

HOUSE BILL No. 2735

By Committee on Taxation

3-9

1 AN ACT concerning economic development; enacting the right-to-start
2 act; relating to tax incentives for new businesses; reducing the first
3 \$100,000 of new business income included in a taxpayer's Kansas
4 adjusted gross income by 20% for the first three tax years the taxpayer's
5 business is in operation; reducing the income tax on eligible new
6 corporations to 3% for the first three years of such eligible corporation
7 for the first \$100,000 of income; requiring the department of
8 administration to make certain reports to the legislature; establishing
9 the office of entrepreneurship within the department of commerce;
10 amending K.S.A. 2021 Supp. 79-32,110, as amended by section 15 of
11 2022 Senate Bill No. 347, and repealing the existing section.
12

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

14 New Section 1. (a) Sections 1 through 4, and amendments thereto,
15 shall be known and may be cited as the right-to-start act.

16 (b) As used in the right-to-start act:

17 (1) "Business income" means the income greater than zero arising
18 from transactions in the regular course of all of a taxpayer's trade or
19 business and shall be limited to the Kansas source net profit from the
20 combination of the following:

21 (A) The total combined profit as properly reported to the internal
22 revenue service on each schedule C, or its successor form, filed; and

23 (B) the total partnership and S corporation income or loss properly
24 reported to the internal revenue service on part II of schedule E, or its
25 successor form.

26 (2) "Eligible new corporation" means a corporation validly registered
27 as provided in the applicable laws of this state that begins operations in
28 this state on and after January 1, 2023.

29 (3) "New business income" means any business income from a
30 taxpayer that begins business operations in this state on or after January 1,
31 2023.

32 New Sec. 2. (a) The first \$100,000 of new business income included
33 in a taxpayer's Kansas adjusted gross income shall be reduced by 20% for
34 the first three tax years in which the taxpayer's business is in operation.

35 (b) (1) For all tax years beginning on and after January 1, 2023, in
36 lieu of the tax imposed pursuant to K.S.A. 79-32,110, and amendments

1 thereto, a tax is hereby imposed upon the Kansas taxable income of each
2 eligible new corporation for the first three tax years of such eligible new
3 corporation of 3% for the first \$100,000 of income. The remainder of the
4 Kansas taxable income shall be taxed pursuant to K.S.A. 74-32,110, and
5 amendments thereto.

6 (2) For the fourth tax year of an eligible new corporation and for all
7 tax years thereafter, all income shall be taxed as otherwise provided for by
8 K.S.A. 79-32,110, and amendments thereto.

9 New Sec. 3. (a) Not later than June 30, 2024, and annually thereafter,
10 the secretary of administration shall file a report with the legislature that
11 includes, but is not limited to:

12 (1) The number of contracts awarded to businesses that have been in
13 operation for less than three years;

14 (2) the percentage of the number of contracts awarded to businesses
15 that have been in operation for less than three years compared to the total
16 number of contracts awarded;

17 (3) the total dollar amount of all contracts awarded to businesses that
18 have been in operation for less than three years; and

19 (4) the percentage of the total dollar amount of contracts awarded to
20 businesses that have been in operation for less than three years compared
21 to the total dollar amount of contracts awarded.

22 (b) On or before January 1, 2024, the secretary of administration, in
23 conjunction with the office of entrepreneurship established under section
24 4, and amendments thereto, shall produce and file a report with the
25 legislature that includes recommendations on improving access and
26 resources for new Kansas businesses that have been in operation for less
27 than three years.

28 New Sec. 4. (a) There is hereby established within the department of
29 commerce the office of entrepreneurship.

30 (b) The office of entrepreneurship shall:

31 (1) Employ personnel to promote policies and initiatives to support
32 the growth of entrepreneurship in the state;

33 (2) work with stakeholders and communities to provide information
34 and technical support to entrepreneurs; and

35 (3) support and advise the secretary of commerce with preparing the
36 report pursuant to section 3, and amendments thereto.

37 Sec. 5. K.S.A. 79-32,110, as amended by section 15 of 2022 Senate
38 Bill No. 347, is hereby amended to read as follows: 79-32,110. (a)
39 *Resident Individuals*. Except as otherwise provided by K.S.A. 79-3220(a),
40 and amendments thereto, a tax is hereby imposed upon the Kansas taxable
41 income of every resident individual, which tax shall be computed in
42 accordance with the following tax schedules:

43 (1) *Married individuals filing joint returns*.

1 (A) For tax year 2012:

2 If the taxable income is:	The tax is:
3 Not over \$30,000.....	3.5% of Kansas taxable income
4 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of excess
5	over \$30,000
6 Over \$60,000.....	\$2,925 plus 6.45% of excess
7	over \$60,000

8 (B) For tax year 2013:

9 If the taxable income is:	The tax is:
10 Not over \$30,000.....	3.0% of Kansas taxable income
11 Over \$30,000.....	\$900 plus 4.9% of excess over
12	\$30,000

13 (C) For tax year 2014:

14 If the taxable income is:	The tax is:
15 Not over \$30,000.....	2.7% of Kansas taxable income
16 Over \$30,000.....	\$810 plus 4.8% of excess over
17	\$30,000

18 (D) For tax years 2015 and 2016:

19 If the taxable income is:	The tax is:
20 Not over \$30,000.....	2.7% of Kansas taxable income
21 Over \$30,000.....	\$810 plus 4.6% of excess over
22	\$30,000

23 (E) For tax year 2017:

24 If the taxable income is:	The tax is:
25 Not over \$30,000.....	2.9% of Kansas taxable income
26 Over \$30,000 but not over \$60,000.....	\$870 plus 4.9% of excess over
27	\$30,000
28 Over \$60,000.....	\$2,340 plus 5.2% of excess over
29	\$60,000

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

31 If the taxable income is:	The tax is:
32 Not over \$30,000.....	3.1% of Kansas taxable income
33 Over \$30,000 but not over \$60,000.....	\$930 plus 5.25% of excess
34	over \$30,000
35 Over \$60,000.....	\$2,505 plus 5.7% of excess
36	over \$60,000

37 (2) *All other individuals.*

38 (A) For tax year 2012:

39 If the taxable income is:	The tax is:
40 Not over \$15,000.....	3.5% of Kansas taxable income
41 Over \$15,000 but not over \$30,000.....	\$525 plus 6.25% of excess
42	over \$15,000
43 Over \$30,000.....	\$1,462.50 plus 6.45% of excess

1 over \$30,000
 2 (B) For tax year 2013:
 3 If the taxable income is: The tax is:
 4 Not over \$15,000.....3.0% of Kansas taxable income
 5 Over \$15,000.....\$450 plus 4.9% of excess over
 6 \$15,000

7 (C) For tax year 2014:
 8 If the taxable income is: The tax is:
 9 Not over \$15,000.....2.7% of Kansas taxable income
 10 Over \$15,000.....\$405 plus 4.8% of excess over
 11 \$15,000

12 (D) For tax years 2015 and 2016:
 13 If the taxable income is: The tax is:
 14 Not over \$15,000.....2.7% of Kansas taxable income
 15 Over \$15,000.....\$405 plus 4.6% of excess over
 16 \$15,000

17 (E) For tax year 2017:
 18 If the taxable income is: The tax is:
 19 Not over \$15,000.....2.9% of Kansas taxable income
 20 Over \$15,000 but not over \$30,000.....\$435 plus 4.9% of excess over
 21 \$15,000
 22 Over \$30,000.....\$1,170 plus 5.2% of excess over
 23 \$30,000

24 (F) For tax year 2018, and all tax years thereafter:
 25 If the taxable income is: The tax is:
 26 Not over \$15,000.....3.1% of Kansas taxable income
 27 Over \$15,000 but not over \$30,000.....\$465 plus 5.25% of excess
 28 over \$15,000
 29 Over \$30,000.....\$1,252.50 plus 5.7% of excess
 30 over \$30,000

31 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas
 32 taxable income of every nonresident individual, which tax shall be an
 33 amount equal to the tax computed under subsection (a) as if the
 34 nonresident were a resident multiplied by the ratio of modified Kansas
 35 source income to Kansas adjusted gross income.

36 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable
 37 income of every corporation doing business within this state or deriving
 38 income from sources within this state. Such tax shall consist of a normal
 39 tax and a surtax and shall be computed as follows unless otherwise
 40 modified pursuant to section 11 of 2022 Senate Bill No. 347 and section 3,
 41 and amendments thereto:

42 (1) The normal tax shall be in an amount equal to 4% of the Kansas
 43 taxable income of such corporation; and

1 (2) The surtax shall be in an amount equal to 3% of the Kansas
2 taxable income of such corporation in excess of \$50,000.

3 (d) *Fiduciaries*. A tax is hereby imposed upon the Kansas taxable
4 income of estates and trusts at the rates provided in subsection (a)(2)
5 ~~hereof~~.

6 (e) Notwithstanding the provisions of subsections (a) and (b): (1) For
7 tax years 2016 and 2017, married individuals filing joint returns with
8 taxable income of \$12,500 or less, and all other individuals with taxable
9 income of \$5,000 or less, shall have a tax liability of zero; and (2) for tax
10 year 2018, and all tax years thereafter, married individuals filing joint
11 returns with taxable income of \$5,000 or less, and all other individuals
12 with taxable income of \$2,500 or less, shall have a tax liability of zero.

13 (f) No taxpayer shall be assessed penalties and interest arising from
14 the underpayment of taxes due to changes to the rates in subsection (a) that
15 became law on July 1, 2017, so long as such underpayment is rectified on
16 or before April 17, 2018.

17 Sec. 6. K.S.A. 79-32,110, as amended by section 15 of 2022 Senate
18 Bill No. 347, is hereby repealed.

19 Sec. 7. This act shall take effect and be in force from and after its
20 publication in the statute book.