Notice

Notice Number: 06-08
Tax Type: Estate Tax
Brief Description: Changes to the Kansas Estate Tax Effective January 1, 2007.
Keywords:
Approval Date: 12/01/2006

Body:

OFFICE OF POLICY & RESEARCH
KANSAS DEPARTMENT OF REVENUE

Notice 06-08

Changes to the Kansas Estate Tax

Effective January 1, 2007

The 2006 Kansas Legislature made substantial changes to the Kansas estate tax. The new Kansas estate tax act, found in SB365, Chapter 199 of the 2006 Session Laws, provides for a stand alone Kansas estate tax. The new law applies to the estates of decedents dying on or after January 1, 2007, and is effective for the years 2007, 2008, and 2009. Estates of decedents dying after 2009 are not subject to the Kansas estate tax.

New Law

Generally
The new estate tax can be roughly divided into two parts. The first includes those provisions which provide for the calculation and imposition of tax. The second includes administrative and enforcement provisions. Most of the provisions in the first part are new, while most of the provisions in the second part are very similar to current law. Although the new Kansas law is independent of federal law, it does parallel many aspects of federal estate tax law with regard to the composition and valuation of the estate, and with regard to the types and amount of deductions which are allowed. There are, however, notable differences such as the filing threshold, rate of tax, and valuation of land devoted to an agricultural use.

Filing Threshold
Estates of decedents dying on or after January 1, 2007 must file an estate tax return if the value of the gross estate exceeds $1,000,000.
If the estate of a decedent dying on or after January 1, 2007 does not exceed the $1,000,000 filing threshold, the estate is not subject to estate tax. Therefore, the estate does not need to file an estate tax return.

Rates of Tax
The Kansas estate tax is imposed upon the taxable estate of a decedent, based upon the decedent's date of death. The tax rate for deaths occurring in 2007 begins at 3%, for 2008 the rate begins at 1%, and for 2009 the rate begins at 0.5%. Estates of decedents dying after 2009 are not subject to the Kansas estate tax.

Valuation of Land Devoted to an Agricultural Use
Under Kansas law, the value of real estate is generally to be determined by valuing the property at its fair market value. In determining fair market value, Kansas will apply the valuation principles developed under federal law.
If the decedent was a resident of Kansas, land that is located in Kansas and treated as land devoted to agricultural use for property tax purposes at the time of decedent's death will be valued at its most recent valuation for property tax purposes. This is the value indicated in the county assessor's most recent communication of value to the decedent.

New Forms and Instructions

The Department of Revenue is in the process of developing a form and instructions for the new estate tax, and they should be available by early January 2007. The new form and instructions will not be printed, but will be available

through the Department's web site at: www.ksrevenue.org Anyone who does not have internet access may contact the Department to request that a hard copy of the form and instructions be mailed to them.

Prior Laws Still Apply Based on the Decedent's Date of Death

If the decedent died on or after May 22, 2003, and prior to January 1, 2007 the estate is subject to estate tax if the value of the gross estate exceeds $700,000 for deaths occurring in 2003, $850,000 for deaths occurring in 2004, $950,000 for deaths occurring in 2005, and $1,000,000 for deaths occurring in 2006. Estates of decedents dying during this period should file for K-706 (Rev. 10/04)

If the decedent died on or after June 6, 2002 and prior to May 22, 2003 and the value of the gross estate is in excess of $700,000 the estate is subject to estate tax. Estates of decedents dying during this period should file form K-707.

If the decedent died on or after January 1, 2002 and prior to June 6, 2002, and the value of the gross estate is in excess of $700,000 the estate is subject to estate tax. Estates of decedents dying during this period should file form K-706 (Rev. 7/00).

If the decedent died on or after July 1, 1998 and prior to January 2, 2002 and the estate is filing a federal Form 706 with the Internal Revenue Service the estate is subject to the Kansas Estate Tax. Estates of decedents dying during this period should file Form K-706 (Rev. 7/00).

Estates of persons who died before July 1, 1998 are subject to an inheritance tax. Estates that are subject to tax are still required to file a return, and the statute of limitations does not run until July 1, 2008. Estates of decedents dying prior to July 1, 1998 should file an inheritance tax return on Form IH-80, IH-90 or IH-100.

Please contact the Department of Revenue for more information about these taxes, forms and instructions.

Taxpayer Assistance

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

Taxpayer Assistance Center
Kansas Department of Revenue
915 SW Harrison St., 1st Floor
Topeka, KS 66612-1588
Phone: 785-368-8222
Fax: 785-291-3614

Date Composed: **12/01/2006** **Date Modified:** **12/01/2006**

Return to KSA Listing