

Notice

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Kansas Department of Revenue

NOTICE 06-05 2006 Tax Legislation

The following is a summary of the major 2006 legislative enactment's relating to taxes administered by the Kansas Department of Revenue. Unless otherwise noted, the reference to House Bills (HB) and Senate Bills (SB) are for the 2006 legislative session. An electronic copy of all bills are available from the Kansas Legislature web site: <http://www.kslegislature.org/legsrv-legisportal/index.do> Copies of Kansas Credit Schedules and Tax Publications are available from the Kansas Department of Revenue web site: <http://www.ksrevenue.org>

Income Tax:

SB 432 – Creates an income tax credit for employers of National Guard and United States reserve members. The credit is 25% of the salary or compensation paid – capped at \$7,000 credit per employee. See Credit Schedule K-74.

SB 432 – Increases the Adoption Credit. Resident individuals allowed a Kansas credit equal to 25% of federal credit. 50% of federal credit if the adopted child is a Kansas resident and 75% credit if the adopted child is a Kansas resident and is a child with special needs. See Credit Schedule K-47.

SB 432 – Learning Quest – contributions to another state's IRC 529 program are eligible for a Kansas Subtraction Modification FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2006. See http://kansasstatetreasurer.com/prodweb/cs_main.php

SB 432 – Adds two Check-offs to the Kansas Individual Income Tax return. Kansas Military Emergency Relief Fund and the Kansas Breast Cancer Research Fund.

SB 432 – Farm NOL – Any overpayment of tax in excess of \$1,500 (as a result of a Farm NOL) may be carried forward to future tax years and may be claimed as a credit against the tax. The refundable portion still limited to \$1,500 per year. See Schedule K-67 or K-139F.

SB 432 – Additional information is required in order to qualify for the High Performance and Incentive Program (HIIP) Credit – K-59 and the Business and Job Development Credit – K-34. See Credit Schedules K-34 and K-59.

SB 324 – Income tax credit (75%) of amount contributed to the Kansas Center for Entrepreneurship. See Credit Schedule K-31.

SB 324 – Income tax credit (75%) of amount contributed to a Regional Foundation (was previously a 50% credit). See Credit Schedule K-32.

HB 2122 – Creates an income tax credit (50%) of amount of cash contributed to the Kansas Law Enforcement Training Center. See Credit Schedule K-72.

SB 303 – Provides for a number of energy related income tax credits. The credit is 10% of the “qualified investment” for the first \$250,000,000 and 5% of additional investment. See Credit Schedule K-73 for Petroleum Refinery, K-77 for Qualifying Pipeline, K-78 for Coal or Coke Gasification Nitrogen Fertilizer Plant, K-79 for Cellulosic Plant, K-80 for Integrated Coal Gasification Power Plant, K-81 for Refinery – Environmental Standards.

2004 HB 2545 – Subtraction Modification for premium costs paid for Qualified Long-Term Care Insurance Contracts. For Tax Year 2006 – maximum subtraction modification is \$600 per LTC Contract per Taxpayer. See line by line instructions for Schedule S, line A12 in the 2006 Kansas Individual Income Tax Booklet.

SB 330 – Learning Quest – Withdrawals for pay for post-secondary education expenses made within one (1) year of opening a Learning Quest account is NO LONGER a “nonqualified withdrawal”. Thus, immediate withdrawals from the Learning Quest program to pay education expenses incurs no Kansas income tax liability. See http://kansasstatetreasurer.com/prodweb/cs_main.php

Food Sales Tax Refund:

SB 404 – Indexes the food sales tax refund to inflation. For Tax Year 2006 the refund amounts are \$75 for qualifying income of \$0 to \$14,300 and \$37 for qualifying income of \$14,301 to \$28,600. See the 2006 Kansas Individual Income Tax Booklet.

Homestead Refund:

2005 SB 133 – Indexed “Household Income” to inflation. For Tax Year 2006 claimants with household income less than \$28,000 may qualify for a refund of up to \$600. See the 2006 Kansas Homestead Booklet.

HB 2583 – Adjusted the Refund Percentage Table to allow for larger Homestead refunds. See the 2006 Kansas Homestead Booklet.

Withholding Tax:

SB 432 – Requires employers filing a KW-3 containing 51 or more statements (W-2s or 1099s with Kansas withholding) to electronically submit the W-2s and 1099s (web file). See Kansas Withholding Booklet, KW-100.

HB 2772 – Provides that intentional misclassification of an “Employee” as an “Independent Contractor” subjects the employer to penalties. Effective July 1, 2006. See Withholding Tax Booklet, KW-100.

Property Tax:

HB 2583 – Exempts from property taxes all commercial and industrial machinery and equipment acquired by purchase or lease made after June 30, 2006.

Estate Tax:

SB 365 – Creates a stand-alone Kansas Estate Tax for deaths occurring after December 31, 2006 and before January 1, 2010. See Kansas Estate Tax Booklet.

Sales Tax:

SB 76 – Exempts from sales tax “Work-Site Utility Vehicles” that are equipped with a bed or cargo box and that fall within the requirements of the farm machinery and equipment sales tax exemption. Effective July 1, 2006. See NOTICE 06-02.

SB 404 – Manufacture’s Motor Vehicle Rebates – no longer subject to sales tax when a cash rebate granted by the manufacture to a purchaser of lessee of a new motor vehicle if the rebate is paid directly to the dealer. Effective July 1, 2006 and ending on June 30, 2009. See NOTICE 06-03.

SB 404 – Exempts from sales tax Dietary Supplements dispensed pursuant to a prescription order. Effective July 1, 2006.

SB 404 – Exempts the following organizations from paying sales tax on their purchases of tangible personal property and services and from collecting sales tax on their sales of tangible personal property: CHWC, Inc., Cross-Lines Cooperative Council, Dreams Work, Inc., KSDS, Inc., the Lyme Association of Greater Kansas City, Special Olympics Kansas, Inc., Marillac Center, Inc., and any County Law Library. Also exempt are purchases by the West Sedgwick County-Sunrise Rotary Club and Sunrise Charitable Fund for the purpose of constructing a boundless playground. Also exempt are purchases by a homeless shelter to provide emergency and transitional housing for individuals and families experiencing homelessness. Also exempt are sales of tangible personal property made by or on behalf of a Public Library.

SB 404 – Exempts the following organizations from paying sales tax on their purchases, as well as providing said organizations with the ability to obtain Project Exemption Certificates: Nonprofit Organizations which collect, store and distribute food to other nonprofit organizations which distribute such food; TLC for Children and Families, Inc.; Catholic Charities or Youthville; Nonprofit museum purchasing materials and labor from a contractor to remodel a former Governor’s home or facility located in a qualified hometown; Kansas Children’s Service League.

SB 55 – Provides specific guidance for cities imposing a city retailers’ sales tax. Restores uniformity for cities with regard to the application of sales tax.

Motor Fuel:

SB 544 – Defines “E-85” Fuel and imposes a \$0.17 per gallon tax thereon beginning January 1, 2007.

SB 544 – Clarification – Motor Fuel and Special Fuel tax paid by Distributor of First Receipt or Importers.

SB 388 – Creates the Kansas Qualified Biodiesel Fuel Producer Incentive Fund – used to pay \$0.30 a gallon of biodiesel fuel produced by a Qualified Biodiesel Fuel Producer who is located in Kansas. Producer can file for the production incentive beginning on July 1, 2007.

HB 2756 – Creates the Kansas Essential Fuel Supply Trust Fund – used to reimburse owners for expenses to upgrade fuel storage tanks. Funded by the Environmental Assurance Fee – beginning July 1, 2006.

HB 2878 – Provides that Trip Permits may be purchased in either 24 hour or 72 hour permits – allowing multiple trips within Kansas during the 24 or 72 hour period. See NOTICE 06-01.

Liquor:

HB 2955 – Defines Flavored Malt Beverage as a cereal malt beverage. Effective July 1, 2006.

SB 297 – Winery allowed to ship to purchaser/consumer. Effective July 1, 2006. See ABC NOTICE – 2006 Amendments to Kansas Liquor Laws.

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