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NOTICE 24-15

CHANGES TO SALT PARITY PROVISIONS

(AUGUST 20, 2024)

During the 2024 Legislative Session, Senate Bill 410 was passed and signed into law. The legislation amends provisions of the SALT Parity Act found in K.S.A. 79-32,284 through 79-32,289 and is effective for all taxable years commencing on or after January 1, 2022.

Section 20 of the bill amends K.S.A. 79-32,284 and expands the legislative finding that the purpose of the credit found in K.S.A. 2023 Supp. 79-32,288, and amendments thereto, is to avoid the double taxation of income on electing pass-through entity owners.

Section 21 of the bill contains several amendments concerning the application of the bill. K.S.A. 79-32,287(a) is amended to change the rate of tax applicable to pass-through entities making the election from 5.7% to the highest rate of tax for the applicable income tax year under K.S.A. 79-32,110(a).

Section 21 amends K.S.A. 79-32,287(a)(2) to provide two different methods to calculate the pro rata or distributive share of income for electing pass-through entity owners who are Kansas residents. The resident shareholder's or partner's pro rata or distributive share of income may be calculated as either: (A) the sum of income attributable to the state and income not attributable to the state: or (B) income attributable to the state. Please note the electing pass-through entity must use the same method of calculation for all resident electing pass-through entity owners.

A nonresident's calculation of the shareholder or partner pro rata or distributive share of income is unchanged and is limited to each nonresident's pro rata or distributive share of the electing pass-through entity's income attributable to the state.

Section 21 amends K.S.A. 79-32,287(c) to change the way credits are taken under the SALT Parity Act. The amended language states that such credits shall be passed through to and claimed on the electing pass-through entity owner's return.

Section 21 amended K.S.A. 79-32,287(d) to change the way income modifications found in K.S.A. 79-32,117 and 79-32,138, and the expensing deduction found in K.S.A. 79-32,143a, are treated for the purposes of SALT Parity. If the modifications and expensing deduction are related to the activities of the pass-through entity in the taxable year, the modification and expensing deduction shall be claimed on both the electing pass-through entity's return and each electing pass-through entity owner's return. The amount of modification or expensing deduction taken on the individual returns shall be in the same proportion and manner as would have applied without the election under K.S.A. 79-32,286.

As outlined in the paragraphs above, Senate Bill 410 makes significant changes concerning the recognition of credits, modifications, and expensing deduction under the SALT Parity Act. Due to those changes, many pass-through entity owners (partners and shareholders) will consider amending their 2022 and 2023 Kansas individual income tax returns. While the filing of amended returns may be warranted in certain circumstances, such as if modifications or the expensing deduction were not claimed on both the electing pass-through entity's return and each electing pass-through entity owner's return, many of the individual returns have already received the benefit of credits, via the various interim solutions allowed by the Department in the previous tax years. Prior to filing amended returns to claim credits for tax years 2022 and 2023, taxpayers are advised to review such returns to ensure the benefits of such credits were not realized in a previous filing.

For additional information, please see **SALT Parity Act – Frequently Asked Questions** which is available through our website at: www.ksrevenue.gov.

TAXPAYER ASSISTANCE

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

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