

## **Kansas Income Tax Change as of June 6, 2017**

On June 10, lawmakers ended the 2017 legislative session, passing new income tax laws after the House and Senate agreed to override Governor Brownback's veto of June 6, 2017. The new law includes tax increases expected to bring the state more than \$1.2 billion over a two-year span by bringing back a third individual income tax bracket, ending a tax exemption for certain business owners and raising each state individual income tax rate.

**This change affects residents and non-residents of Kansas that have income from Kansas sources.**

Here is the summary of changes which begin this year:

- Individual rate increases are phased in such that the highest rate in Kansas in 2017 will be 5.2% and in 2018 and thereafter 5.7%. The rate for 2017 is retroactive to January 1, 2017 but the bill includes language that no underpayment of estimated taxes for 2017 due to the rate changes will apply so long as the underpayment is "rectified" by the due date of the 2017 returns, which is April 17, 2018.
- Effective January 1, 2017, the LLC exemption (which also exempted S corporation business income, all partnership business income (except guaranteed payments), rental income and farm income (including sales of certain livestock, cattle, horses and Christmas trees) was removed.
- Related to the immediate above, additions to federal adjusted gross income are also removed so that Kansas adjusted gross income will once again track federal adjusted gross income for individuals, subject to some changes that existed before and still remain. The following items are returned to being subtractions in determining Kansas AGI, just as they are in determining federal AGI: net operating loss deductions, losses from the sources that were part of the LLC exemption discussed in the second bullet above, ½ of the federal self-employment tax, deductions for retirement contributions of the self-employed, and the self-employed health insurance deduction.
- Itemized deductions in Kansas have been reduced since the Brownback amendments were first enacted in 2012. For 2017, the Kansas itemized deductions will remain at the same limited amounts, based on the federal deduction amounts as they have been in recent years, but will be gradually increased as shown below:

<b>Item</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Charitable contributions	100% of Federal	100% of Federal	100% of Federal	100% of Federal
Medical expenses	0%	50%	75%	100%
Qualified Residence Interest	50%	50%	75%	100%
Taxes (RE & PPT only)	50%	50%	75%	100%