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MEMORANDUM

To: Members of the House Committee on Taxation
From: Office of Revisor of Statutes
Date: February 26, 2025
Subject: House Bill No. 2336 (As Introduced)

Summary

House Bill No. 2336 would apportion business income for taxpayers by multiplying the business income by the sales factor and provide for a decrease in corporate income tax rates.

Sections 1 & 6 – Provides for a potential decrease in the corporate normal income tax rate starting in 2027. The rate would be decreased in an amount proportional to the tax rate equal to the amount of actual corporate income tax receipt revenues generated compared with the increase in revenue generated from the fiscal year compared to the prior fiscal year.

Sections 2 - 4 – Provides that for tax years prior to 2028, financial institutions and business may elect income to be apportioned pursuant to the receipts factor for financial institutions and sales factor for business income rather than the current three factor (receipts/sales, property and payroll) required by Kansas law. Starting January 1, 2028, all business income (including interstate motor carriers) shall be apportioned by multiplying business income by the sales factor (or the receipts factor for financial institutions).

Publicly traded companies would be eligible for a deduction that would apply in proportion to the next 9 successive tax years.

Section 5 – Provides the requirements for when sales other than tangible property are deemed to have been made in this state.

Section 7 – Excludes sales from the sales factor from sales to the affiliated unity by members in a unitary business group.