

SESSION OF 2023

SUPPLEMENTAL NOTE ON SENATE BILL NO. 81

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

SB 81 would enact subtraction modifications in determining Kansas adjusted gross income equal to 25.0 percent of the amount of federal disallowance related to the Work Opportunity Tax Credit and similar credits under section 280C of the federal Internal Revenue Code and, effective for tax year 2020 and all years thereafter, 25.0 percent of the amount of federal disallowance related to the Employee Retention Tax Credit.

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 a representative of the Kansas Restaurant and Hospitality Association, generally stating the bill would allow employers who benefit from federal tax credits to still be able to deduct otherwise deductible expenses on their state income taxes.

No other testimony was provided.

*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>

Fiscal Information

According to the fiscal note prepared by the Division of the Budget, the Department of Revenue indicates enactment of the bill would reduce State General Fund receipts by \$7.0 million in FY 2024, \$2.5 million in FY 2025, and \$1.1 million in FY 2026. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Taxation; income tax; disallowance; subtraction modification; work opportunity tax credit; employee retention tax credit