

Kansas 2018 Legislative Changes

**INCOME TAX RATES
SB 30
NOTICE 17-02
EFFECTIVE TAX YEAR 2018**

TY 2018 Income Tax Rates *(and all tax years thereafter)*

Married Filing Joint

\$0 - \$30,000	3.10%
\$30,001 - \$60,000	5.25%
\$60,001 and over	5.70%

Single, Head of Household, or Married Filing Separate

\$0 - \$15,000	3.10%
\$15,001 - \$30,000	5.25%
\$30,001 and over	5.70%

SB 30 Sec. 4. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110. (a) Resident Individuals. Except as otherwise provided by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

a(1) Married individuals filing joint returns.

(F) For tax year 2018, and all tax years thereafter:

<i>If the taxable income is:</i>	<i>The tax is:</i>
<i>The tax is: Not over \$30,000</i>	<i>3.10% of Kansas taxable income</i>
<i>Over \$30,000 but not over \$60,000</i>	<i>\$930 plus 5.25% of excess over \$30,000</i>
<i>Over \$60,000</i>	<i>\$2,505 plus 5.70% of excess over \$60,000</i>

a(2) All other individuals.

(F) For tax year 2018, and all tax years thereafter:

<i>If the taxable income is:</i>	<i>The tax is:</i>
<i>The tax is: Not over \$15,000</i>	<i>3.10% of Kansas taxable income</i>
<i>Over \$15,000 but not over \$30,000</i>	<i>\$465 plus 5.25% of excess over \$30,000</i>
<i>Over \$30,000</i>	<i>\$1,252.50 plus 5.70% of excess over \$30,000</i>

LOW INCOME TAX EXCLUSION

SB 30

NOTICE 17-04

EFFECTIVE TAX YEAR 2018

(and all tax years thereafter)

Low Income Exclusion

No Kansas Tax Liability for low income individuals

Married Filing Joint

- **Taxable** Income - **\$0 - \$5,000**

All other Individuals

- **Taxable** Income - **\$0 - \$2,500**

***A Kansas Income Tax Return (K-40) must be filed to
claim exclusion***

SB 30 Sec.4. K.S.A.79-32,110 is hereby amended to read as follows: (e) Notwithstanding the provisions of subsections (a) and (b),: (1) For tax year years 2016, and 2017, married individuals filing joint returns with taxable income of \$12,500 or less, and all other individuals with taxable income of \$5,000 or less, shall have a tax liability of zero; and (2) for tax year 2018, and all tax years thereafter, married individuals filing joint returns with taxable income of \$5,000 or less, and all other individuals with taxable income of \$2,500 or less, shall have a tax liability of zero.

Income Tax Itemized Deductions

2017 SB 30

Notice 17-06

Effective Tax Year 2018

Tax Year

Allowable Itemized Deductions

2018 2019 2020

❖ Qualified Charitable Contributions <i>(as allowed in section 170 of the federal internal revenue code)</i>	100%	100%	100%
❖ Qualified Residence Interest <i>(as provided in section 163(h) of the federal internal revenue code)</i>	50%	75%	100%
❖ Expenses for Medical Care <i>(as allowable as deductions in section 213 of the federal internal revenue code)</i>	50%	75%	100%
❖ Taxes on Real and Personal Property <i>(as provided in section 164(a) of the federal internal revenue code)</i>	50%	75%	100%
• New SALT limitations passed in the Tax Cuts and Jobs Act will not affect the real and personal property taxes allowed on the Kansas return.			
➤ K.S.A. 79-32,120 for tax year 2018 allows 50% of the amount of taxes on real and personal property as provided in section 164(a) of the I.R.C.			
➤ The new limitation to the state and local taxes paid that was passed in the Tax Cuts and Jobs Act are in section 164(b) of the I.R.C.			

SB 30 Sec. 6. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as follows: 79-32,120. (a) **(1)** If federal taxable income of an individual is determined by itemizing deductions from such individual's federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction.... **(4)** For the tax years commencing on and after January 1, 2015, and ending before January 1, 2018, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (C) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. **(5)** For the tax year commencing on and after January 1, 2018, and ending before January 1, 2019, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. **(6)** For the tax year commencing on and after January 1, 2019, and ending before January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 75% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 75% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 75% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. **(7)** For the tax years commencing on and after January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 100% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 100% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 100% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. (b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

Income Tax

Exemption Allowance remains at \$2,250 for self and each applicable person claimed as a dependent

Child and Dependent Care Credit Restored

2017 SB 30

Notice 17-07

Effective Tax Year 2018

Child and Dependent Care Tax Credit is restored for individual income filers' effective tax year 2018. The Kansas credit is the following percentage of the Federal Child and Dependent Care Credit under 26 U.S.C. § 21 that is allowed against the taxpayer's federal income tax liability:

- **Tax Year 2018 - 12.50%**
- **Tax Year 2019 - 18.75%**
- **Tax Year 2020 - 25.00%** *(and all tax years thereafter)*

K.S.A. 79-32,111c. Credit against tax for household and dependent care expenses; limitation. (a) There shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to 12.5% for tax year 2018; an amount equal to 18.75% for tax year 2019; and an amount equal to 25% for tax year 2020, and all tax years thereafter, of the amount of the credit allowed against such taxpayer's federal income tax liability pursuant to 26 U.S.C. § 21 for the taxable year in which such credit was claimed against the taxpayer's federal income tax liability. (b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced by the sum of any other credits allowable pursuant to law. (c) No credit provided under this section shall be allowed to any individual who fails to provide a valid social security number issued by the social security administration, to such individual, the individual's spouse and every dependent of the individual.

Income Tax 529 & ABLÉ Account Subtraction Modification

2018 HB 2067

Effective Tax Year 2018

Allowable Itemized Deductions

Learning Quest & Contributions to Another State's 529 Qualified Tuition Program

Subtraction Limited to:

- \$3,000 per beneficiary per year for Single, Married Filing Separate & Head of Household.
- \$6,000 per beneficiary per year for Married Filing Joint.
- Effective tax year 2018, qualified educational expenditures includes up to \$10,000 per beneficiary each year for K-12 tuition in addition to an institution of postsecondary education.

Contributions to Qualified ABLÉ Account and to Another State's 529A Qualified ABLÉ Account.

Achieving a Better Life Experience Act

Subtraction Limited to:

- \$3,000 per beneficiary per year for Single, Married Filing Separate & Head of Household.
- \$6,000 per beneficiary per year for Married Filing Joint.
- Proceeds from ABLÉ account may be transferred upon the death of a designated beneficiary to:
 - 1) the estate of a designated beneficiary;
 - 2) an account for another eligible individual specified by the designated beneficiary,
- Except otherwise required by federal Social Security Act, the State, or any agency or instrumentality thereof cannot seek payment from an ABLÉ account upon death

House Bill 2067 K.S.A. 2017 Supp. 75-655 (2) Moneys in an ABLÉ savings account: (A) shall be exempt from attachment, execution or garnishment as provided by K.S.A. 60-2308, and amendments thereto; and (g) Except as otherwise provided by federal law, the proceeds from an account may be transferred upon the death of a designated beneficiary to: (1) The estate of a designated beneficiary; or (2) an account for another eligible individual specified by the designated beneficiary or the estate of the designated beneficiary. The state of Kansas, or any agency or instrumentality thereof, shall not seek payment under section 529A of the internal revenue code of 1986, as amended, from the account, or its proceeds, for benefits provided to a designated beneficiary, unless otherwise required by section 1917(b) of the federal social security act, 42 U.S.C. § 1396p(b).

K.S.A. 2017 Supp. 79-32,117 (c) There shall be subtracted from federal adjusted gross income: (xv) For all taxable years beginning after December 31 2017, the cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for each designated beneficiary that are contributed to: (1) A family postsecondary education savings account established under the Kansas postsecondary education savings program or a qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as amended, for the purpose of paying the qualified higher education expenses of a designated beneficiary; or (2) an achieving a better life experience (ABLE) account established under the Kansas ABLÉ savings program or a qualified ABLÉ program established and maintained by another state or agency or instrumentality thereof pursuant to section 529A of the internal revenue code of 1986, as amended, for the purpose of saving private funds to support an individual with a disability. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2017 Supp. 75-643 and 75-652, and amendments thereto, and the provisions of such section sections are hereby incorporated by reference for all purposes thereof.

Manufacturer's Rebate On the Purchase or Lease of New Motor Vehicles

2018 HB 2111

Notice 18-02

Effective July 1, 2018 through June 30, 2021

- ❖ Exempt from Sales and Use Tax
- ❖ Rebate must be paid directly to the dealer
- ❖ Must qualify as a motor vehicle as defined in K.S.A. 8-126 some of which include;
 - passenger vehicles - trucks
 - motorcycles - motor homes
- ❖ Trailers and non-highway vehicles remain taxable
- ❖ Additional manufacturer rebates for items of tangible personal property attached to the vehicle such as running boards, brush guards trailer hitches, etc. and paid directly to the dealer qualify for this exemption.

K.S.A. 79-3602(II)(3)(E) – “Sales or selling price” shall not include: commencing on July 1, 2018, and ending on June 30, 2021, cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale.

EXAMPLE:

General Motors offers a \$2,500 rebate on some of its models. A dealer's sales invoices would read as follows:

Before July 1, 2018 and after June 30, 2021		July 1, 2018 through June 30, 2021	
Price of Vehicle	\$ 26,000.00	Price of Vehicle	\$ 26,000.00
Less Trade-in	- 6,300.00	Less Trade-in	- 6,300.00
Total Taxable Price	<u>\$19,700.00</u>	Less Mfr. rebate	- <u>2,500.00</u>
9.15% sales tax	X .0915	Total Taxable Price	\$17,200.00
Sales tax due	<u>1,802.55</u>	9.15% sales tax	X .0915
	\$21,502.55	Sales tax due	<u>1,573.80</u>
Less Mfr. rebate	- <u>2,500.00</u>	Total Amount due	<u>\$18,773.80</u>
Total Amount due	\$19,002.55		

Wildfires Fencing Sales Tax Exemption

2017 HB 2387

Notice 17-01

Effective During Calendar Years 2017 and 2018

Sales Tax Exemption for Agricultural Fence Damaged or Destroyed During Wildfires of 2016 and 2017. (*Agricultural Fencing Only*)

- ❖ Exemption good for Calendar Years 2017 and 2018.
- ❖ **Statutory exemption certificate:** Anyone reconstructing, repairing or replacing agricultural fencing destroyed by the wildfires or who has contracted to do so, may obtain a statutory exemption certificate. With the certificate, shown at the time material is purchased, the holder will not have to pay sales tax on the purchase. The exemption applies to sales tax on fencing material and lease of machinery or equipment for the project. To apply for a statutory exemption certificate, complete application form PR-70FEN or call 785-296-3081 or email kathleen.smith@ks.gov.
- ❖ **Sales Tax refund:** Individuals who have purchased fencing material to be used in the reconstruction of fencing surrounding agricultural land on or after January 1, 2017 through December 31, 2018 may apply for a refund of sales taxes paid. Sales receipt or invoice(s) showing the amount of sales tax paid on the purchases of fencing materials and or fencing repair are required to complete refund form (ST-3). If you have questions about how to complete this refund form, contact the sales tax refund phone number at 785-296-7108, or email KDOR_Audit.Funds@ks.gov.

HB 2387 Section 1. K.S.A. 2016 Supp. 79-3606d is hereby amended to read as follows: 79-3606d. (a) The following shall be exempt from the tax imposed by the Kansas retailers' sales tax act: All sales of tangible personal property and services purchased during calendar years 2017 and 2018, necessary to reconstruct, repair or replace any fence *that* was damaged or destroyed by *wildfires* occurring during calendar years 2016 and 2017, and the purpose for which is to enclose land devoted to agricultural use. Sales tax paid on and after January 1, 2017, upon the gross receipts received from any such sale shall be refunded. Each claim for a sales tax refund shall be verified and submitted to the director of taxation upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund that amount of sales tax paid as determined under the provisions of this section. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director or the director's designee. *Any person reconstructing, repairing or replacing such property, or any person who shall contract for the reconstruction, repair or replacement of any such property shall obtain from the state an exemption certificate for the project involved. The certificate shall be furnished to the person or contractor to purchase materials and lease machinery and equipment for such project. The person or contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the person that obtained the exemption certificate, a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection.* (b) The provisions of this section shall be deemed to be supplemental to the Kansas retailers' sales tax act. **Sec. 2.** K.S.A. 2016 Supp. 79-3606d is hereby repealed. **Sec. 3.** This act shall take effect and be in force from and after its publication in the Kansas register.

Motor Fuel Tax Refund Used in Concrete Mixer Trucks

K.S.A. 79-3453

Notice 18-01

Effective for fuel purchased on or after July 1, 2018

- ❖ Kansas Law provides for the refund of certain tax paid on motor vehicle fuels or special fuels not used on public highways.
- ❖ Operators of a truck designed, equipped, and used exclusively for concrete mixing and delivery may claim a refund of 25% of the fuel used in the truck without the need to conduct a study of fuel usage. Two requirements must be met to make such a claim.
 - 1) The person making the claim must have a valid motor fuel refund permit. Submit Form MF-51 Application for Motor Vehicle Special Fuel Tax Refund Permit and Form MF-112 Agreement to Maintain Motor Fuel Refund Records with \$6.00 fee.
 - 2) Upon receipt, the Department will review the Application and Agreement. If approved, your first claim form will be sent to you. The claim form and supporting documents (K.S.A. 79-3456) can now be submitted for review. The Department will then review the claim and determine the amount of refund. Claimants must account for and keep records of the number of gallons of fuel disbursed into and used by each concrete mixer truck.
- ❖ If a refund claim with a percentage higher than 25% of fuel disbursements into a mixer truck is requested, a study may be required to prove the higher percentage. The type and manner of the study must be approved by the Kansas Department of Revenue. If the concrete mixer truck is equipped with the electronic capability (ECM) to measure the fuel used for non-highway purposes, the Department will accept that documentation in lieu of the study.

K.S.A. 79-3453. Any person who uses any motor-vehicle fuels or special fuels on which the motor-fuel or special fuel tax has been paid for use in school buses or for any purpose other than operating motor vehicles on the public highways, such person shall be entitled to be refunded the tax paid upon complying with the requirements of this act. Such person shall not be entitled to a refund of such tax unless the amount of the refund exceeds \$25. The words "licensed distributor," as used in this act, shall also include a licensed importer.

Sales Tax
2018 HB 2502
Effective April 1, 2019

Strong Beer Sold by Cereal Malt Beverage (CMB) Retailers

- ❖ Starting April 1, 2019 CMB Retailers will be able to sell beer not more than 6.0% alcohol by volume. This means retailers (grocery and convenient stores) will be subject to state and local sales tax instead of state liquor enforcement tax.

- ❖ **Only for sales tax purposes will strong beer be included in the definition of CMB.**

HB 2502 Sec. 5. K.S.A. 2017 Supp. 79-3602 is hereby amended to read as follows: 79-3602. Except as otherwise provided, as used in the Kansas retailers' sales tax act:

(hhh) "Cereal malt beverage" shall have the same meaning as such term is defined in K.S.A. 41-2701, and amendments thereto, except that for the purposes of the Kansas retailers sales tax act and for no other purpose, such term shall include beer containing not more than 6% alcohol by volume when such beer is sold by a retailer licensed under the Kansas cereal malt beverage act.

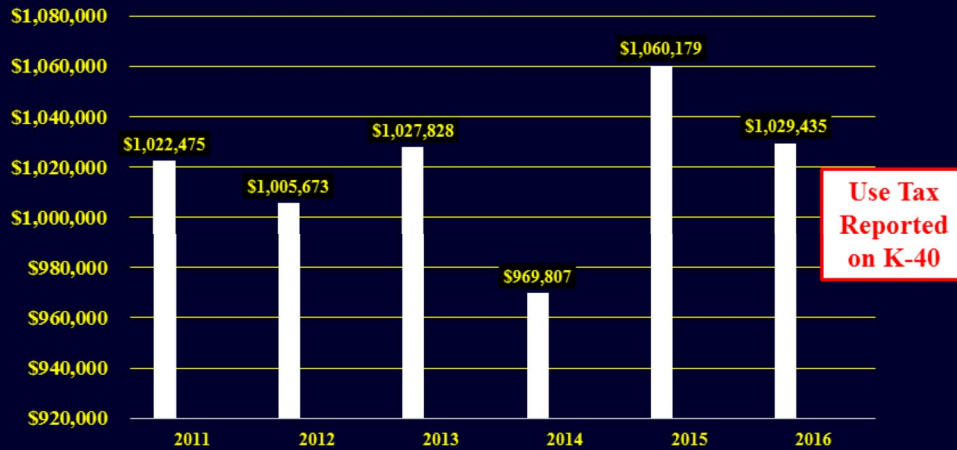
K.S.A. 41-2701. Definitions. On and after April 1, 2019, K.S.A. 2016 supp. 41-2701 is hereby amended to read as follows: 41-2701. As used in this act unless the context otherwise requires:

- (a) "Cereal malt beverage" means any fermented but undistilled liquor brewed or made from malt or from a mixture of malt or malt substitute or any flavored malt beverage, as defined in K.S.A. 2017 Supp. 41-2729, and amendments thereto, but does not include any such liquor which is more than 3.2% alcohol by weight.
- (b) "Director" means the director of alcoholic beverage control of the department of revenue.
- (c) "Manufacturer" means a manufacturer as defined by K.S.A. 41-102, and amendments thereto.
- (d) "Person" means any individual, firm, partnership, corporation or association.
- (e) "Retailer" means any person who is licensed under the Kansas cereal malt beverage act and who sells or offers for sale any cereal malt beverage or beer containing not more than 6% alcohol by volume for use or consumption and not for resale in any form.
- (f) "Place of business" means any place at which cereal malt beverages or beer containing not more than 6% alcohol by volume are sold.
- (g) "Distributor" means a beer distributor licensed pursuant to the Kansas liquor control act.
- (h) "Legal age for consumption of cereal malt beverage" means 21 years of age, except that "legal age for consumption of cereal malt beverage" shall mean 18 years of age if at any time the provisions of P.L. 98-363 penalizing states for permitting persons under 21 years of age to consume cereal malt beverage are repealed or otherwise invalidated or nullified.

Compensating Use Tax

(K.S.A. 79-3703)

State and Local Use Tax as reported on the Kansas Individual Income tax form (K-40)



K.S.A. 79-3703. Compensating use tax imposed; rate. There is hereby levied and here shall be collected from every person in this state a tax or excise for the privilege of using, storing, or consuming within this state any article of tangible personal property. Such tax shall be levied and collected in an amount equal to the consideration paid by the taxpayer multiplied by the rate of 6.50%. Within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax of 2% until the earlier of: (1) The date the bonds issued to finance or refinance the redevelopment project undertaken in the district have been paid in full; or (2) the final scheduled maturity of the first series of bonds issued to finance the redevelopment project. All property purchased or leased within or without this state and subsequently used, stored or consumed in this state shall be subject to the compensating tax if the same property or transaction would have been subject to the Kansas retailers' sales tax had the transaction been wholly within this state. Kansas Compensating Use Tax was added to the K-40 (line 18) in 2004. Kansas imposes a use tax on goods purchased by Kansans (individuals and businesses) from outside Kansas and that are used, stored, or consumed in Kansas on which; No sales tax was paid or a sales tax less than the Kansas rate was paid. The purpose of compensating use tax is to protect Kansas businesses from unfair competition from out-of-state retailers who sell goods tax-free; use tax "compensates" for the lack of sales tax paid at the time of purchase. A use tax also helps to assure fairness to Kansans who purchase similar items in Kansas and pay Kansas sales tax on them. This is not a new concept. Compensating use tax in Kansas has been in effect since 1937.

K.S.A. 12-191. Same; situs of taxable transactions; rules and regulations; effective date for collection of taxes; revenue in excess of budget, disposition. All retail transactions consummated within a county or city having a retail sales tax, which transactions are subject to the Kansas retailers' sales tax, shall also be subject to such county or city retail sales tax. Except as hereinafter provided, all retail sales, for the purpose of this act, shall be considered to have been consummated at the location determined by the sourcing rules as provided in K.S.A. 2017 Supp. 79-3670, and amendments thereto, shall be considered consummated at the place of business of the retailer and sourced to such location. The isolated or occasional sale of any motor vehicle or trailer shall be considered consummated at the taxing jurisdiction where the sale is made. If the sale negotiations occurred in different cities or counties, the situs of the sale for local sales tax purposes shall be the place where the motor vehicle or trailer was kept at the time negotiations were first entered into. In the event the place of business of a retailer is doubtful the place or places at which the retail sales are consummated for the purposes of this act shall be determined under rules and regulations adopted by the secretary of revenue which rules and regulations shall be considered with state and federal law insofar as applicable. The director of taxation is hereby authorized to request and receive from any retailer or from any city or county levying the tax such information as may be reasonably necessary to determine the liability of retailers for any county or city sales tax. The collection of any sales tax of a county or city approved at any election shall commence on the first day of the calendar quarter next following the 90th day after the date that the city or county has provided written notice to the director of taxation of the election authorizing the levy of such tax. The collection of any such sales tax applicable to printed catalog purchases wherein the purchaser computed the tax based upon local tax rates published in the catalog, shall not commence until the first day of the calendar quarter next following the 150th day after the date that the city or county has provided written notice to the director of taxation of the election authorizing the levy of such tax. The director of taxation shall provide notice to sellers of such taxes within 30 days after receiving such notice from the city or county.

A city retailers' sales tax shall not become effective within any area annexed by a city levying such tax until the first day of the calendar quarter next following the 90th day after the date that the governing body of such city provided the state department of revenue with a certified copy of the annexation ordinance and a map of the city detailing the annexed area. The director of taxation shall provide notice to sellers of such tax within 30 days after receiving such notice from the city or county.

Whenever any sales tax, imposed by any city or county under the provisions of this act, shall become effective, at any time prior to the time that revenue derived therefrom may be budgeted for expenditure in such year, such revenue shall be credited to the funds of the taxing subdivision or subdivisions and shall be carried forward to the credit of such funds for the ensuing budget year in the manner provided for carrying forward balances remaining in such funds at the end of a budget year.

K.S.A. 79-3221o. Individual tax returns; line for reporting compensating use tax. (a) In order to raise awareness of liabilities of use taxes levied in article 37 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, for purchases of tangible personal property made outside this state to be consumed within this state, and to increase compliance with such provisions of law, the director of taxation is hereby directed to include a line for the remittance of sales tax on out-of-state and internet purchases where the tax was not paid on individual tax returns for tax years beginning on or after July 1, 2016. (b) The director shall include the following information in the income tax form instructions: (1) An explanation of an individual's obligation to pay use tax on items purchased from mail order, internet or other sellers that do not collect state and local sales and use taxes on the items; and (2) a method to help an individual determine the amount of use tax the individual owes. The method may include a table that gives the average amounts of use tax payable by taxpayers in various income ranges. (c) No penalties or interest shall be applied with respect to any taxes remitted pursuant to the provisions of this section.

Homestead

Last Changed in 2012

HB 2117

Effective January 1, 2013

2018

MAXIMUM "HOUSEHOLD INCOME"

Indexed to inflation

Homestead \$35,000

- 55 or older or
- dependent under 18 or
- totally & permanently disabled

SAFESR \$19,800

- 65 or older

Homestead and Safe Senior Due Date for TY 2018 April 15, 2019

2005 SB 133 Sec. 1 K.S.A. 79-4508(d) *In the case of all tax years commencing after December 31, 2004, the upper limit threshold amount prescribed in this section, shall be increased by an amount equal to such threshold amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) of the federal internal revenue code for the calendar year in which the taxable year commences.*

- Household Income limit for TY 2014 - \$33,400
- Household Income limit for TY 2015 - \$34,000
- Household Income limit for TY 2016 - \$34,100
- Household Income limit for TY 2017 - \$34,450
- Household Income limit for TY 2018 - \$35,000

2012 Senate Substitute for House Bill No. 2117, Sec. 30. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4501 is hereby amended to read as follows: 79-4501. The title of this act shall be the homestead property tax refund act. The purpose of this act shall be to provide *ad valorem tax refunds to: (a) Certain persons who are of qualifying age who own their homestead; (b) certain persons who have a disability, who own their homestead; and (c) certain persons other than persons included under the provisions of (a) or (b) who have low incomes and dependent children and own their homestead.*

K.S.A. 79-4505. same; deadline for filing claim. Except as provided in K.S.A. 79-4517, and amendments thereto, no claim in respect of property taxes levied in any year shall be paid or allowed unless such claim is actually filed with and in the possession of the department of revenue on or before April 15 of the year next succeeding the year in which said taxes were levied.

K.S.A. 79-32,263. Tax credit for property taxes paid by certain senior citizens; selective assistance for effective senior relief (SAFESR). This act shall be known and may be cited as the selective assistance for effective senior relief (SAFESR). There shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, the following: (a) For tax years 2008, 2009 and 2010, an amount equal to 45% of the amount of property and ad valorem taxes actually and timely paid as described in this section; and (b) for tax year 2011 and all tax years thereafter, an amount equal to 75% of the amount of property and ad valorem taxes actually and timely paid by a taxpayer who is 65 years of age or older and who has household income equal to or less than 120% of the federal poverty level for two persons if such taxes were paid upon real or personal property used for residential purposes of such taxpayer which is the taxpayer's principal place of residence for the tax year in which the tax credit is claimed. The amount of any such credit for any such taxpayer shall not exceed the amount of property and ad valorem taxes paid by such taxpayer as specified in this section. A taxpayer shall not take the credit pursuant to this section if such taxpayer has received a homestead property tax refund pursuant to K.S.A. 79-4501 et seq., and amendments thereto, for such property for such tax year. Subject to the provisions of this section, if the amount of such tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount of such excess credit which exceeds such tax liability shall be refunded to the taxpayer. The secretary of revenue shall adopt rules and regulations regarding the filing of documents that support the amount of the credit claimed pursuant to this section. For purposes of this section, "household income" means all income as defined in K.S.A. 79-4502(a), and amendments thereto, including any payments received under the federal social security act, received by persons of a household in a calendar year while members of such household. The provisions of this act shall be part of and supplemental to the homestead property tax refund act.

Miscellaneous

- ❖ Interest rate — 6% Interest rate (.005 monthly) for calendar year 2019 on delinquent or unpaid taxes and over payment of taxes.
- ❖ Zapper's get Zapped — HB 2488 makes knowingly selling, purchasing, installing, transferring, manufacturing, creating, designing, updating, repairing, using, or possessing an automated sales suppression device, zapper, or phantom-ware a severity level 7, nonperson felony. In addition to any other criminal penalties provided by law, any person convicted of unlawful acts involving an automated sales suppression device may be liable for all taxes, interest and penalties due the state as a result of such unlawful acts.
- ❖ Lottery and Bingo Vending Machines — HB 2194 amends the Kansas Lottery Act to allow the use of lottery ticket vending machines and the use of instant bingo vending machines, amends law concerning underage purchasing of lottery tickets, and extends the sunset for the Kansas Lottery from July 1, 2022 to July 1, 2037.

K.S.A. 79-2968. Rate of interest on delinquent or unpaid taxes and overpayments of taxes. Except as otherwise specifically provided by law, whenever interest is charged under any law of this state upon any delinquent or unpaid taxes levied or imposed by the state of Kansas or any taxing subdivision thereof, or whenever interest is allowed under any law of this state upon any overpayment of taxes levied or imposed by the state of Kansas or any taxing subdivision thereof, the rate thereof shall be the underpayment rate per annum prescribed and determined under paragraph (2) of subsection (a) of section 6621, without regard to subsection (c) thereof, of the federal internal revenue code, as in effect on September 1, 1996, and which rate is in effect thereunder on July 1 of the year immediately preceding the calendar year for which the rate is being annually fixed hereunder, plus one percentage point, if computed annually. Beginning on January 1, 2012, the rate for property tax delinquencies or underpayments of \$10,000 or more shall be as provided for under this section or 10% per annum, whichever is greater. In the event the interest rate prescribed under this section cannot be determined by reference to section 6621 of the federal internal revenue code, as in effect on September 1, 1996, the rate at which interest shall be collected on underpayments shall be the rate prescribed by K.S.A. 16-204, and amendments thereto, for interest on judgments for the applicable period.

2018 HB 2488 Section 1. K.S.A. 21-5939. (a) Unlawful acts involving an automated sales suppression device is knowingly selling, purchasing, installing, transferring, manufacturing, creating, designing, updating, repairing, using or possessing an automated sales suppression device, zapper or phantom-ware. (b) Unlawful acts involving an automated sales suppression device is a severity level 7, nonperson felony. (c) In addition to any other criminal penalties provided by law, any person convicted of unlawful acts involving an automated sales suppression device may be liable for all taxes, interest and penalties due the state as a result of such unlawful acts. (d) As used in this section: (1) "Automated sales suppression device" or "zapper" means a computer software program, carried on a memory stick or removable compact disc, accessed through an internet link or accessed through any other means that falsifies the electronic records of electronic cash registers and other point-of-sale systems, including, but not limited to, transaction data and transaction reports; (2) "electronic cash register" means a device that keeps a register or supporting documents through the means of an electronic device or computer system designed to record transaction data in any manner; (3) "phantom-ware" means a hidden, pre-installed or installed at a later time programming option embedded in the operating system of an electronic cash register or hardwired into the electronic cash register that can be used to create a virtual second till or may eliminate or manipulate transaction records that may or may not be preserved in digital formats to represent the true or manipulated record of transactions in the electronic cash register; (4) "transaction data" includes, but is not limited to: (A) Items purchased by a customer; (B) the price for each item; (C) a taxability determination for each item; (D) a segregated tax amount for each of the taxed items; (E) the amount of cash or credit tendered; (F) the net amount returned to the customer in change; (G) the date and time of the purchase; (H) the name, address and identification number of the vendor; and (I) the receipt or invoice number of the transaction; and (5) "transaction report" means a report including, but not limited to, the sales, taxes collected, media totals and discount voids at an electronic cash register that is printed on cash register tape at the end of a day or shift, or a report documenting every action at an electronic cash register that is stored electronically. (e) This section shall be part of and supplemental to the Kansas criminal code.

HB 2194 Section 1. K.S.A. 2017 Supp. 74-8702 is hereby amended to read as follows: 74-8702. As used in the Kansas lottery act, unless the context otherwise requires: (h) (1) "Instant bingo vending machine" means a machine or electronic device that is purchased or leased by a licensee, as defined by K.S.A.2017 Supp. 75-5173, and amendments thereto, from a distributor who has been issued a distributor registration certificate pursuant to K.S.A. 2017 Supp. 75-5184, and amendments thereto, or leased from the Kansas lottery in fulfillment of the Kansas lottery's obligations under an agreement between the Kansas lottery and a licensee entered into pursuant to section 8, and amendments thereto, and the sole purpose of which is to: (A) Dispense a printed physical instant bingo ticket after a purchaser inserts cash or other form of consideration into the machine; and (B) allow purchasers to manually check the winning status of the instant bingo ticket. (2) "Instant bingo vending machine" shall not: (A) Provide a visual or audio representation of a bingo card or an electronic gaming machine; (B) visually or functionally have the same characteristics of an electronic instant bingo game or an electronic gaming machine; (C) automatically determine or display the winning status of any dispensed instant bingo ticket; (D) extend or arrange credit for the purchase of an instant bingo ticket; (E) dispense any winnings; (F) dispense any prize; (G) dispense any evidence of a prize other than an instant bingo ticket; (H) provide free instant bingo tickets or any other item that can be redeemed for cash; or (I) dispense any other form of a prize to a purchaser. All physical instant bingo tickets dispensed by an instant bingo vending machine shall be purchased by a licensee, as defined by K.S.A. 2017 Supp.75-5173, and amendments thereto, from a registered distributor. No more than two instant bingo vending machines may be located on the premises of each licensee location.

Kansas Department of Revenue Contact Info

KDOR Taxpayer Education:

Carl York

Office: 785-296-1048

Email: carl.york@ks.gov

Customer Relations:

Individual and Business Tax: 785-368-8222

Línea de teléfono Español: 785-368-8222

Problem Resolution Officer:

Bob Clelland

Office: 785-296-2473

Fax: 866-637-0858

Email: KDOR_taxpayer.advocate@ks.gov

Kansas Department of Revenue Website(s):

KDOR Main Website: www.ksrevenue.org

For filing a Kansas return electronically visit
the KDOR WebFile website at: www.webtax.org

For help with electronic filing call
Electronic Services (E-Services Unit)

Office: 785-296-6993

Email: KDOR_EServices@ks.gov

Forms Order Line:

Office: 785-296-4937

Email: KDOR_forms@ks.gov

2018 Notices

- 18-01 Refund of Tax on Motor Fuel Used In Concrete Mixer Trucks
- 18-02 Sales and Compensating Use Tax Exemption On Manufacturer Cash Rebates For The Purchase or Lease of a Motor Vehicle
- 18-03 Increase In Oil And Gas Conservation Fees



GOVERNOR JEFF COLYER, M.D.
SAMUEL M. WILLIAMS, SECRETARY

NOTICE 18-01

REFUND OF TAX ON MOTOR FUEL USED IN CONCRETE MIXER TRUCKS (JULY 1, 2018)

Advice has been requested regarding the taxation of motor fuel used in concrete mixer trucks for non-highway purposes. Specifically, the question concerns whether fuel used to operate a power take-off or the mixer drum is exempt from motor fuel tax.

Kansas law provides for the refund of certain tax paid on motor-vehicle fuels or special fuels not used on highways.

K.S.A. 79-3453. Any person who uses any motor-vehicle fuels or special fuels on which the motor-fuel or special fuel tax has been paid for use in school buses or for any purpose other than operating motor vehicles on the public highways, such person shall be entitled to be refunded the tax paid upon complying with the requirements of this act. Such person shall not be entitled to a refund of such tax unless the amount of the refund exceeds \$25. The words "licensed distributor," as used in this act, shall also include a licensed importer.

K.S.A. 79-3456. Invoice by licensed distributors or retailers; contents; copies. (a) At the time of making each delivery of motor-vehicle fuel or special fuel upon which a refund of the tax may be claimed, the licensed distributor or licensed retailer delivering the same shall make out an invoice which shall contain a serial number which shall not be repeated through any one calendar year, and which shall state the following:

- (1) The name of the distributor or retailer (printed or rubber stamped) selling the refund motor fuel;
- (2) the name of the purchaser;
- (3) the number of gallons of motor-vehicle fuel containing less than 10% agricultural ethyl alcohol thus purchased and delivered;
- (4) the number of gallons of motor-vehicle fuels containing 10% or more of agricultural ethyl alcohol thus purchased and delivered;
- (5) the date and place of delivery;
- (6) the number of gallons of special fuel purchased and delivered; and
- (7) the price paid for such motor-vehicle fuel or special fuel.

(b) The invoice prepared by a distributor or retailer shall be made out in triplicate unless the invoice is generated by automated procedures approved by the director. One copy of each invoice made out in triplicate shall be delivered to the purchaser at the time of purchase. Upon receiving payment in full for such motor-vehicle fuel or special fuel the distributor or retailer shall receipt for payment on the original invoices. A

duplicate shall be retained by the distributor or retailer for a period of three years and shall be subject to examination by the director. Carbon or contact-type paper shall be used in making the first and second duplicate invoices unless the invoice is generated by automated procedures approved by the director

(c) Invoices generated by automated procedures approved by the director shall be made out in duplicate. The original of each such invoice shall be delivered to the purchaser and upon receiving payment for such motor-vehicle fuel or special fuel the distributor or retailer shall receipt for payment on another original invoice. Duplicates of all such invoices shall be retained by the distributor or retailer for a period of three years.

(d) If the invoice of any distributor or retailer is not printed in triplicate or does not meet the requirements of this section then such distributor or retailer shall use the uniform invoice prepared and furnished free of cost by the director as provided in this act.

The Department of Revenue has determined that a person who operates a truck designed, equipped, and used exclusively for concrete mixing and delivery may claim a refund of 25% of the fuel used in the truck, without the need to conduct a study of fuel usage, effective for fuel purchased on or after July 1, 2018. There are two requirements that must be met in order to make such a claim.

First, the person making the claim must have a valid motor fuel refund permit. If the person does not already have a permit, forms may be obtained from our website: www.ksrevenue.org. Print a copy of form MF-51, Application for Motor Vehicle / Special Fuel Tax Refund Permit, and a copy of form MF-112, Agreement to Maintain Motor Fuel Refund Records. Complete both forms and mail them, along with a \$6.00 fee, to:

Kansas Department of Revenue
Motor Fuel Tax
P. O. Box 750680
Topeka, KS 66675

Second, upon receipt, the Department will review the Application and Agreement. If approved, your first claim form will be sent to you. The claim form and supporting documents (K.S.A. 79-3456) can now be submitted for review. The Department will then review the claim and determine the amount of refund. Claimants must account for and keep records of the number of gallons of fuel disbursed into and used by each concrete mixer truck.

Subsequent claims should be submitted as instructed by the Department.

If a person wants to claim a percentage higher than 25% of fuel disbursements into a mixer truck, a study may be required to prove the higher percentage. The type and manner of the study must be approved by the Kansas Department of Revenue. If the concrete mixer truck is equipped with the electronic capability (ECM) to measure the fuel used for non-highway purposes, the Department will accept that documentation in lieu of the study.

Taxpayer Assistance

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

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Kansas Department of Revenue
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GOVERNOR JEFF COLYER, M.D.
SAMUEL M. WILLIAMS, SECRETARY

NOTICE 18-02

SALES AND COMPENSATING USE TAX EXEMPTION ON MANUFACTURER CASH REBATES FOR THE PURCHASE OR LEASE OF A MOTOR VEHICLE (JULY 1, 2018)

During the 2018 Legislative Session House Bill 2111 was passed and signed into law. Section 1 of the Bill amends K.S.A. 79-3602 to provide that effective July 1, 2018, and ending June 30, 2021, cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle will not be subject to Kansas retailers' sales or compensating use tax if paid directly to the retailer as a result of the original sale.

K.S.A. 79-3602 provides definitions that are used for both Kansas sales and use tax purposes. Section 1 of House Bill 2111 amends K.S.A. 79-3602(II), the provision which defines "sales or selling price". Specifically, the amended language now provides:

(3) "Sales or selling price" shall not include:

(E) commencing on July 1, 2018, and ending on June 30, 2021, cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale.

For a manufacturer's rebate to qualify for exemption from sales tax, the vehicle must qualify as a "motor vehicle" as defined by K.S.A. 8-126. For purposes of the exemption, motor vehicles include passenger vehicles, trucks, motorcycles, and motorhomes

To claim the sales tax exemption, the sale of the motor vehicle must occur between July 1, 2018 and June 30, 2021, regardless of the date the title is applied for.

If a deduction for a manufacturer's cash rebate is shown on the bill of sale it will be presumed the manufacturer's cash rebate was paid directly from the manufacturer to the retailer, and that it is exempt from sales tax. Conversely, if the bill of sale does not show a deduction for a manufacturer's cash rebate it will be presumed the rebate was **not** paid directly from the manufacturer to the retailer and that it is **not** exempt from sales tax.

Manufacturer's rebates for trailers and non-highway vehicles remain taxable. Motorized bicycles, all-terrain vehicles, work-site vehicles, trailers, or any other vehicle that is not self-propelled or is not licensed for highway use does not qualify. Therefore, manufacturer's rebates offered for the purchase of these types of vehicles remain part of the retailer's gross receipts and are subject to the retailers' sales or compensating use tax.

Additional manufacturer's rebates for items of tangible personal property that are attached to the vehicle, such as running boards, brush guards, trailer hitches, etc. are exempt from tax if they are shown on the bill of sale and are paid directly to the dealer. These rebates are subject to tax if they are not shown on the bill of sale for the original purchase, or if paid directly to the purchaser.

Motor vehicle dealers, please note: To report transactions that include a tax exempt manufacturer's cash rebate you will include the amount of the rebate as part of "gross receipts" and then report a deduction on Part II, line N "Other allowable deductions".

Taxpayer Assistance

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GOVERNOR JEFF COLYER, M.D.
SAMUEL M. WILLIAMS, SECRETARY

NOTICE 18-03

INCREASE IN OIL AND GAS CONSERVATION FEES (JULY 1, 2018)

The Kansas Corporation Commission recently amended K.A.R. 82-3-206 and K.A.R. 82-3-307 increasing the conservation assessment on both oil and gas production. Prior to the change, the oil assessment was 91.00 mills per barrel (.091). Effective June 15, 2018 the oil assessment increases to 144.00 mills per barrel (.144). Prior to the change the gas assessment was 12.9 mills per 1000 cubic feet (.0129). Effective June 15, 2018, the gas assessment increases to 20.50 mills per 1,000 cubic feet or 1 mcf (.0205).

Please note that the beginning date for the fee increase is June 15, 2018. This means a person or entity filing a report will have two distinct rates to use for reporting purposes for the month of June, i.e., the current rate for June 1-14, 2018 and the new rate for June 15-30, 2018. If there are purchases made in both time frames they should be totaled into a one-line entry, as is now being done on Monthly Oil and Monthly Gas reports. A person or entity filing a report should maintain supporting documentation to justify the amounts shown.

Example:

Oil well #1 had a total gross volume of 425 barrels. Of that amount 301.61 barrels was for June 1-14, 2018 and 123.39 for June 15-30, 2018. The conservation fee would be equal to 301.61 times .091 or \$27.45, plus 123.39 times .144 or \$17.77, totaling \$45.22.

Gas well #1 has a total gross volume of 350 mcf. Of that amount 248 mcf's was for June 1-14, 2018 and 102 mcf's for June 15-30, 2018. The conservation fee would be 248 times .0129 or \$3.20, plus 102 times .0205 or \$2.10, totaling \$5.30.

The new rate will apply to oil and gas production occurring on and after June 15, 2018. The payment due date for June production is on or before August 20, 2018. The procedure for paying the fee has not changed. Those producers and/or purchasers who currently remit the fee and the severance tax will continue using the same payment method. The severance tax rate has not changed.

If you have any questions regarding calculating or remitting the fee, please contact the Mineral Tax Section at 785-368-8222. Select the business tax option and then the mineral tax option.

If you have questions regarding the conservation fee increase, please contact the Kansas Corporation Commission at (316) 337-6200.

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