

Notice 15-08

Effective Tax Year 2014

New Subtraction Modification

Christmas Tree Farms

- Christmas Trees must be;
 - grown in Kansas and
 - held by taxpayer 6 years or more.
- Non-Christmas Tree gains not allowed.



TY2014: Amend return and include copy of federal schedule 4797 and all schedule C, E, and Fs. Report on Schedule S line A26 (*Other Subtractions*).

TY2015: Report qualified Christmas Tree gains on line A24 (*Net Gain from the sale from Christmas trees grown in Kansas and held for 6 years as reported on your federal return*). Must include copy of federal schedule 4797 and all schedule C, E, and Fs.

2015 HB 2109, Section 3 (c)(xxiv) K.S.A. 2014 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

(c) There shall be subtracted from federal adjusted gross income:

(xxiv) For all taxable years beginning after December 31, 2013, the net gain from the sale from Christmas trees grown in Kansas and held by the taxpayer for six years or more

Income Tax

2015 HB 2109

Notice 15-10

Effective Tax Year 2015

Social Security Number Required All Year for Credits

- KSA 79-32,265 requires individuals claiming any income tax credit to have a SSN to claim the credit (except for the "credit for taxes paid to other states").
 - This also applies to all dependents claimed on the return as well.
- Now individuals must have a valid SSN for the entire tax year in which the credit is claimed.
 - If the individual files a "married filing joint" return, then as long as one of the spouses has had a valid SSN for the entire tax year, the credit can be claimed.
 - Dependents must have a valid SSN, but they would not be subject to the requirement that they have the SSN for the entire tax year.

2015 HB 2109 Sec. 2. K.S.A. 2014 Supp. 79-32,265 is hereby amended to read as follows: 79-32,265. Except as otherwise provided, no credit provided under the Kansas income tax act, and amendments thereto, shall be allowed *for: (a) Any individual who fails to provide a valid social security number issued to such individual, the individual's spouse and dependents of the individual for purposes of section 205 (c)(2)(A) of the social security act on such individual's Kansas income tax return as the identifying number for such individual for tax purposes; or (b) or any individual who has not been issued a valid social security number for the entire taxable year in which such credit is claimed, except that this provision shall not apply for an individual whose spouse possesses a valid social security number for the entire taxable year and whose filing status for income tax purposes is married filing jointly.* The provisions of this section shall not apply to the credit provided by K.S.A. 79-32,111, and amendments thereto.

Income Tax

Credit for Taxes Paid to other States

Credit for taxes paid to other states now includes income or earnings taxes imposed by the other state(s) local units of government.

Requirements To Claim:

- (1) a copy of the income tax return filed with other state;
- (2) a copy of the income or earnings tax return filed with the local jurisdiction (**or, if not required to be filed with the local jurisdiction, a copy of the completed return showing the amount of tax paid to the local jurisdiction**);
- (3) a copy of the Worksheet for Credit Calculation (from the instructions for Kansas Form K-40), and;
- (4) a copy of the federal W-2 form. This is true for both returns filed for tax year 2015 and future tax years, and for amended returns filed to claim a refund for a prior tax year within the applicable statute of limitations. An amended Kansas return, including the above documentation, will be required for each prior tax year for which the credit is sought.

Income Tax

2015 HB 2109
Effective Tax Year 2015

****Restored****

▣ Individual Development Account Credit (IDA)

▣ (K-68)

- Credit restored for **individuals**
- Income Tax Credit for contributions to an (IDA) reserve fund
- Credit is **75%** of amount contributed
- Amount of credit that exceeds tax liability is refundable
- Cannot Claim IDA credit if already claiming the Community Service Contribution Credit (K-60)

12

2015 HB 2109 Sec. 23. K.S.A. 2014 Supp. 74-50,208 is hereby amended to read as follows: 74-50,208. (a) A program contributor shall be allowed a credit against state income tax imposed under the Kansas income tax act in an amount not to exceed 75% of the contribution amount. If the amount of the credit allowed by this section exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer. No credit pursuant to this section shall be allowed for any contribution made by a program contributor which also qualified for a community services tax credit pursuant to the provisions of K.S.A. 79-32,195 et seq., and amendments thereto.

(b) The administration of the community-based organization, with the cooperation of the participating financial institutions, shall submit the names of contributors and the total amount each contributor contributes to the individual development account reserve fund for the calendar year. The secretary of revenue shall determine the date by which such information shall be submitted to the department of revenue by the local administrator.

(c) The total tax credits authorized pursuant to this section shall not exceed \$500,000 in any fiscal year.

(d) The provisions of this section shall be applicable to all taxable years commencing after December 31, 2014.

Income Tax

2006 SB 432

▣ Subtraction Modification

▣ Still Available

LEARNING QUEST & CONTRIBUTIONS TO ANOTHER STATE'S 529 QUALIFIED TUITION PROGRAM

- Subtraction limited to:
 - \$3,000 per student, per year for Single, Married Filing Separate & Head of Household
 - \$6,000 per student, per year for Married Filing Joint

13

2006 SB 432 Sec. 8

K.S.A. 79-32,117(c)(xv) For all taxable years beginning after December 31, 2004, amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. For all taxable years beginning after December 31, **2006**, amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a ***qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as amended***, for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2005 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

Schedule S, Line A20

Corporate, Privilege and Premium Tax

2014 HB 2506 – See Notice 14-14
Effective Kansas Tax Year 2015

New Low Income Student Scholarship Act

- Funds contributed are available to eligible students for scholarships of up to **\$8,000** per student to pay all or a portion of tuition to attend a qualified school in Kansas.
- Scholarship financed via a tax credit against corporate income and premium (insurance companies) or privilege (financial institutions) tax liability in an amount equal to **70%** of the amount contributed for scholarships.
- The credit will be claimed and deducted from the taxpayer's tax liability during the tax year in which the contribution was made. This is a **nonrefundable credit**.
- Total amount of credits allowed in each tax year is limited to **\$10 million**.
- Provides a new addback modification to Federal Adjusted Gross Income for the amount of charitable contribution deduction claimed for any contribution or gift made to a scholarship granting organization to the extent the same is claimed as the basis for the low income students scholarship program tax credit allowed.
- **Scholarship Granting Organizations (SGOs)** required to provide verification to the Secretary of Revenue of the SGO's federal income tax exemption via § 501(c)(3) of the federal Internal Revenue Code.

14

2015 HB 2109 Sec. 20. K.S.A. 2014 Supp. 72-99a02, as amended by section 67 of 2015 House Substitute for Senate Bill No. 7, is hereby amended to read as follows: 72-99a02. As used in the tax credit for low income students scholarship program act: (a) "Contributions" means monetary gifts or donations and in-kind contributions, gifts or donations that have an established market value. (b) "Department" means the Kansas department of revenue. (c) "Educational scholarship" means an amount not to exceed \$8,000 *per school year* provided to *an eligible students student, or to a qualified school with respect to an eligible student*, to cover all or a portion of the costs of *education including* tuition, fees and expenses of a qualified school and, if applicable, the costs of transportation to a qualified school if provided by such qualified school. (d) "Eligible student" means a child who: (1)(A) Qualifies as an at-risk pupil as defined in K.S.A. 72-6407, prior to its repeal, and who is attending a *public school*; or (B) has *been eligible to receive* an educational scholarship under this program and has not graduated from high school or reached 21 years of age; (2) resides in Kansas while *eligible for* an educational scholarship; and (3)(A) was enrolled in any public school in the previous school year in which an educational scholarship is first sought for the child; or (B) is eligible to be enrolled in any public school in the school year in which an educational scholarship is first sought for the child and the child is under the age of six years. (e) "Parent" includes a guardian, custodian or other person with authority to act on behalf of the child. (f) "Program" means the tax credit for low income students scholarship program established in K.S.A. 2014 Supp. 72-99a01 through 72-99a07, and amendments thereto. (g) "Public school" means a school that would qualify as either a title I focus school or a title I priority school as described by the state board under the elementary and secondary education act flexibility waiver as amended in January 2013 and is operated by a school district. (h) "Qualified school" means any nonpublic school that provides education to elementary or secondary students, has notified the state board of its intention to participate in the program and complies with the requirements of the program. (i) "Scholarship granting organization" means an organization that complies with the requirements of this program and provides educational scholarships to *eligible students or to qualified schools in which parents have enrolled eligible students*. (j) "School district" or "district" means any unified school district organized and operating under the laws of this state. (k) "School year" shall have the meaning ascribed thereto in section 5 of 2015 House Substitute for Senate Bill No. 7, and amendments thereto. (l) "Secretary" means the secretary of revenue. (m) "State board" means the state board of education. Sec. 21. K.S.A. 2014 Supp. 72-99a03 is hereby amended to read as follows: 72-99a03. (a) There is hereby established the tax credit for low income students scholarship program. The program shall provide eligible students with an opportunity to attend schools of their parents' choice. (b) Each scholarship granting organization shall issue a receipt, in a form prescribed by the secretary, to each contributing taxpayer indicating the value of the contribution received. Each taxpayer shall provide a copy of such receipt when claiming the tax credit established in K.S.A. 2014 Supp. 72-99a07, and amendments thereto. (c) Prior to awarding an educational scholarship *with respect to* an eligible student, unless such student is under the age of six years, the scholarship granting organization shall receive written verification from the state board that such student is an eligible student under this program, provided the state board and the board of education of the school district in which the eligible student was enrolled the previous school year have received written consent from such eligible student's parent authorizing the release of such information. (d) Upon receipt of information in accordance with subsection_K.S.A. 2014 Supp. 72-99a04(a)(2), and amendments thereto, the state board shall inform the scholarship granting organization *whether* an educational scholarship *has been awarded* by another scholarship granting organization *with respect to the eligible student*. (e) In each school year, *no more than \$8,000 in educational scholarships may be awarded* under this program *with respect to an eligible student*. Sec. 22. K.S.A. 2014 Supp. 72-99a04 is hereby amended to read as follows: 72-99a04. (a) To be eligible to participate in the program, a scholarship granting organization shall comply with the following: (1) The scholarship granting organization shall notify the secretary and the state board of the scholarship granting organization's intent to provide educational scholarships (2) upon granting an educational scholarship to an eligible student, the scholarship granting organization shall report such information to the state board; (3) the scholarship granting

organization shall provide verification to the secretary that the scholarship granting organization is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;(4)upon receipt of contributions in an aggregate amount or value in excess of \$50,000 during a school year, a scholarship granting organization shall file with the state board either: (A)A surety bond payable to the state in an amount equal to the aggregate amount of contributions expected to be received during the school year; or (B)financial information demonstrating the scholarship granting organization's ability to pay an aggregate amount equal to the amount of the contributions expected to be received during the school year, which must be reviewed and approved of in writing by the state board; (5) scholarship granting organizations that provide other nonprofit services in addition to providing educational scholarships shall not commingle contributions made under the program with other contributions made to such organization. A scholarship granting organization under this subsection shall also file with the state board, prior to the commencement of each school year, either: (A)A surety bond payable to the state in an amount equal to the aggregate amount of contributions expected to be received during the school year; or (B)financial information demonstrating the nonprofit organization's ability to pay an aggregate amount equal to the amount of the contributions expected to be received during the school year, which must be reviewed and approved of in writing by the state board; (6) each qualified school receiving educational scholarships from the scholarship granting organization *shall annually certify to the scholarship granting organization its compliance with the requirements of the program*; (7) at the end of the calendar year, the scholarship granting organization shall have its accounts examined and audited by a certified public accountant. Such audit shall include, but not be limited to, information verifying that the educational scholarships awarded by the scholarship granting organization were distributed to *qualified schools with respect to* eligible students determined by the state board under K.S.A. 2014 Supp. 72-99a03(c), and amendments thereto, and information specified in this section. Prior to filing a copy of the audit with the state board, such audit shall be duly verified and certified by a certified public accountant; and (8) if a scholarship granting organization decides to limit the number or type of qualified schools who will receive educational scholarships, the scholarship granting organization shall provide, in writing, the name or names of those qualified schools to any contributor and the state board. (b)No scholarship granting organization shall provide an educational scholarship ~~for~~ *with respect to* any eligible student to attend any qualified school with paid staff or paid board members, or relatives thereof, in common with the scholarship granting organization. (c)The scholarship granting organization shall disburse not less than 90% of contributions received pursuant to the program in the form of educational scholarships within 36 months of receipt of such contributions. If such contributions have not been disbursed within the applicable 36-month time period, then the scholarship granting organization shall not accept new contributions until 90% of the received contributions have been disbursed in the form of educational scholarships. Any income earned from contributions must be disbursed in the form of educational scholarships. (d)A scholarship granting organization may continue to provide an educational scholarship *with respect to* a student *who was an eligible student* in the year immediately preceding the current school year. (e)A scholarship granting organization shall direct payments of educational *scholarships* to the qualified school *attended by the eligible student or in which the eligible student is enrolled*. Payment *may* be made by check made payable to both the parent and the qualified school *or to only the qualified school*. If an eligible student transfers to a new qualified school during a school year, the scholarship granting organization shall direct payment in a prorated amount to the original qualified school and the new qualified school based on the eligible student's attendance. If the eligible student transfers to a public school and enrolls in such public school after September 20 of the current school year, the scholarship granting organization shall direct payment in a prorated amount to the original qualified school and the public school based on the eligible student's attendance. The prorated amount to the public school shall be considered a donation and shall be paid to the school district of such public school in accordance with K.S.A. 72-8210, and amendments thereto, (f) By June 1 of each year, a scholarship granting organization shall submit a report to the state board for the educational scholarships provided in the immediately preceding 12 months. Such report shall be in a form and manner as prescribed by the state board, approved and signed by a certified public accountant, and shall contain the following information: (1)The name and address of the scholarship granting organization; (2)the name and address of each eligible student *with respect to whom* an educational scholarship *was awarded* by the scholarship granting organization; (3)the total number and total dollar amount of contributions received during the 12-month reporting period; and (4)the total number and total dollar amount of educational scholarships awarded during the 12-month reporting period and the total number and total dollar amount of educational scholarships awarded during the 12-month reporting period *with respect to* eligible students who qualified under K.S.A. 2014 Supp. 72-99a02(d), and amendments thereto. (g) No scholarship granting organization shall: (1)Provide ~~an~~ educational scholarship *with respect to an eligible student that is* established by funding from any contributions made by any relative of such eligible student; or accept a contribution from any source with the express or implied condition that such contribution be directed toward an educational scholarship for a particular eligible student. 2014 HB 2506 created the Low Income Student Scholarship Act.

Income Tax

2015 SB 270
Effective Tax Year 2013

FOOD SALES TAX CREDIT

- **Must be a Kansas resident (*Domiciled*) entire year.**

❖ *Domicile does not include a correctional facility, Jail, or prison.*

And

- **Must have FAGI \$30,615 or less**
Then meet one(1) of the following qualifiers;

- 1) **Must be 55 years or older all of 2015;**
OR
- 2) **Must claim an exemption for one or more dependent children under the age of 18 on the federal return;**
OR
- 3) **Be Totally & Permanently disabled or blind all of 2015**

- **Must have a tax liability**
- **Non refundable Income Tax Credit**
- **\$125 per number of qualified Federal Exemptions.**
- **Not indexed for inflation.**
- **Must be applied to tax liability After all other credits**
 - ☐ **including;**
 - ❖ **Credit for taxes paid to other states.**
 - ❖ **Earned Income Credit**
 - ❖ **Other Nonrefundable credits**
 - ❖ **Nonrefundable credits**

**STILL
AVAILABLE
FOR
TY 2015**

See Notice 13-12

2012 HOUSE BILL No, 2059. New Sec. 7. (a) For any taxable year commencing after December 31, 2012, a credit shall be allowed against the tax imposed by the Kansas income tax act on the Kansas taxable income of an individual income taxpayer who purchased food in this state, had federal adjusted gross income for the tax year that did not exceed \$30,615, and meets the qualifications in subsections (b) and (c). (b) During the entire tax year a taxpayer filing single, head of household, or married filing separate, or the taxpayer and the taxpayer's spouse if married filing jointly, must be domiciled in this state. For purposes of this credit, "domicile" shall not include any correctional facility, or portion thereof, as defined in K.S.A. 75-5202, and amendments thereto, any juvenile correctional facility, or portion thereof, as defined in K.S.A. 38-2302, and amendments thereto, any correctional facility of the federal bureau of prisons located in the state of Kansas, or any city or county jail facility in the state of Kansas. (c) During the entire tax year a taxpayer filing single, head of household, or married filing separate, or the taxpayer or the taxpayer's spouse if married filing jointly, must be either: (1) A person having a disability, regardless of age; (2) a person without a disability who is 55 years of age or older; or (3) a person without a disability who is younger than 55 years of age who claims an exemption for one or more dependent children under 18 years of age. (d) The amount of the credit shall be \$125 for every exemption claimed on the taxpayer's federal income tax return, except that no exemption shall be counted for a dependent unless the dependent is a child under 18 years of age. (e) The credit allowed under this provision shall be applied against the taxpayer's income tax liability after all other credits allowed under the income tax act. It shall not be refundable and may not be carried forward. (f) (1) Every taxpayer claiming the credit shall supply the division in support of a claim, reasonable proof of domicile, age and disability. (2) A claim alleging disability shall be supported by a report of the examining physician of the claimant with a statement or certificate that the applicant has a disability as defined in subsection (g). (g) "Disability" means: (1) Inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months, and an individual shall be determined to be under a disability only if the physical or mental impairment or impairments are of such severity that the individual is not only unable to do the individual's previous work but cannot, considering age, education and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which the individual lives or whether a specific job vacancy exists for the individual, or whether the individual would be hired if application was made for work. For purposes of this paragraph, with respect to any individual, "work which exists in the national economy" means work which exists in significant numbers either in the region where the individual lives or in several regions of the country; and "physical or mental impairment" means an impairment that results from anatomical, physiological or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques; or (2) blindness and inability by reason of blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which the individual has previously engaged with some regularity and over a substantial period of time. For purposes of this paragraph "blindness" means central visual acuity of 20/200 or less in the better eye with the use of a correcting lens. An eye which is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees shall be considered for the purpose of this paragraph as having a central visual acuity of 20/200 or less. (h) The secretary of revenue is hereby authorized to adopt such rules and regulations as may be necessary for the administration of the provisions of this section. **See Notice 13-12**

Homestead

2005 SB 133
Effective Tax Year 2014

2015

MAXIMUM “HOUSEHOLD INCOME”

Indexed to inflation

Homestead \$34,000

Safe Senior \$19,100

- Effective January 1, 2013 Renters are no longer able to claim a Homestead Property Tax Refund
- See Notice 12-14

17

2005 SB 133 Sec. 1 K.S.A. 79-4508(d) *In the case of all tax years commencing after December 31, 2004, the upper limit threshold amount prescribed in this section, shall be increased by an amount equal to such threshold amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) of the federal internal revenue code for the calendar year in which the taxable year commences.*

- Household Income limit for TY 2008 - \$29,700
- Household Income limit for TY 2009 - \$31,300
- Household Income limit for TY 2010 - \$30,800
- Household Income limit for TY 2011 - \$31,200
- Household Income limit for TY 2012 - \$32,400
- Household Income limit for TY 2013 - \$32,900
- Household Income limit for TY 2014 - \$33,400
- Household Income limit for TY 2015 - \$34,000

2012 Senate Substitute for House Bill No.2117, Sec. 30. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4501 is hereby amended to read as follows: 79-4501. The title of this act shall be the homestead property tax refund act. The purpose of this act shall be to provide *ad valorem tax refunds to: (a) Certain persons who are of qualifying age who own their homestead; (b) certain persons who have a disability, who own their homestead; and (c) certain persons other than persons included under the provisions of (a) or (b) who have low incomes and dependent children and own their homestead.*

Sales Tax

2015 SB 109

Notice 15-12

Was effective upon publication in Kansas Register on April 9, 2015

KANSAS DISASTER UTILITIES RESPONSE ACT

- Relieves requirements for out of state businesses and employees to register, file, or remit state or local taxes and/or be subject to state licensing or registration normally required.
- Business must be in Kansas for a declared state disaster or emergency.
 - Declared by Governor or
 - Chair of the Board of County Commissioners of any county or
 - Mayor or other principal executive officer of a city or
 - Presidential declaration of federal major disaster or emergency.
- Out-of-state businesses and employees that remain in the state after the disaster response period (from 10 days prior to first day of a declared state disaster to 60 calendar days after the end of the declared disaster) are subject to the state's normal standard of residency and are responsible for tax, registration, licensing and/or filing requirements.

18

2015 SB 109 AN ACT concerning emergencies and disasters; creating the Kansas disaster utilities response act; department of revenue. *Be it enacted by the Legislature of the State of Kansas:* Section 1. (a) For the purposes of this section: (1) “Declared state disaster or emergency” means a disaster or emergency event declared by the governor pursuant to K.S.A. 48-924, and amendments hereto, a state or local disaster emergency declared by the chair of the board of county commissioners of any county or by the mayor or other principal executive officer of a city pursuant to K.S.A. 48-932, and amendments thereto, or a presidential declaration of a federal major disaster or emergency. **(2) “Disaster response period” means a period that begins 10 days prior to the first day of a declared state disaster or emergency and that extends for a period of 60 calendar days after the end of the declared disaster or emergency period or any longer period authorized by the governor.** (3) “Disaster or emergency-related work” means work in preparation for a disaster and repairing, renovating, installing, building or rendering services or other business activities on or related to critical infrastructure that has been damaged, impaired or destroyed by any declared state disaster or emergency. (4) “Critical infrastructure” means property and equipment, or any related support facilities that service multiple customers or citizens, including, but not limited to, real and personal property such as buildings, offices, lines, poles, pipes, structures and equipment, that are owned or used by operators of: (A) Telecommunications, cable or other communications networks; (B) electric generation, transmission or distribution systems; (C) natural gas and natural gas liquids gathering, processing, storage, transmission or distribution systems; or (D) water pipelines. (5) “Registered business” means a business entity that, prior to any declared state disaster or emergency and work related thereto, is registered with the secretary of state, in good standing and authorized to do business in the state. (6) “Out-of-state business” means a business entity that, prior to any declared state disaster or emergency and work related thereto: (A) Has no presence, registrations or tax filings in the state and conducts no business in the state except for disaster or emergency-related work during any disaster response period; and (B) is requested by a registered business, state agency, county or city disaster agency established pursuant to K.S.A. 48-929, and amendments thereto, or interjurisdictional disaster agency established pursuant to K.S.A. 48-930, and amendments thereto, to provide disaster or emergency-related work in the state during any disaster response period. An “out-of-state business” shall also include a business entity affiliated with a registered business solely through common ownership

(7) "Out-of-state employee" means an individual who does not work in the state, except for disaster or emergency-related work during any disaster response period. (8) "State agency" shall have the meaning ascribed to such term in K.S.A. 75-3701, and amendments thereto. (b) (1) An out-of-state business that conducts operations within the state for purposes of performing disaster or emergency-related work during any disaster response period shall not be considered to have established a level of presence, as a result of such disaster or emergency-related work, that would require that business to register, file or remit state or local taxes or that would require that business or such business' out-of-state employees to be subject to any state licensing or registration requirements, including : (A) Any and all state or local business licensing or registration requirements; (B) state or local taxes or fees including, but not limited to, state income and employer withholding taxes, unemployment insurance, state or local occupational licensing fees, sales and use tax or ad valorem tax on equipment used or consumed during any disaster response period; and (C) licensing and regulatory requirements of the state corporation commission or the secretary of state. (2) For purposes of any state or local tax on or measured by, in whole or in part, net or gross income or receipts, all disaster or emergency related work of the out-of-state business that is conducted in this state pursuant to this section shall be disregarded with respect to any filing requirements for such tax, including the filing required for a unitary or combined group of which the out-of-state business may be a part. For the purpose of apportioning income, revenue or receipts, the performance by an out-of-state business of any work in accordance with this section shall not be sourced to or shall not otherwise impact or increase the amount of income, revenue or receipts apportioned to this state. (3) Any out-of-state employee shall not be considered to have established residency or a presence in the state that would require the employee or the employee's employer to file and pay state income taxes or to be subjected to tax withholdings or to file and pay any other state or local tax or fee during any disaster response period. This includes any related state or local employer withholding and remittance obligations. (c) Out-of-state businesses and out-of-state employees shall pay transaction taxes and fees, including, but not limited to, fuel taxes or sales or use taxes, on tangible personal property, materials or services, consumed or used in the state subject to sales or use taxes, hotel taxes, car rental taxes or fees that the out-of-state business or out-of-state employee purchases for use or consumption in the state during any disaster response period, unless such taxes are otherwise exempted during such disaster response period. (d) Any out-of-state business or out-of-state employee that remains in the state after any disaster response period will become subject to the state's normal standards for establishing presence, residency or doing business in the state and will be responsible for any business or employee tax requirements or obligations thereafter. (e) (1) Any out-of-state business that enters the state shall, upon request, provide to the department of revenue a written statement that such out-of-state business is in the state for purposes of responding to a declared state disaster or emergency. Such statement shall include the out- of-state business' name, state of domicile, principal business address, federal tax identification number, date of entry and contact information.(2) A registered business shall, upon request, provide the department of revenue the information required in this subsection for any affiliate that enters the state that is an out-of-state business. The notification shall also include contact information for the registered business.(3) Any out-of-state business or out-of-state employee that remains in the state after any disaster response period shall complete and comply with all state and local registration, licensing and filing requirements that ensue as a result of establishing the requisite business presence or residency in the state applicable under the existing rules. (4) The department of revenue shall maintain an annual record of all declared state disasters and emergencies pursuant to this section and may promulgate any rules and regulations necessary to effectuate the provisions of this section. (f) No provision of this act shall be interpreted to exempt any person from the requirements of K.S.A. 2014 Supp. 50-6,121 through 50-6,138, and amendments thereto.

Sales Tax

2015 SB 270
Notice 15-02 and 15-03
Effective Fiscal Year 2016

Kansas State Sales & Use Tax Rate increased to

6.50%

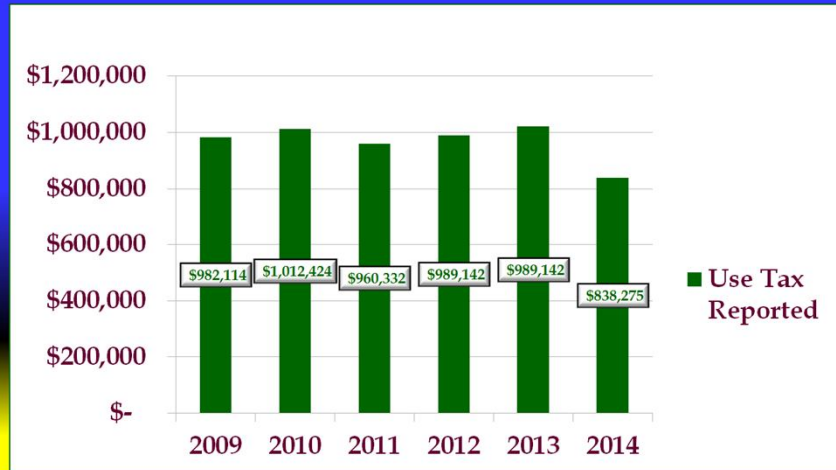
(Plus all applicable local tax rates)

Effective July 1, 2015

20

2015 SB 270 Sec. 6. K.S.A. 2014 Supp. 79-3603, as amended by section 7 of 2015 Senate Substitute for House Bill No. 2109, is hereby amended to read as follows: 79-3603. For the privilege of engaging in the business of selling tangible personal property at retail in this state or rendering or furnishing any of the services taxable under this act, there is hereby levied and there shall be collected and paid a tax at the rate of 6.15%, and commencing July 1, 2015, at the rate of 6.5%.

Compensating Use Tax – Local and State As reported on the Kansas Individual Income tax form (K-40)



21

79-3703. Compensating use tax imposed; rate. There is hereby levied and here shall be collected from every person in this state a tax or excise for the privilege of using, storing, or consuming within this state any article of tangible personal property. Such tax shall be levied and collected in an amount equal to the consideration paid by the taxpayer multiplied by the rate of 6.50%. Within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax of 2% until the earlier of: (1) The date the bonds issued to finance or refinance the redevelopment project undertaken in the district have been paid in full; or (2) the final scheduled maturity of the first series of bonds issued to finance the redevelopment project. All property purchased or leased within or without this state and subsequently used, stored or consumed in this state shall be subject to the compensating tax if the same property or transaction would have been subject to the Kansas retailers' sales tax had the transaction been wholly within this state. Kansas Compensating Use Tax was added to the K-40 (line 18) in 2004. Kansas imposes a use tax on goods purchased by Kansans (individuals and businesses) that are used, stored, or consumed in Kansas on which;

- No sales tax was paid
or
- A sales tax less than the Kansas rate was paid.

The purpose of compensating use tax is to protect Kansas businesses from unfair competition from out-of-state retailers who sell goods tax-free; use tax “compensates” for the lack of sales tax paid at the time of purchase. A use tax also helps to assure fairness to Kansans who purchase similar items in Kansas and pay Kansas sales tax on them. This is not a new concept. Compensating use tax in Kansas has been in effect since 1937.

Gambling

HB 2155
Effective Fiscal Year 2016

RAFFLES

Charitable Gaming Act

- **Amendment to Kansas Constitution:** Article 15 Section 3d allows for regulated charitable raffles for certain nonprofit groups.
- **Charitable Raffles only available to:**
 - Nonprofit religious, charitable, fraternal, educational, or veterans organization.
- **No License required:** For organizations where annual gross receipts from raffles is **\$25,000** or less.
- **Raffle License Fee Required:** For organizations where annual gross receipts from raffles is **Greater than \$25,000**
 - Greater than \$25,000 but less than \$50,000 - **\$25.00**
 - Greater than \$50,000 but less than \$75,000 - **\$50.00**
 - Greater than \$75,000 but less than \$100,000 - **\$75.00**
 - Greater than \$100,000 - **\$100.00**
 - License expires on **June 30th**

Article 15 Section 3 of Kansas Constitution

§ 3: Lotteries. Lotteries and the sale of lottery tickets are forever prohibited.

§ 3a: Regulation, licensing and taxation of "bingo" games authorized. Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas the legislature may regulate, license and tax the operation or conduct of games of bingo and instant bingo, as defined by law, by bona fide nonprofit religious, charitable, fraternal, educational and veterans organizations.

§ 3b: Regulation, licensing and taxation of horse and dog racing and parimutuel wagering thereon. Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas, the legislature may permit, regulate, license and tax, at a rate not less than 3% nor more than 6% of all money wagered, the operation or conduct, by bona fide nonprofit organizations, of horse and dog racing and parimutuel wagering thereon in any county in which: (a) A majority of the qualified electors of the county voting thereon approve this proposed amendment; or (b) the qualified electors of the county approve a proposition, by a majority vote of those voting thereon at an election held within the county, to permit such racing and wagering within the boundaries of the county. No off-track betting shall be permitted in connection with horse and dog racing permitted pursuant to this section.

§ 3c: State-owned and operated lottery. Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas, the legislature may provide for a state-owned and operated lottery, except that such state-owned lottery shall not be operated after June 30, 1990, unless authorized to be operated after such date by a concurrent resolution approved by a majority of all of the members elected (or appointed) and qualified of each house and adopted in the 1990 regular session of the legislature. The state shall whenever possible provide the public information on the odds of winning a prize or prizes in a lottery game.

§ 3d. Regulation of "raffles" authorized. Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas, the legislature may authorize the licensing, conduct and regulation of charitable raffles by nonprofit religious, charitable, fraternal, educational and veterans organizations. A raffle means a game of chance in which each participant buys a ticket or tickets from a nonprofit organization with each ticket providing an equal chance to win a prize and the winner being determined by a random drawing. Such organizations shall not use an electronic gaming machine or vending machine to sell tickets or conduct raffles. No such nonprofit organization shall contract with a professional raffle or other lottery vendor to manage, operate or conduct any raffle. Raffles shall be licensed and regulated by the Kansas department of revenue, office of charitable gaming or successor agency.

Cigarette / Tobacco

2015 HB 2109

Notice 15-01

Effective Fiscal Years 2016 and 2017

CIGARETTE AND TOBACCO PRODUCTS

- Effective July 1, 2015 (FY16) The tax rate paid by the distributor is increased: \$0.79 to \$1.29 on each package of **20** cigarettes; \$0.99 to \$1.61 on each package of **25** cigarettes.
- Effective July 1, 2016 (FY17) there will be a tax of \$0.20 per milliliter of consumable material for electronic cigarettes.

23

2015 HB 2109 Sec. 29. K.S.A. 2014 Supp. 79-3310 is hereby amended to read as follows: 79-3310. There is imposed a tax upon all cigarettes sold, distributed or given away within the state of Kansas. *July 1, 2015*, the rate of such tax shall be \$1.29 on each 20 cigarettes or fractional part thereof or \$1.61 on each 25 cigarettes, as the case requires. Such tax shall be collected and paid to the director as provided in this act. Such tax shall be paid only once and shall be paid by the wholesale dealer first receiving the cigarettes as herein provided. The taxes imposed by this act are hereby levied upon all sales of cigarettes made to any department, institution or agency of the state of Kansas, and to the political subdivisions thereof and their departments, institutions and agencies. Sec. 30. K.S.A. 2014 Supp. 79-3310c is hereby amended to read as follows: 79-3310c. On or before *July 31, 2015*, each wholesale dealer, retail dealer and vending machine operator shall file a report with the director in such form as the director may prescribe showing cigarettes, cigarette stamps and meter imprints on hand at 12:01 a.m. on *July 1, 2015*. A tax \$.50 on each 20 cigarettes or fractional part thereof or \$.62 on each 25 cigarettes, as the case requires and or \$.50 or \$.62, as the case requires upon all tax stamps and all meter imprints purchased from the director and not affixed to cigarettes prior to *July 1, 2015*, is hereby imposed and shall be due and payable in equal installments on or before *October 31, 2015*. The tax imposed upon such cigarettes, tax stamps and meter imprints shall be imposed only once under this act. The director shall remit all moneys collected pursuant to this section to the state treasurer who shall credit the entire amount thereof to the state general fund.

2015 HB 2109 New Sec. 12. (a) On and after *July 1, 2016*, a tax is hereby imposed upon the privilege of selling or dealing in electronic cigarettes in this state by any person engaged in business as a distributor thereof, at the rate of \$.20 per milliliter of consumable material for electronic cigarettes and a proportionate tax at the like rate on all fractional parts thereof. For electronic cigarettes in the possession of retail dealers for which tax has not been paid, tax shall be imposed under this subsection at the earliest time the retail dealer: (1) Brings or causes to be brought into this state from without the state electronic cigarettes for sale; (2) makes, manufactures or fabricates electronic cigarettes in this state for sale in this state; or (3) sells electronic cigarettes to consumers within this state. (b) The secretary of revenue shall adopt rules and regulations to implement the provisions of this section.

Amnesty

September 1, 2015 – October 15, 2015

- An amnesty from the assessment of penalties and interest with respect to unpaid taxes or taxes due and owing if unpaid taxes are paid in full during amnesty period.
- Does not apply to individuals or corporate income tax liability resulting from an audit or adjustment by the I.R.S.
- Applies only to penalties and interest applied to final liabilities (*matters not in appeal*) for tax periods ending on or before **December 31, 2013**.
- Applies to Income, Privilege, Estate, Cigarette, Tobacco products, Liquor drink, Mineral Severance, State Sales & Use, and Local Sales & Use, and withholding taxes.
- Does not apply to accounts for which on or after **September 1, 2015** taxpayers have received notices of assessment or for which an audit had previously been initiated.

2015 HB 2109 - Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) (1) Notwithstanding the provisions of any other law to the contrary, with respect to the following taxes administered by the department of revenue, an amnesty from the assessment or payment of all penalties and interest with respect to unpaid taxes or taxes due and owing shall apply upon compliance with the provisions of this section and if such tax liability is paid in full within the amnesty period, from September 1, 2015, to October 15, 2015: (A) Privilege tax under K.S.A. 79-1106 et seq., and amendments thereto; (B) taxes under the Kansas estate tax act, K.S.A. 2006 Supp. 79-15,100 et seq., prior to their repeal; (C) taxes under the Kansas income tax act, K.S.A. 79-3201 et seq., and amendments thereto; (D) taxes under the Kansas withholding and declaration of estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto; (E) taxes under the Kansas cigarette and tobacco products act, K.S.A. 79-3301 et seq., and amendments thereto; (F) taxes under the Kansas retailers' sales tax act, K.S.A. 79-3601 et seq., and amendments thereto, and the Kansas compensating tax act, K.S.A. 79-3701 et seq., and amendments thereto; (G) local sales and use taxes under K.S.A. 12-187 et seq., and amendments thereto; (H) liquor enforcement tax under K.S.A. 79-4101 et seq., and amendments thereto; (I) liquor drink tax under K.S.A. 79-74a01 et seq., and amendments thereto; and (J) mineral severance tax under K.S.A. 79-4216 et seq., and amendments thereto. (2) Amnesty under this section shall apply only to tax liabilities due and unpaid for tax periods ending on or before December 31, 2013. For the eligible taxes and tax periods, amnesty shall apply to the under-reporting of such tax liabilities, the nonpayment of such taxes and the nonreporting of such tax liabilities. (3) Amnesty shall not apply to any matter or matters for which, on or after September 1, 2015, any one of the following circumstances exist: (A) The taxpayer has received notice of the commencement of an audit; (B) an audit is in progress; (C) the taxpayer has received notice of an assessment pursuant to K.S.A. 79-2971 or 79-3643, and amendments thereto; (D) as a result of an audit, the taxpayer has received notice of a proposed or estimated assessment or notice of an assessment; (E) the time to administratively appeal an issued assessment has not yet expired; or (F) an assessment resulting from an audit, or any portion of such assessment, is pending in the administrative appeals process before the secretary or the secretary's designee pursuant to K.S.A. 79-3226 or 79-3610, and amendments thereto, or the state board of tax appeals, or is pending in the judicial review process before any state or federal district or appellate court. Amnesty shall not apply to any matter that is the subject of an assessment, or any portion of an assessment, which has been affirmed by a reviewing state or federal district or appellate court. Amnesty shall not apply to any party to any criminal investigation or to any civil or criminal litigation that is pending in any court of the United States or this state for nonpayment, delinquency or fraud in relation to any tax imposed by the state of Kansas. Amnesty shall not apply to any matter involving individual or corporate income tax liability resulting from an audit or adjustment by the federal internal revenue service and reported to the Kansas department of revenue pursuant to K.S.A. 79-3230(f), and amendments thereto. (b) Upon written application by the taxpayer, on forms prescribed by the secretary of revenue, and upon compliance with the provisions of this section, the department of revenue may waive the imposition and collection of any penalty or interest which may be applicable with respect to taxes eligible for amnesty. The department of revenue may require all applications for amnesty pursuant to this section be submitted electronically. (c) Amnesty for penalties and interest shall be granted only to those eligible taxpayers who, within the amnesty period of September 1, 2015, to October 15, 2015, and in accordance with rules and regulations established by the secretary of revenue, have properly filed a tax return for each taxable period for which amnesty is requested, paid the entire balance of tax due and obtained approval of such amnesty by the department of revenue. (d) If a taxpayer elects to participate in the amnesty program established pursuant to this section as evidenced by full payment of the tax due as established by the secretary of revenue, that election shall constitute an express and absolute relinquishment of all administrative and judicial rights of appeal with respect to such tax liability. No tax payment received pursuant to this section shall be eligible for refund or credit. No payment of penalties or interest made prior to September 1, 2015, shall be eligible for amnesty. (e) For such tax returns for which amnesty has been requested, nothing in this section shall be interpreted to prohibit the department from adjusting such tax return as a result of a federal, department or other state agency audit. (f) Fraud or intentional misrepresentation of a material fact in connection with an application for amnesty shall void such application and any waiver of penalties and interest from amnesty. (g) The department may promulgate such rules and regulations or issue administrative guidelines as are necessary to administer the provisions of this section.

Miscellaneous

- Interest rate for calendar year 2015 on delinquent or unpaid taxes and overpayments of taxes remains the same. **4%** (.333 monthly rate)
- A copy of the motor vehicle registration application for an owner of a vehicle subject to registration shall be mailed by the department of revenue or, at the election of a county, by the county to the address of the owner as shown by the records of the department or the county no later than 45 days before the owner's registration and motor vehicle tax is due.
- Chickadee Checkoff for 2015 is the Kansas Nongame Wildlife Improvement Program
- Liquor Enforcement Tax Due on Distributor Samples. See Notice 15-14
- Due date for tax year 2015 is **April 18, 2016**. Taxpayers will have extra time to file and pay income tax because the 15th of April falls on a Friday in 2016. April 16, is an observed legal holiday in D.C for emancipation day. By law, filing and payment deadlines that fall on a legal holiday are timely satisfied if met on the next business day. Under a federal statute enacted decades ago, holidays observed in the District of Columbia have an impact nationwide, not just in D.C. the IRS follows D.C.'s holidays for filing purposes and Kansas follows the IRS. If April 16 falls on a weekend, the holiday is overserved on the nearest weekday, either Friday or Monday

(c) A copy of the motor vehicle registration application for an owner of a vehicle subject to registration under the provisions of K.S.A. 8-126 et seq., and amendments thereto, and subject to the tax imposed upon a motor vehicle pursuant to K.S.A. 79-5101 et seq., and amendments thereto, including all information required by such provisions to enable the owner to register the vehicle by completing the registration application and to pay the tax by return mail, shall be mailed by the department of revenue or, at the election of a county, by the county to the address of the owner as shown by the records of the department or the county no later than 45 days before the owner's registration and motor vehicle tax is due.

NOTICE INDEX

Notice	Topic	Page(s)
15-01	Cigarette Tax Increase and Inventory Requirements.....	27
15-02	Kansas Sales & Use Tax Increase.....	28-30
15-03	Instructions for Reporting Sales Receipts on Sales Tax Returns filed for July 2015.....	31-34
15-04	2015 Motor Fuel Legislative Update.....	35
15-05	Low Income Exclusion effective TY 2016	36
15-06	Income Tax Rates Changed for Individuals, Estates & Trust	37
15-07	Itemized Deductions for Individual Income Tax	38
15-08	Modification for Christmas Trees Grown in Kansas	39
15-09	Rural Opportunity Zone Credit Extended	40
15-10	Social Security Numbers Required for Income Tax Credits	41
15-11	Subtraction Modification for Partnership Guarantee Payments	42
15-12	Kansas Disaster Utilities Response Act.	43-44
15-13	Policy for Liability Relief From Changes in Taxability Matrix ...	45
15-14	Liquor Enforcement Tax Due on Distributor Samples	46
15-15	Credit for Taxes Paid to Another State	47

REVISED NOTICE 15-01

Notice of Cigarette Tax Increase and Inventory Requirements

To comply with recent legislative changes, your company is required to take inventory of the cigarette stamps not attached to cigarette packs (Wholesalers Only) and stamped packs (Wholesalers, Retailers, and Vending Machine Operators) on hand at 12:01 a.m., July 1, 2015. On and after July 1, 2015 the tax rate will be \$1.29 on each pack of 20 cigarettes or fractional part thereof or \$1.61 on each pack of 25 cigarettes.

Your Company is required to pay an additional tax of \$0.50 on each 20-cigarette pack or \$0.62 on each 25-cigarette pack in stock as of 12:01 a.m. Payment of the additional tax on your inventory must be submitted in full no later than October 31, 2015. Penalty and Interest will be assessed if the payment is not received in a timely manner.

Enclosed are the Tax Rate Change Inventory Report (CG-117) and a Cigarette Inventory Tax Voucher (CG3). Complete Form CG-117 and return it by July 31, 2015. Please keep a copy of the Tax Rate Change Inventory Report for your records.

Effective July 1, 2015, the wholesale discount percentage rate will change from 0.80% to 0.55%.

Wholesalers: You may need to update your Tax Credit Bond. You may only order against 85% of the bond.

Please be advised that violations of these statutory provisions may result in license suspension or revocation and/or fines. Thank you for your cooperation in this matter.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions, please contact:

Customer Relations/Miscellaneous Tax
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing impaired TTY: 785-296-6461
Fax: 785-291-3968

NOTICE 15-02

RECENT LEGISLATION INCREASES THE KANSAS STATE SALES AND USE TAX RATE FROM 6.15% TO 6.5% EFFECTIVE JULY 1, 2015

June 22, 2015

The Kansas state sales and use tax rate will increase from 6.15% to 6.5% on July 1, 2015. This Notice explains how the rate increase affects the collection and reporting of sales and use tax by Kansas retailers. The department will issue a separate notice that explains other changes to Kansas tax laws made this session. Please review our website periodically for these updates.

The new law contains a transition provision for binding written construction contracts entered into before May 1, 2015. When applied for and properly documented before July 10, 2015, the transition provision allows the 6.15% rate to apply to material purchases and labor service charges for a qualifying construction contract made after the July rate increase.

Notice 15-03 explains adjustments that certain retailers will need to make to correctly report taxable retail sales billed to customers at the 6.15% rate that are being reported on their July return (due date August 25, 2015).

When this Notice indicates the 6.15% or 6.5% state tax rate applies, retailers are required to charge customers a combined tax rate that equals the sum of the appropriate state rate plus all applicable local tax rates. When used in this notice, "goods" means "tangible personal property" as defined in K.S.A. 79-3602(pp). "Services" means services that are taxable under K.S.A. 79-3603. K.S.A. 79-3602(nn).

The following guidelines apply to retail sales of goods:

- **Tangible personal property ordered before July 1, 2015 but delivered on or after July 1, 2015** - For Kansas sales tax purposes, a sale of goods is presumed to take place when and where possession of the goods sold are delivered to the buyer. When goods are ordered before July 2015 but possession is transferred to the buyer on or after July 1, the 6.5% state rate applies. This rule applies even when partial or full payment is made before July 1, 2015.

- **Leases of tangible personal property that require recurring periodic installment payments** - Kansas sales tax is imposed on leases of tangible personal property. Each lease installment is treated as a separate sale. A sales tax rate change applies to a lease installment without regard to when the lease agreement is entered into or when installment payments are made. For periodic monthly installments, the new 6.5% rate applies to the first installment period starting on or after July 1, 2015. K.S.A. 79-3678. The customer billing for the last installment period that starts in June and ends on or after July 1, 2015 is subject to the 6.15% state rate. This treatment also applies to leased property that is relocated to Kansas for use here.

This treatment does not apply to financing leases, which are credit arrangements that finance purchases of goods. Under such financing arrangements, sales tax is payable up front at the time of sale on the full selling price of the goods rather than on the stream of installment payments made to pay down the loan balance.

- **Rentals** - For rentals of tangible personal of 30-days or less, the date the customer first takes possession of the rental property fixes the state sales tax rate. The 6.5% state rate applies when a customer takes possession of rental property on or after July 1, 2015. When a customer takes possession before July 1, 2015, the rental charge for the last billing period that starts in June and ends on or after July 1, 2015 is subject to the 6.15% state rate. K.S.A. 79-3678. If the rental agreement is extended, renewed, or modified on or after July 1, 2015, the 6.5% state rate applies from that time forward.

- **Vending machines and coin-operated amusement devices** - Sales made from vending machines, amusement devices, and similar devices that accept payment for goods or services are treated as occurring when the money is removed from the machine or device. Money removed on or after July 1, 2015 is subject to the 6.5% state rate. Fees and charges, including those for placing the device at a retail location, may not be deducted from the cash receipts before sales tax is figured.

The following guidelines apply to retail charges for taxable services:

- **Admission tickets** to events in Kansas are subject to the tax rate in effect on the date the tickets are sold, regardless of when the event is held.

- **Dry cleaning** - When a dry cleaner or laundry accepts a customer's property for cleaning before July 1, 2015 and returns it on or after July 1, 2015, the charges are subject to the new 6.5% state rate.

- **Installation, application, maintenance and repair services** - Kansas sales tax is imposed on charges for installation, application, maintenance, and repair services, as well on charges for "servicing" property. K.S.A. 79-3603(p) & (q). Charges for labor services are sourced in the same way as sales of goods. K.S.A. 79-3669; K.S.A. 79-3670.

When a mechanic, body shop, electronics shop, or other service provider accepts a customer's vehicle or other property for service or repair before July 1, 2015, and returns it to the customer on or after July 1st, all of the charges for parts and service are subject to the 6.5% state rate. Charges for parts and labor services are taxed when the vehicle or other property is returned to the customer or when the completed service work is otherwise available for use by the customer, such as when repairs are completed to a dishwasher or refrigerator in a residence. These rules apply without regard to when the service is contracted for, when payment is made, or when the labor services are performed. This is the same treatment that is accorded to retail sales of oil, antifreeze, repair parts, replacement parts, and similar items. It applies regardless of whether the invoice separately lists the charges for tangible personal property and services.

- **Meals or catering-service contracts** - Charges are subject to the tax rate in effect on the date of the catered event.

- **Membership dues** - Kansas sales tax is imposed on the payments of dues to country clubs and other organizations by members that allow them to use the organization's facilities for recreation or entertainment. Dues covering any period that begins before July 1, 2015 are taxed to members at the prior rate, regardless of the date of the bill. Dues that cover periods that begin on or after July 1st are taxed at the new rate, regardless of the date the bill is issued to or payment is made by the member. K.S.A. 79-3678.

- **Periodic charges for taxable water, gas, heat, and electricity utility service and for telecommunications, cable, direct satellite TV, and similar service** - Sales of natural gas, electricity, heat and water delivered through lines or pipes are exempt from state sales tax if they are purchased for: (1) noncommercial use at a residence; (2) agricultural use; (3) use in the severing of oil; or (4) use in buildings and property that are exempt from property tax under K.S.A. 79-201b Second through Sixth. However, local sales tax continues to apply to sales of natural gas, electricity, and heat delivered through lines or pipes for: (1) noncommercial use at a residence; or (2) agricultural use. The law continues to exempt utilities that are consumed in agricultural production from both state and local sales tax. See KS-1550, Sales and Use Tax for the Agricultural Industry; K.S.A. 79-3606(n). Water provided through pipes for residential or agricultural use has not been subject to state or local sales tax since January 1, 2006. K.S.A. 12-189a. Charges for commercial use of gas, electricity, heat, and water are subject to state and local sales tax unless the use qualifies as consumed in production. See K.S.A. 79-3602(dd).

For monthly periodic billing, the new 6.5% state tax rate applies to the first customer billing period that starts on or after July 1, 2015. For the last billing period that starts in June and ends on or after July 1, 2015, the customer's invoice is subject to the 6.15% state rate. K.S.A. 79-3678. For the last billing period that starts in June and ends on or after July 1, 2015, a service provider may elect to charge the 6.5% rate for services billed as line-item charges on or after July 1, 2015, such as long-distance calls and pay-per-view television.

- **Room Occupancy** - Hotels and accommodation brokers should charge sales tax on single-day room charges for June 30th and the morning of July 1st at the lower 6.15% state rate. All taxable occupancy charges billed thereafter should be taxed at the 6.5% state rate.

For purposes of a rate change, room rentals billed on a weekly or monthly basis are treated as day-to-day rentals if either party has the unconditional right to terminate the room rental agreement. For rental periods other than daily rentals, the overall charge can be prorated and taxed based on the length of stay before and after the rate change.

The following guidelines apply to construction contracts:

Construction contracts entered into before May 1, 2015 that qualify for the transition provision in the new law - The 2015 rate increase contains a transition provision for certain binding written construction contracts that a general contractor and property owner signed before May 1, 2015. See K.S.A. 79-3695. It allows the 6.15% state rate to apply to charges for purchases of construction materials and the performance of taxable labor services on or after July 1, 2015.

To be entitled to the 6.15% state rate, the general contractor must complete an electronic application form and submit the required documentation to the department on or before July 10, 2015. The electronic application form can be found on the department's website: www.ksrevenue.org/15ratechange.html. It can also be accessed from the link entitled "2015 State Sales and Use Tax Rate Increase" listed under "Popular Items" on the department's home page.

General contractors with a KsWebTax account can access and complete the electronic application form through the link "Submit Request for Contractor Exemption Certificate," and then the link "State Rate Increase Exemption Certificate for Contractors." General contractors that do not have a KsWebTax account should access the link that allows them to open a KsWebTax account. Once the account is opened, the contractor can access and complete the "Application for State Rate Increase Exemption Certificate." The application form allows an electronic copy of the construction contract or a KDOT contract-award notice to be attached to it. The contract must show that it was signed by the parties before May 1, 2015. In lieu of attaching an electronic copy, the contractor may mail a copy of the contract addressed to: Office of Policy & Research, Kansas Department of Revenue, 915 SW Harrison Street, Topeka, KS 66625. The application and supporting material must be received by the department by July 10, 2015.

The department will notify the general contractor by e-mail once the application is approved or denied. The e-mail will contain a link that takes the contractor back to our web site to allow the contractor to print the exemption certificate or denial letter, which will explain the contractor's appeal rights.

When an application is approved, the department issues a numbered form PR-74c, *State Rate Increase Exemption Certificate* for the qualifying contract that the general contractor should download and print. The general contractor should copy the PR-74c and distribute copies to subcontractors on the project.

The general contractor and subcontractors should fill out a separate PR-74c certificate for each of its vendor and subcontractor that bill them for materials or taxable labor services. The numbered certificate instructs the vendors and subcontractors to charge the 6.15% state rate on construction materials and labor services that are purchased for or performed on the qualifying project on or after July 1, 2015. Vendors, subcontractors, and the general contractor are required to maintain a copy of each certificate they issue or honor as part of their sales tax records.

If a vendor or subcontractor refuses to charge the 6.15% state rate instead of the 6.5% state rate, the contractor or subcontractor is required to pay the 6.5% state tax being charged and complete and submit an ST-21 refund form to request a refund of the tax that is overcharged. Contractors and subcontractors should not strike tax that is charged at the 6.5% state rate and pay tax at the reduced 6.15% state rate.

Other construction contracts entered into before July 1, 2015 - Taxable services billed under a construction contract are subject to the tax rate in place when the services are performed. Contractors that perform a construction contract with taxable labor services are required to remit sales tax at the 6.5% state rate on jobs billed on or after July 1, 2015 unless the contractor can establish a reasonable allocation of services between the two rates that is clearly supported by its records and worksheets.

Building Materials - State sales tax applies to building materials at the rate in place when the materials are delivered to the contractor, not when the purchase is agreed to or payment is made, unless the general contractor secured a PR-74c for the contract.

Progress payments - A progress payment is a payment made to a contractor as work progresses on a construction project. Progress-payment clauses in a construction contract allow the contractor to bill the property owner at intervals, which may be based on the costs incurred by the contractor, the percentage of work completed, the stage of work completed, a payment schedule, or some other basis. Progress payments help reimburse the contractor for the costs it incurs in each progress-payment interval, such as paying subcontractor charges and employee wages and buying building permits, construction materials, supplies, and insurance.

When a construction contract calls for billing progress payments to the property owner that include charges for taxable labor services, the contractor is required to report and remit sales tax on the taxable labor services performed during each interval covered by a progress payment. Sales tax on the labor services is required to be reported on the return for the reporting period in which each progress payment is due and payable. The 6.15% state sale tax rate applies to taxable labor services rendered before July 1, 2015 in a progress-payment interval billing. The 6.5% state sale tax rate applies to taxable labor services rendered on or after July 1, 2015 that are included in a progress-payment interval. After a project is complete and a contractor reconciles its earlier reporting of taxable labor services with its actual pay outs, receipts, and other records, the 6.5% rate applies unless the contractor can claim a reasonable allocation between the two rates that is clearly supported by its records and worksheets. *July 2015, which will be posted under "2015 State Sales and Use Tax Rate Increase" on the department's home page.*

NOTICE 15-03

Instructions for Reporting Sales Receipts on Sales Tax Returns Filed for July 2015

June 30, 2015

Certain retailers will need to adjust their July return to avoid overpaying tax

2015 State Sales and Use Tax Rate Increase - The Kansas state sales and use tax rate increases from 6.15% to 6.5% on July 1, 2015. This Notice explains a rate-increase adjustment certain retailers may claim as a deduction to avoid overpaying tax during a reporting period when they lawfully charged tax on different transactions at both the 6.15% and the 6.5% state rates.

Transitioning to the 6.5% State Sales Tax Rate - Notice 15-02 contains transition rules for retailers to use to determine whether the 6.15% or 6.5% state rate should be charged to a customer. Most retailers that follow these rules and timely reprogram their tax reporting software to account for the 2015 state and local tax rate increases can rely on proven software to calculate the correct amounts to report on their retailers' sales and use tax returns. However, certain retailers will need to make a rate-increase adjustment and claim an additional deduction on their July 2015 return to avoid paying more tax to the Department than they collect from customers. Some of these retailers will make the rate-increase adjustment on subsequent returns for reporting periods when they lawfully charge the 6.15% state rate to certain qualified customers.

When this Notice indicates the 6.15% or 6.5% state tax rate applies, retailers are required to charge customers the combined rate that equals the sum of the state rate *plus all applicable local tax rates*. "Services" means enumerated services that are taxable under K.S.A. 79-3603. *K.S.A. 79-3602(nn)*. Discussions in this Notice about the July return or July reporting period refer to sales retailer records in the calendar month of July 2015 and report on its return due August 25, 2015.

Retailers that report sales on one return that were correctly invoiced to customers at the 6.15% and the 6.5% state rates - Some service providers, including utility, telecommunications, satellite television and cable television companies, bill subscribers for their continuous, ongoing service on a month-to-month or other periodic basis. When the effective date of a sales tax rate increase falls within the billing period assigned to a subscriber, K.S.A. 79-3678 requires all subscriber charges for continuous, ongoing service billed during that period to be taxed at the lower tax rate in place before the rate increase. The new, higher rate is charged on customer invoices for the first billing period that starts on or after the effective date of the rate increase and on all invoices issued thereafter. This rule simplifies how these types of service providers charge tax when the billing period assigned to a customer includes the effective date of a tax rate increase. However, the rule means that during a reporting period when there is a rate increase, these service providers will record sales receipts that are taxed at two different rates. This is problematic because Kansas sales and use tax returns do not allow two state tax rates to be reported on one return.

Department computers will calculate tax on a retailer's July 2015 return by applying the new 6.5% state rate to all of the reported taxable receipts even though some retailers correctly charged tax to customers at both the 6.15% rate and the 6.5% rate. To avoid reporting more tax to the Department than they collect from customers, these retailers will need to calculate the rate-increase adjustment explained in this Notice and claim it as an additional deduction on their July 2015 retailers' sales or use tax return.

Retailers entitled to make the rate-increase adjustment - In general, retailers that are entitled to make the rate-increase adjustment on their July 2015 return include: (1) cash basis retailers that record and report cash receipts from a credit sale made before July 2015; (2) accrual-basis service providers that bill charges for their continuous, ongoing service periodically and issue an invoice for a billing period that starts before and ends after July 1, 2015, such as a utility, telecommunications, satellite, or cable service providers; (3) accrual-basis membership clubs that invoice taxable dues for a period that starts before and ends after July 1, 2015; (4) lease or rental companies that bill periodic installments for periods that start before and end on or after July 1, 2015; and (5) vendors and subcontractors that honor a form PR-74c, *State Rate Increase Exemption Certificate*, and charge the 6.15% state rate on sales or services made on or after July 1, 2015.

Any accrual-basis service provider that fixes the first day of the month as the starting date of the billing period for all of its customers will invoice the new 6.5% rate on all of the periodic service charges it records in the July 2015 reporting period. These service providers will not be required to make the rate-increase adjustment discussed in this Notice. *K.S.A. 79-3678*.

Some retailers that are entitled to make a rate-increase adjustment on their July 2015 return will be entitled to claim the deduction on subsequent returns. In general, these retailers are limited to: (1) cash basis retailers that record and report cash receipts from a credit sale made before July 2015; and (2) vendors, subcontractors, and contractors that honor a PR-74c and charge tax at the 6.15% state rate on sales and services made on or after July 1, 2015.

Rate-increase adjustments and deductions. To make the adjustment, retailers are required to track the taxable receipts they record in July from customer charges that are taxed at the 6.15% state rate. Taxable receipts do not include the sales or use tax that was charged or collected. The sum of these July receipts is multiplied by the appropriate Factor selected from the Factor Table below. The product of this multiplication is the rate-increase adjustment the retailer may claim to increase the amount of any deductions it would otherwise be claiming on its July return.

In Kansas, local sales and use tax is imposed by cities, counties, and special tax jurisdictions designated by the legislature. When city, county, or special tax jurisdictions overlap, a retailer is required to charge tax at the combined rate equal to the sum of the state rate and all local tax rates in place at the point of sale. To account for and distribute local tax receipts to Kansas cities, counties, and local tax jurisdictions, the Department has assigned Tax Jurisdiction Codes to different geographic areas in Kansas.

The Department's Jurisdiction Codes are published in Publication KS-1700, *Sales & Use Tax Code Booklet*, which can be downloaded from the Department's website, www.ksrevenue.org. Clicking on "Local sales tax rates" in the column entitled "Popular Items" on the Department's home page is a link to the "Local Sales Tax Information - Quarterly Updates." The Publication 1700 for the calendar quarter effective April 1, 2015 lists the combined tax rate in place for each Jurisdiction Code immediately *before* the July 1st rate increase. The Publication 1700 for the calendar quarter effective July 1, 2015 lists the combined tax rate in place for each Jurisdiction Code immediately *after* the July 1st rate increase.

To find the appropriate Factor for a particular tax jurisdiction, a retailer must determine the combined tax rate that was in place immediately before and after July 1, 2015 for each tax jurisdiction where it billed tax to customers at the 6.15% state rate during the July reporting period. Once the before-and-after combined rates are established for a Jurisdiction Code, the retailer is required to locate those rates in the Factor Table below. The decimal amount that follows the before-and-after combined tax rates is the Factor to use to calculate the rate-increase adjustment the retailer can claim as a deduction on its July return. The allowable rate-increase adjustment is the product that results from multiplying the Factor times the taxable sales receipts for each tax jurisdiction with July sales that are taxed at the 6.15% state rate. Retailers may elect to forego claiming the deduction if they determine the amount saved would be de minimus.

Retailers with tax accounting software that accurately tracks the amount of state and local taxes collected for each local tax jurisdiction - Large, multistate retailers often have sophisticated tax accounting software that tracks to the penny the amount of state and local sales tax they collect for the State of Kansas and for each local tax jurisdiction. These retailers rely on the known tax receipts and exemption data to "back into" the gross taxable receipts they report on their retailers' sales or use tax returns. When these retailers record sales taxed at two different rates during one reporting period, they should continue to follow their normal accounting and reporting practices. Because they rely on the actual tax receipts to "back into" their report of gross receipts, the rate-increase adjustment discussed in this Notice will be accomplished automatically if they follow their normal reporting procedures, assuming their software accurately accounts for the state and local sales and use taxes they collect from customers and has been timely reprogrammed to account for the 2015 state and local tax rate increases.

Retailers that are entitled to claim the deduction on their July return but cannot do so before the August 25th due date - Retailers that are entitled to claim the deductions discussed in this Notice but that have difficulty doing so in a timely manner should file their July 2015 return without the rate-increase adjustment on or before the August 25th due date to avoid assessment of penalty and interest. These retailers can file an amended July 2015 return to claim the rate-increase adjustment as a deduction anytime within the three years statute of limitations.

Calculating rate-increase adjustments and claiming them as deductions them on a retailer's sales or use tax return

Reporting the correct amount of tax collected at different rates. The Form ST-16 sales tax return is used by retailers such as convenience stores, body shops, restaurants, bars, car washes, and Laundromats that source all of their sales to a single local tax jurisdiction. The Form ST-36 sales tax return is by retailers such that source their sales to more than one local tax jurisdiction. Most retailers that are authorized to claim a rate-increase adjustment file Form ST-36 returns rather than Form ST-16 returns. Retailers that make a rate-increase adjustment to claim a deduction must maintain copies of their worksheets, computer printouts, any Form PR-74c's they receive, their records of sales taxed at the 6.15% state rate, and any other records that support the deduction being claimed.

Completing a Form ST-16 return. In general, the only retailers that file Form ST-16 returns that can claim a rate-increase adjustment are ones that: (1) report tax on the cash basis and have cash receipts in July or in a subsequent reporting period from credit sales made before July 2015; (2) honor a form PR-74c, *State Rate Increase Exemption Certificate*, and charge sales tax at the 6.15% rate on retail sales or services made or performed on or after July 1, 2015; (3) are membership clubs that charge taxable dues on a recurring periodic basis that start other than on the first day of the month; or (4) are a utility, telecommunications, satellite, or cable service providers that files Form ST-16 returns because they source all of their subscriber service charges to one tax jurisdiction.

When filling out a Form ST-16 for July 2015, the retailer should complete a sample ST-16 without regard to the fact that some customer sales were taxed at the 6.15% state rate while others were taxed at the 6.5% state rate. This sample return will serve as a work sheet and will not be filed with the Department.

To calculate the rate-increase adjustment, a retailer should total the sales that it invoiced at the 6.15% state rate and multiple the resulting sum by the Factor selected from the Factor Table below. The product that results from this multiplication is added to any other deductions listed on the sample return on Line N, Part II, *Other allowable deductions*. After entering Lines A through M, Part II from the sample return, the retailer should then complete Line O, Part II, *Total Deductions* based on the new, larger amount entered on Line N, Part II, *Other allowable deductions*.

The *Total Deductions* on Line O, Part II is carried to the front of the return and entered on Line 3, Part I, *Deductions*. Once the retailer completes Lines 2 and 6 of Part I to reflect *Merchandise Consumed* or a *Credit Memo*, it can complete the ST-16 using the 6.5% state sales tax rate. When the actual return is compared to the sample return, the only differences in the reported amounts should be the amounts entered on Lines N and O, Part II, and Lines 3 on Part I, and the amounts calculated for Lines 4, 5, 7, and 10, Part I that change because of rate-increase adjustment that increases the deduction being claimed.

Completing a Form ST-36 return. Generally, the five types of businesses listed above under *Retailers that may make the rate-increase adjustment* will be entitled to claim a rate-increase adjustment on their Form ST-36 return filed for July 2015. These businesses are required to track sales for each Tax Jurisdiction Code that it invoiced sales at the 6.15% state rate.

The retailer should complete a sample ST-36 without regard to the fact that some customer sales were taxed at the 6.15% state rate while others were taxed at the 6.5% state rate. This sample return will serve as a work sheet and will not be filed with the Department.

To find the appropriate Factor to make the rate-increase adjustment, a retailer must determine the combined sales tax rates in place immediately before and immediately after the July 1, 2015 rate increase. See *discussion of Pub. KS-1700, above, under Rate-increase adjustments and deductions*. It must do this for each Tax Jurisdiction where it recorded July sales that were taxed at both the 6.15% and 6.5% state rates.

The before-and-after combined rates are listed in the Factor Table below. The decimal amount that follows the before-and-after rates is the appropriate Factor for the tax jurisdiction in question. This procedure must be repeated to establish the appropriate Factor for each Tax Jurisdiction Code where some sales recorded in July are invoiced at the 6.15% state rate.

To determine the allowable rate-increase adjustment that can be claimed as an additional deduction, the retailer should total the sales receipts that were invoiced at the 6.15% state rate for each Tax Jurisdiction where such sales were recorded. The sum of these sales for each Tax Jurisdiction is then multiplied by the appropriate Factor for that Tax Jurisdiction. The result of this multiplication is the tax rate-increase adjustment for that jurisdiction that increases the deductions shown on the sample return.

The tax rate-increase adjustment is added to the amounts on the sample return in Part III that are listed on the Line in Column 4, *Part II (Non-Utility) Deductions* that corresponds to the Taxing Jurisdiction Code listed under Column 1, *Code*. This is done for each jurisdiction where sales are taxed at the 6.15% rate. The sum of the total deductions reported in Column 4, *Part II (Non-Utility) Deductions*, in Part III is carried to Line N, Part II *Other allowable deductions* on first page of the return. Once the retailer completes the rest of the ST-36 by incorporating the other amounts entered on the sample return, the ST-36 can be completed using the 6.5% state sales tax rate.

Annual and quarterly filers. Annual and quarterly filers can claim the rate-increase deduction by following the instruction set forth above for completing a Form ST-16 or ST-36 return. When an annual reporting period includes periods before and after July 1, 2015, an annual filer should apply the appropriate Factor to its sales receipts recorded before July 2015 and to any subsequent receipts that were correctly taxed at the 6.15% state rate. Quarterly filers should follow the same instructions and apply the appropriate factor to sales receipts recorded in the third-calendar period that were correctly taxed at the 6.15% state rate.

Filing a July 2015 CT-9U Return. Out-of-state retailers that file CT-9U returns should follow the instructions in set forth above for completing a ST-36 Tax Return

Factor Table. To use this Table, a retailer must first determine the combined sales tax rates in place for the local tax jurisdiction immediately before and after July 1, 2015. See *discussion, above* ---*Rate-increase adjustment made by claiming an additional deduction.*

A tax jurisdiction whose total combined sales tax rate increased from 6.15% to 6.5% on July 1, 2015 (no local sales tax rate increase) is shown as "6.15/6.5% 0.0538." The Factor for this rate increase is "0.0538." A tax jurisdiction whose total combined sales tax rate went from 6.15% to 7.5% on July 1, 2015 shows the combined *local* tax rate increase is 1.0%. This is reflected in the before-and-after rates of "6.15/7.5%." The Factor for this rate increase is "0.1800," as shown below. (*6.15/7.5%* 0.1800)

FACTOR TABLE
Old Rate/New Rate Factor

<u>6.15/6.5%</u>	<u>0.0538</u>	<u>8.75/9.1%</u>	<u>0.0385</u>
<u>6.15/7.5%</u>	<u>0.1800</u>	<u>8.775/9.125%</u>	<u>0.0384</u>
<u>6.4/6.75%</u>	<u>0.0519</u>	<u>8.8/9.15%</u>	<u>0.0383</u>
<u>6.65/7.0%</u>	<u>0.0500</u>	<u>8.85/9.2%</u>	<u>0.0380</u>
<u>6.9/7.25%</u>	<u>0.0483</u>	<u>8.875/9.225%</u>	<u>0.0379</u>
<u>7.15/7.5%</u>	<u>0.0467</u>	<u>8.9/9.25%</u>	<u>0.0378</u>
<u>7.15/8.0%</u>	<u>0.1063</u>	<u>9.0/9.35%</u>	<u>0.0374</u>
<u>7.15/8.5%</u>	<u>0.1588</u>	<u>9.125/9.475%</u>	<u>0.0359</u>
<u>7.3/7.65%</u>	<u>0.0458</u>	<u>9.15/9.5%</u>	<u>0.0368</u>
<u>7.375/7.725%</u>	<u>0.0453</u>	<u>9.2/9.55%</u>	<u>0.0366</u>
<u>7.4/7.75%</u>	<u>0.0452</u>	<u>9.3/9.65%</u>	<u>0.0363</u>
<u>7.4/8.75%</u>	<u>0.1543</u>	<u>9.4/9.75%</u>	<u>0.0359</u>
<u>7.55/7.9%</u>	<u>0.0443</u>	<u>9.4/10.10%</u>	<u>0.0693</u>
<u>7.65/8.0%</u>	<u>0.0438</u>	<u>9.5/9.85%</u>	<u>0.0355</u>
<u>7.65/9.0%</u>	<u>0.1500</u>	<u>9.625/9.975%</u>	<u>0.0351</u>
<u>7.75/8.1%</u>	<u>0.0432</u>	<u>9.65/10.0%</u>	<u>0.0350</u>
<u>7.8/8.15%</u>	<u>0.0429</u>	<u>9.7/10.05%</u>	<u>0.0348</u>
<u>7.9/8.25%</u>	<u>0.0424</u>	<u>9.75/10.1%</u>	<u>0.0347</u>
<u>8.05/8.4%</u>	<u>0.0417</u>	<u>9.775/10.125%</u>	<u>0.0346</u>
<u>8.15/8.5%</u>	<u>0.0412</u>	<u>9.8/10.15%</u>	<u>0.0345</u>
<u>8.15/9.0%</u>	<u>0.0944</u>	<u>9.875/10.225%</u>	<u>0.0342</u>
<u>8.15/9.5%</u>	<u>0.1421</u>	<u>9.9/10.25%</u>	<u>0.0341</u>
<u>8.3/8.65%</u>	<u>0.0405</u>	<u>10.0/10.35%</u>	<u>0.0338</u>
<u>8.35/8.7%</u>	<u>0.0402</u>	<u>10.025/10.375%</u>	<u>0.0337</u>
<u>8.375/8.725%</u>	<u>0.0401</u>	<u>10.15/10.5%</u>	<u>0.0333</u>
<u>8.4/8.75%</u>	<u>0.0400</u>	<u>10.4/10.75%</u>	<u>0.0326</u>
<u>8.4/8.75%</u>	<u>0.0400</u>	<u>10.4/11.1%</u>	<u>0.0631</u>
<u>8.5/9.1%</u>	<u>0.0769</u>	<u>10.65/11.0%</u>	<u>0.0318</u>
<u>8.55/8.9%</u>	<u>0.0393</u>	<u>10.75/11.1%</u>	<u>0.0315</u>
<u>8.625/8.975%</u>	<u>0.0390</u>	<u>10.775/11.125%</u>	<u>0.0315</u>
<u>8.65/9.0%</u>	<u>0.0389</u>	<u>10.875/11.225%</u>	<u>0.0312</u>
<u>8.7/9.05%</u>	<u>0.0387</u>	<u>11.15/11.5%</u>	<u>0.0304</u>

How each Factor is Determined. The Factors are calculated according to the following formula: (*New Combined Rate minus Old Combined Rate = X*); (*X divided by New Combined Rate = Factor*). This formula may be used to determine a Factor for a rate increase not listed in the Factor Table. The fact the difference between the two rates exceeds 0.35% shows both the state tax rate and the local tax rate or rates were increased effective July 1, 2015. Several new taxing districts were created and a number of cities and counties increased their local rates effective July 1, 2015. No local rates were reduced. See *EDU-96 Rev. 6-15*.

There are multiple Factors because sales tax returns capture a retailer's sales receipts based on each tax jurisdiction where sales are sourced. Each jurisdiction is assigned a Tax Jurisdiction Code that references its combined tax rate, which is the state rate plus all applicable city, county, and special tax jurisdiction rates. *Pub. KS-1700*. Because local sales tax rates vary, there is no single Factor that can be used for all receipts. To find the local sales and use tax rate increases, go to the Department's homepage, www.ksrevenue.org, and click on: "Local sales tax rates" in the column entitled "Popular Items." This will take you to the "Local Sales Tax Information - Quarterly Updates."

Addendum to this Notice. *The Department will publish an addendum to this notice that contains examples of how the rate increase applies, a sample worksheet, and screen views of parts of an electronic Form ST-36 that the Department has completed as examples of how retailers can claim the rate-increase adjustment as a deduction.*

NOTICE 15-04

2015 Motor Fuel Legislative Update

The following Bill was enacted by the 2015 Legislature:

Senate Bill 112

This bill was effective June 26, 2015, upon publication in the Kansas Register. A summary of the bill is as follows:

Section 247 amends K.S.A. 79-34,156 to indicate that on July 1, 2015 and quarterly thereafter, the director of accounts and reports shall transfer \$50,000 from the state highway fund to the Kansas qualified biodiesel fuel producer incentive fund.

Section 248 amends K.S.A. 79-34,171 to indicate that the Kansas Retail Dealer Incentive for renewable fuels and biodiesel remains unfunded through June 30, 2018. Therefore, no such incentive is provided through that date.

This notice highlights only portions of the bill. For a detailed, full text copy of each bill, please visit the Kansas Legislature's website at www.kslegislature.org.

TAXPAYER ASSISTANCE

To obtain additional copies of this or any other notice call the Kansas Department of Revenue's voice mail forms request line at 785-296-4937 or download them from our web site: **www.ksrevenue.org**. If you have any questions about this notice, please contact our Motor Fuel Tax Unit.

Motor Fuel Tax

Docking State Office Building

915 SW Harrison St.

Topeka, KS 66612-1588

Tele: (785) 368-8222

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Notice 15-04

July 1, 2015

NOTICE 15-05

**CERTAIN INDIVIDUALS EXEMPT FROM INCOME TAX
BEGINNING IN TAX YEAR 2016
(JULY 1, 2015)**

During the 2015 Legislative Session House Substitute for Senate Bill 270 was passed and signed into law. Section 3 of the Bill amends K.S.A. 79-32,110, the statute which establishes the rates of income tax in Kansas.

In addition to adjusting the rate of tax, Section 3 of the Bill also adds a new subsection to K.S.A. 79-32,110 which exempts certain taxpayers from income tax, starting with tax year 2016. This provision, new subsection (f), provides:

(f) Notwithstanding the provisions of subsections (a) and (b), for tax year 2016, and all tax years thereafter, married individuals filing joint returns with taxable income of \$12,500 or less, and all other individuals with taxable income of \$5,000 or less, shall have a tax liability of zero.

The Kansas taxable income of an individual (see K.S.A. 79-32,116) is computed by adding or subtracting any Kansas modifications (see K.S.A. 79-32,117) to or from his or her federal adjusted gross income (to arrive at their Kansas adjusted gross income) and then subtracting his or her Kansas deductions and Kansas personal exemptions.

Taxpayer Assistance

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Fax: 785-291-3614

NOTICE 15-06
INCOME TAX RATES CHANGED
FOR INDIVIDUALS, ESTATES, AND TRUSTS
(JULY 1, 2015)

During the 2015 Legislative Session Senate Substitute for House Bill 2109 and House Substitute for Senate Bill 270 were passed and signed into law. Section 25 of Session Senate Substitute for House Bill 2109 and Section 3 House Substitute for Senate Bill 270 amend K.S.A. 79-32,110, the statute which establishes the rates of income tax in Kansas. Beginning in tax year 2015, the phase-down of individual income tax rates is stopped until tax year 2018. For tax year 2018 and all later years the rate is reduced slightly from the 2015 rate.

Kansas income tax rates for tax year 2015 and later years are as follows:

Married Filing Joint Returns

For tax years 2015, 2016 and 2017:

If the taxable income is:	The tax is:
Not over \$30,000	2.7% of Kansas taxable income
Over \$30,000	\$810 plus 4.6% of excess over \$30,000

For tax year 2018, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$30,000	2.6% of Kansas taxable income
Over \$30,000	\$780 plus 4.6% of excess over \$30,000

All Other Individuals

(As Well As Estates and Trusts)

For tax years 2015, 2016 and 2017:

If the taxable income is:	The tax is:
Not over \$15,000	2.7% of Kansas taxable income
Over \$15,000	\$405 plus 4.6% of excess over \$15,000

For tax year 2018, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$15,000	2.6% of Kansas taxable income
Over \$15,000	\$390 plus 4.6% of excess over \$15,000

Corporate Income Tax Rates Not Affected

The changes made by Senate Substitute for House Bill 2109 and House Substitute for Senate Bill 270 do not affect corporate income tax. Corporate income tax rates have not changed.

NOTICE 15-07

ITEMIZED DEDUCTIONS FOR INDIVIDUAL INCOME TAX (JULY 1, 2015)

During the 2015 Legislative Session Senate Substitute for House Bill 2109 was passed and signed into law. This Bill addressed deductions for individuals for Kansas income tax purposes.

K.S.A. 79-32,120, which expressly allows itemized deductions, was amended in Section 26 of Senate Substitute for House Bill 2109. The new language stops the phase-down of the amount of the itemized deduction to be allowed, and instead, commencing with tax year 2015, permits only three categories of deductions which are subject to percentage limitations. The amended language of the statute now allows Kansas itemized deductions only for (~~stricken~~ language and new language):

(4) For the tax ~~year~~ years commencing on and after January 1, 2015, the Kansas itemized deduction of an individual means ~~60% of the total amount of~~ following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (C) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

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NOTICE 15-08

MODIFICATION FOR CHRISTMAS TREES GROWN IN KANSAS (JULY 1, 2015)

During the 2015 Legislative Session Senate Substitute for House Bill 2109 was passed and signed into law. Section 3 of the Bill amends K.S.A. 79-32,117, which relates to modifications made in computing Kansas adjusted gross income.

The calculation of Kansas income tax begins with federal adjusted gross income. Certain addition and subtraction modifications are then made in order to determine Kansas adjusted gross income. The amendment to K.S.A. 79-32,117 creates a new modification which allows the net gain from the sale of Christmas trees grown in Kansas and held for six (6) years or more to be subtracted from federal adjusted gross income. The amended language, found in subsection (c)(xxiv) of K.S.A. 79-32,117, provides:

(xxiv) For all taxable years beginning after December 31, 2013, the net gain from the sale from Christmas trees grown in Kansas and held by the taxpayer for six years or more.

The new subtraction modification found in amended K.S.A. 79-32,117(c)(xxiv) applies to tax year 2014 and later years. It can be claimed on an amended 2014 income tax return by entering on Schedule S the amount of net gain from sale of qualifying Christmas trees (as described in new 79-32,117(c)(xxiv)). A copy of federal Schedule 4797 should be included with the amended return.

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NOTICE 15-09

**RURAL OPPORTUNITY ZONE CREDIT EXTENDED
(JULY 1, 2015)**

During the 2015 Legislative Session Senate Substitute for House Bill 2109 was passed and signed into law. This Bill extends the Rural Opportunity Zone income tax credit.

As originally enacted, the provisions of K.S.A. 79-32,267 allowed a Rural Opportunity Zone (ROZ) credit to be claimed for tax years commencing after December 31, 2011, and ending before January 1, 2017. Section 27 of Senate Substitute for House Bill 2109 extends this period to tax years ending prior to January 1, 2022. The amended provisions of the statute now state (~~stricken~~ language and new language):

(a) For taxable years commencing after December 31, 2011, and before January 1, ~~2017~~ 2022, there shall be allowed as a credit against the tax liability of a resident individual taxpayer an amount equal to the resident individual's income tax liability under the provisions of the Kansas income tax act, when the resident individual:

(1) Establishes domicile in a rural opportunity zone on or after July 1, 2011, and prior to January 1, ~~2016~~ 2021, and was domiciled outside this state for five or more years immediately prior to establishing their domicile in a rural opportunity zone in this state;

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NOTICE 15-10

SOCIAL SECURITY NUMBERS REQUIRED FOR INCOME TAX CREDITS (JULY 1, 2015)

During the 2015 Legislative Session Senate Substitute for House Bill 2109 was passed and signed into law. This Bill establishes additional requirements regarding social security numbers when claiming individual income tax credits.

With the exception of the credit for taxes paid to other states, the provisions of K.S.A. 79-32,265 have disallowed an income tax credit to anyone who fails to provide a valid social security number for themselves, their spouse and their dependents as the identifying number for individual income tax purposes.

Section 2 of Senate Substitute for House Bill 2109 amends K.S.A. 79-32,265 to add a requirement that a taxpayer claiming a credit must have had a valid social security number for the entire tax year for which the credit is claimed. A taxpayer who obtains a social security number sometime during the year will not be able to claim a credit for that tax year. There is an exception for taxpayers filing a joint return where one spouse has possessed a valid social security number for the entire year. The requirement to have a valid social security number for the entire year in order to claim a credit does not apply to dependent children of the taxpayer.

The amended provisions of the statute now state (*new* language):

Except as otherwise provided, no credit provided under the Kansas income tax act, and amendments thereto, shall be allowed *for: (a) Any individual who fails to provide a valid social security number issued to such individual, the individual's spouse and dependents of the individual for purposes of section 205 (c)(2)(A) of the social security act on such individual's Kansas income tax return as the identifying number for such individual for tax purposes; or (b) any individual who has not been issued a valid social security number for the entire taxable year in which such credit is claimed, except that this provision shall not apply for an individual whose spouse possesses a valid social security number for the entire taxable year and whose filing status for income tax purposes is married filing jointly.* The provisions of this section shall not apply to the credit provided by K.S.A. 79-32,111, and amendments thereto.

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NOTICE 15-11
SUBTRACTION MODIFICATION CHANGED TO EXCLUDE GUARANTEED PAYMENTS
(JULY 1, 2015)

During the 2015 Legislative Session Senate Substitute for House Bill 2109 was passed and signed into law. Section 3 of the Bill amends K.S.A. 79-32,117, which relates to modifications made in computing Kansas adjusted gross income.

The calculation of Kansas income tax begins with federal adjusted gross income. Certain addition and subtraction modifications are then made in order to determine Kansas adjusted gross income. The amendment to K.S.A. 79-32,117 reduces the amount of the subtraction modification which can be claimed for net profit from business reported on federal Schedule C and on line 12 of the taxpayer's federal Form 1040.

The amended language, found in subsection (c)(xx) of K.S.A. 79-32,117, provides:

(xx) For all taxable years beginning after December 31, 2012, the amount of any: (1) 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; (2) net income, *not including guaranteed payments as defined in section 707(c) of the federal internal revenue code and as reported to the taxpayer from federal schedule K-1, (form 1065-B), in box 9, code F or as reported to the taxpayer from federal schedule K-1, (form 1065) in box 4*, 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 (3) 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; all to the extent included in the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011 and as revised thereafter by the internal revenue service.

Effective Date

Section 36 of Senate Substitute for House Bill 2109 provides, "This act shall take effect and be in force from and after its publication in the statute book." As a result, although the language of K.S.A. 79-32,117(c)(xx) indicates the subsection applies for all taxable years beginning after December 31, 2012, the changes made by Section 3 of Senate Substitute for House Bill 2109 are effective July 1, 2015. This means the changes are effective for tax year 2015 and later years, and are not retroactive. Amended returns for tax years 2013 and/or 2014 **do not** need to be filed regarding guaranteed payments.

Reporting on the K-40 Kansas Income Tax Return

The amendment made to K.S.A. 79-32,117(c)(xx) reduces the amount of the subtraction modification. However, for reporting purposes, the full amount of the subtraction modification should be shown on the K-40 Kansas individual income tax return. Then the amount of the guaranteed payment(s) will be included as an addition modification on Schedule S. The taxpayer's federal Schedule K-1 must be included when filing the Kansas return.

NOTICE 15-12
KANSAS DISASTER UTILITIES RESPONSE ACT
(JULY 1, 2015)

During the 2015 Legislative Session Senate Bill 109 was passed and signed into law. This Bill creates the Kansas Disaster Utilities Response Act. The purpose of the Act is to allow an out-of-state business to come into Kansas and work to prepare for, or make repairs after, a disaster which affects Kansas utilities without being subject to certain requirements and taxes normally imposed on a business operating in Kansas. Employees of these businesses are also exempt from certain requirements and taxes.

The Act defines “disaster or emergency-related work” to mean “work in preparation for a disaster and repairing, renovating, installing, building or rendering services or other business activities on or related to critical infrastructure that has been damaged, impaired or destroyed by any declared state disaster or emergency.” Critical infrastructure includes such things as buildings, offices, line, poles, pipes, structures and equipment owned as used by operators of: (1) telecommunications, cable or other communications networks; (2) electric generation, transmission or distribution systems; (3) natural gas and natural gas liquids gathering, processing, storage, transmission or distribution systems; or (4) water pipelines.

The provisions of the Act become effective only after a state disaster or emergency has been declared by the Governor, a state or local disaster emergency has been declared by a proper county or city official, or after a Presidential declaration of a federal major disaster or emergency.

Under the terms of the Act, an out-of-state business conducting operations within Kansas for disaster or emergency related work is not considered to have established a level of presence requiring registration, licensing, or filing or remittance of state or local taxes. This means that an out-of-state business conducting operations within Kansas for disaster or emergency related work during a declared disaster or emergency period will not be subject to:

- Any and all state or local business licensing or registration requirements
- State or local taxes or fees including, but not limited to, state income and employer withholding taxes, unemployment insurance, state or local occupational licensing fees, sales and use tax or ad valorem tax on equipment used or consumed during any disaster response period; and
- Licensing and regulatory requirements of the state corporation commission or the secretary of state.

The Act specifically addresses some aspects of Kansas income tax for business. In subsection (b)(2) it states:

(2) For purposes of any state or local tax on or measured by, in whole or in part, net or gross income or receipts, all disaster or emergency-related work of the out-of-state business that is conducted in this state pursuant to this section shall be disregarded with respect to any filing requirements for such tax, including the filing required for a unitary or combined group of which the out-of-state business may be a part. For the purpose of apportioning income, revenue or receipts, the performance by an out-of-state business of any work in accordance with this section shall not be sourced to or shall not otherwise impact or increase the amount of income, revenue or receipts apportioned to this state.

An out-of-state employee who performs disaster or emergency related work in Kansas is not considered to have established residency or a presence in Kansas that would require the employee to file and pay state income taxes, or their employer to withhold Kansas income tax. Similarly, the employee would not be required to file and pay any other state or local tax or fee during the disaster response period.

Out-of-state businesses and employees that remain in Kansas after the disaster response period will become subject to Kansas' normal standards for residency or doing business in Kansas, and are responsible for all tax requirements or obligations and registration, licensing, or filing requirements.

In order to administer the provisions of the Act, the Department of Revenue may require the out-of-state business or its affiliate(s) to provide a written statement that the business is in Kansas for disaster or emergency related purposes. The Department is required to maintain an annual record of all declared disasters and emergencies in Kansas.

Senate Bill 109 was effective upon publication in the Kansas Register on April 9, 2015.

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NOTICE 15-13
(Revised September 14, 2015)

POLICY FOR LIABILITY RELIEF FROM CHANGES IN TAXABILITY MATRIX
dated July 10, 2015 (replacing Notice 14-01)

Taxability Matrix Liability Relief—K.S.A. 2014 Supp. 79-3677(c) provides:

Sellers and certified service providers are relieved from liability to this state or any local taxing jurisdiction for having charged and collected the incorrect amount of state or local sales or use tax resulting from the seller or certified service providers relying on erroneous data provided by the secretary in the taxability matrix.

The Department will apply the following policies with respect to the above taxability matrix liability relief provision, concerning any changes made to the taxability matrix:

The Department will relieve sellers and certified service providers from liability to the State and its local jurisdictions for tax, interest and penalties for having charged and collected incorrect tax resulting from erroneous data in the Library of Definitions section of the taxability matrix.

If the Department amends an existing provision of the Library of Definitions section of the taxability matrix, the Department shall relieve sellers and certified service providers from liability to the Department and local jurisdictions for tax, interest and penalties for having charged and collected incorrect tax until the first day of the calendar month that is at least 30 days after notice of a change to the Library of Definitions section of the taxability matrix is submitted to the governing board of the Streamlined Sales and Use Tax Agreement, provided the seller or certified service provider relied on the prior version of the taxability matrix in charging such incorrect tax.

The Department will relieve sellers and certified service providers from liability to the State and its local jurisdictions for tax, interest and penalties for having charged and collected incorrect tax resulting from erroneous data in the Tax Administration Practices section of the taxability matrix.

If the Department amends an existing provision of the Tax Administration Practices section of the taxability matrix, the Department shall relieve sellers and certified service providers from liability to the Department and local jurisdictions for tax, interest and penalties for having charged and collected incorrect tax until the first day of the calendar month that is at least 30 days after notice of a change to the Tax Administration Practices section of the taxability matrix is submitted to the governing board of the Streamlined Sales and Use Tax Agreement, provided the seller or certified service provider relied on the prior version of the taxability matrix in charging such incorrect tax.

Taxpayer Assistance. Additional copies of this Notice, and other department forms or publications, may be downloaded from our web site, www.ksrevenue.org. If you have questions about this notice and how it applies, please contact:

Taxpayer Assistance Center *Phone: 785-368-8222*

Kansas Department of Revenue

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Topeka, KS 66612-1588

NOTICE 15-14

Liquor Enforcement Tax Due on Distributor Samples

The following Bill was enacted by the 2015 Legislature:

House Bill 2223

This bill was effective July 1, 2015, upon publication in the statute book. A summary of the Liquor Enforcement tax implications in this bill is as follows:

Section 21(3)(f) amends K.S.A. 41-306 to indicate the following:

The withdrawal of spirits from such licensee's inventory for use as samples in the course of the business of the distributor or at industry seminars. Samples may only be provided to persons licensed as a distributor or a retailer under the Kansas liquor control act, and such person's employees. Samples may be served on the licensed premises of the licensee, or on the premises of a licensed retailer, provided no sample shall be served on that portion of the premises of a licensed retailer that is open to the public and where sales of alcoholic liquor at retail are made. No sample shall be provided to any minor. Nothing in this subsection shall be construed to permit the licensee to sell any alcoholic liquor for consumption on the premises. The withdrawal of spirits shall be subject to the tax imposed by K.S.A. 79-4101 et seq., and amendments thereto, based on the applicable current posted bottle or case price. For purposes of providing samples pursuant to this subsection other than at industry seminars or to the licensee's employees, the term "sample" shall have the same meaning as that term is defined in K.S.A. 41-2601, and amendments thereto.

Section 22(2)(f) amends K.S.A. 41-306a in a similar manner to indicate the taxability of wine samples, except the distributor can provide samples to persons licensed under the club and drinking establishment act and their employees.

Section 23(3)(g) amends K.S.A. 41-307 in a similar manner to indicate the taxability of beer or cereal malt beverage samples, except the distributor can provide samples to persons licensed under the club and drinking establishment act and their employees.

Reporting Requirements: At this time, the current posted bottle or case price of the sample withdrawal should be reported on Line 1 of the Liquor Enforcement Tax Return (LE-3), with the total gross receipts. When feasible, the LE-3 will be modified to include a line for the price of samples withdrawn from inventory.

Record Keeping Requirements: Your records should include a breakdown to distinguish the amount of total gross receipts and the price of samples withdrawn from inventory separately.

This notice highlights only portions of the bill. For a detailed, full text copy of each bill, please visit the Kansas Legislature's website at www.kslegislature.org.

TAXPAYER ASSISTANCE

To obtain additional copies of this or any other notice call the Kansas Department of Revenue's voice mail forms request line at 785-296-4937 or download them from our website: www.ksrevenue.org. If you have any questions about this notice, please contact our Miscellaneous Tax Unit at (785)368-8222.

Notice 15-14

July 15, 2015

NOTICE 15-15
CREDIT FOR TAXES PAID TO ANOTHER STATE
(AUGUST 10, 2015)

Kansas law allows a credit against the individual income tax liability of a Kansas resident for taxes paid to another state. The controlling statute, K.S.A. 79-32,111 provides, in subsection (a):

(a) The amount of income tax paid to another state by a resident individual, resident estate or resident trust on income derived from sources in another state, and included in Kansas adjusted gross income, shall be allowed as a credit against the tax computed under the provisions of this act. Such credit shall not be greater in proportion to the tax computed under this act than the Kansas adjusted gross income for such year derived in another state while such taxpayer is a resident of this state is to the total Kansas adjusted gross income of the taxpayer. As used in this subsection, "state" shall have the meaning ascribed thereto by subsection (h) of K.S.A. 79-3271, and amendments thereto. The credit allowable hereunder for income tax paid to a foreign country or political subdivision thereof shall not exceed the difference of such income tax paid less the credit allowable for such income tax paid by the federal internal revenue code. No redetermination of income tax paid for the purposes of determining the credit allowed by this subsection shall be required for the taxable year for which an income tax refund payment pursuant to the provisions of section 18 of article 10 of the Missouri constitution is made, but the income tax paid allowable for credit in the next following taxable year shall be reduced by the amount of such refund amount, except that, for tax year 1998, the income tax paid allowable for credit shall be reduced by the amount of such refunds made for all taxable years prior to tax year 1998.

As noted in the language quoted above, the definition of the term "state" is found in K.S.A. 79-3271. Subsection (i) of that statute provides:

(i) "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

On May 18, 2015, the United States Supreme Court issued its ruling in the case of *Maryland v. Wynne* (Docket No. 13-485). The Court's decision indicates that, under state law similar to that in Kansas, an income tax credit for taxes paid to another state should recognize both income or earnings taxes imposed by the other state, and income or earnings taxes imposed by local units of government of the other state. Although the Court's decision in *Maryland v. Wynne* did not specifically address Kansas law, the Department of Revenue is following the Court's direction going forward. In addition, for refund claims timely filed within the applicable statute of limitations in K.S.A. 79-3230, the Department of Revenue will allow Kansas residents who claim a credit for taxes paid to another state to include income or earnings taxes imposed by and paid to such state government as well as any local jurisdiction within that state when computing the amount of the credit. This will apply to local jurisdictions within the United States and local jurisdictions of a foreign country.

Any taxpayer claiming a credit for income taxes paid to another state which includes tax paid to a local jurisdiction within that state should include with the Kansas return: (1) a copy of the income tax return filed with other state; (2) a copy of the income or earnings tax return filed with the local jurisdiction (or, if not required to be filed with the local jurisdiction, a copy of the completed return showing the amount of tax paid to the local jurisdiction); (3) a copy of the Worksheet for Credit Calculation (from the instructions for Kansas Form K-40), and; (4) a copy the federal W-2 form. This is true for both returns filed for tax year 2015 and future tax years, and for amended returns filed to claim a refund for a prior tax year within the applicable statute of limitations. An amended Kansas return, including the above documentation, will be required for each prior tax year for which the credit is sought.

Taxpayers claiming a credit for taxes paid to another state should complete and include the appropriate Worksheet for computing the credit contained in the Form K-40 instructions. When the taxpayer has paid both income or earnings taxes to the state government of another state as well as to any political subdivision within such state, the total amount of such payments shall be entered on Line 1 of the Worksheet used for computing the credit for taxes paid to that state. Such credit shall then be computed according to the Worksheet directions.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

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