

SESSION OF 2023

SUPPLEMENTAL NOTE ON SENATE BILL NO. 40

As Amended by Senate Committee of the Whole

Brief*

SB 40, as amended, would allow taxpayers to subtract certain net operating losses in determining their Kansas adjusted gross income and would make changes to the Homestead Property Tax Refund Act.

Net Operating Losses

The bill would create a subtraction modification allowing taxpayers who carried back federal net operating losses in tax year 2018 through 2020 pursuant to the federal CARES Act to subtract such amounts from their income for purposes of determining Kansas adjusted gross income. Taxpayers would be permitted to carry forward such net operating loss for up to 20 years if the amount exceeds the Kansas adjusted gross income of the taxpayer.

The bill would extend the deadline for eligible taxpayers to file amended returns for tax years 2018 through 2020 until April 15, 2025.

Homestead Property Tax Refund Act Changes

The bill would make changes to the refund option providing for a refund of the amount of tax in excess of the base year amount under the Homestead Property Tax Refund Act.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

[*Note:* The Homestead Property Tax Refund Act includes three different refund options. The other two refund options would not be impacted by the bill.]

The bill would, for purposes of only this refund option, exclude from the definition of “household income” all Social Security benefits, of which one-half are currently included in the definition.

The bill would increase the maximum amount of income for which taxpayers would be eligible for this refund option from \$50,000 to \$75,000.

The bill would increase the maximum appraised value of an eligible claimant’s home in the base year from \$350,000 to \$595,000 and provide for future increases to this amount based upon the average percentage change in statewide residential valuation of existing residential real estate for the preceding 10 years.

The changes to the refund option would be retroactive to tax year 2022, and the deadline to file claims for tax year 2022 would be extended from April 15, 2023, to April 15, 2024.

Background

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by representatives of BridgeBuilder Tax and Legal Services and the National Federation of Independent Businesses. Proponents stated the bill would allow Kansas taxpayers to benefit from 2020 changes to the federal tax code.

No other testimony was provided.

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to insert the contents of SB 80, as amended by the Senate Committee on Assessment and Taxation and to further amend those contents to increase the income threshold to \$75,000.

SB 80 (Homestead Property Tax Refund Act Changes)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, written-only **proponent** testimony was provided by a representative of the Kansas Policy Institute.

Neutral testimony was provided by a representative of the Military Officers Association of America-Kansas.

No other testimony was provided.

The Senate Committee amended the bill to increase the maximum appraised value of a claimant's home and provide for retroactivity of the provisions of the bill.

Fiscal Information

Net Operating Losses

According to the fiscal note prepared by the Division of the Budget on SB 40, as introduced, the Department of

Revenue estimates enactment of the bill would reduce State General Fund receipts by \$8.4 million in FY 2024 and \$8.4 million in FY 2025. The bill would have no fiscal effect after those years. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Homestead Property Tax Refund Act Changes

A fiscal note regarding the Homestead Property Tax Refund Program provisions was not immediately available.

Taxation; income tax; net operating losses; carry back; carry forward; property tax; refunds; income; valuation; Homestead program; Social Security; Homestead Property Tax Refund Act