

SENATE BILL No. 238

By Committee on Assessment and Taxation

4-4

1 AN ACT concerning taxation; relating to privilege tax; banks, trust
2 companies and savings and loan associations; deduction of interest
3 received from certain business loans; amending K.S.A. 79-1109 and
4 repealing the existing section.

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6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 79-1109 is hereby amended to read as follows: 79-
8 1109. (a) As used in this act "net income" ~~shall mean~~ means the Kansas
9 taxable income of corporations as defined in K.S.A. 79-32,138, and
10 amendments thereto, determined without regard to the provisions of
11 K.S.A. 79-32,139, and amendments thereto, and the provisions of
12 ~~paragraph (xiv) of subsection (c) of~~ K.S.A. 79-32,117(c)(xiv), and
13 amendments thereto, plus income received from obligations or securities
14 of the United States or any authority, commission or instrumentality of the
15 United States and its possessions to the extent not included in Kansas
16 taxable income of a corporation and income received from obligations of
17 this state or a political subdivision ~~thereof which~~ of this state that is
18 exempt from income tax under the laws of this state; less dividends
19 received from stock issued by Kansas venture capital, inc. to the extent
20 such dividends are included in the Kansas taxable income of a corporation,
21 interest paid on time deposits or borrowed money and dividends paid on
22 withdrawable shares of savings and loan associations to the extent not
23 deducted in arriving at Kansas taxable income of a corporation.

24 (b) Savings and loan associations shall be allowed as a deduction
25 from net income, as ~~hereinbefore~~ defined in subsection (a), a reserve
26 established for the sole purpose of meeting or absorbing losses, in the
27 amount of 5% of such net income determined without benefit of such
28 deduction, but no further deduction shall be allowed for losses when
29 actually sustained and charged against such reserve, unless such reserve
30 shall have been fully absorbed thereby; or, in the alternative, a reasonable
31 addition to a reserve for losses based on past experience, under such rules
32 and regulations as the secretary of revenue may prescribe.

33 (c) *For all taxable years commencing after December 31, 2019,*
34 *national banking associations, state banks, trust companies and savings*
35 *and loan associations shall be allowed as a deduction from net income, as*
36 *defined in subsection (a), the interest received from business loans to the*

1 *extent such interest is included in the Kansas taxable income of a*
2 *corporation. As used in this subsection: (1) "Interest" means interest on*
3 *indebtedness incurred in the ordinary course of the active conduct of any*
4 *business; and (2) "business" means any entity operated primarily for*
5 *commercial or agricultural purposes and is not an individual obtaining a*
6 *loan primarily for personal, family or household purposes.*

7 Sec. 2. K.S.A. 79-1109 is hereby repealed.

8 Sec. 3. This act shall take effect and be in force from and after its
9 publication in the statute book.