



Summary of Major Individual Income Tax Changes in Kansas

Overview:

During the 2013 Legislative Session, the Kansas Legislature enacted House Bill 2059 (“**HB 2059**”), which made a number of very significant changes to the laws governing Kansas state individual income taxes. The following changes were retroactive and took effect in the 2013 tax year:

- Restructured individual income tax brackets with reduced tax rates;
- Reduced standard deduction amounts for both heads of household and married filing jointly taxpayers;
- Reduced itemized deduction amounts for nearly all itemized deductions; and
- New exemption for certain non-wage business income from state individual income taxes.

Restructured Individual Income Tax Brackets with Reduced Tax Rates:

For tax year 2013 (beginning on January 1, 2013), the previous three-bracket tax rate system for Kansas state individual income taxes has become a two-bracket system. The middle range of income has been collapsed into the top bracket and the overall tax rates for both the top and bottom brackets have been lowered as follows:

| Year | Top Rate -- Filing Jointly with Greater than \$30,000 in Income | Top Rate - Single Filers with Greater than \$15,000 in Income | Middle Rate | Bottom Rate -- Filing Jointly with Less than \$30,000 in Income | Bottom Rate -- Single Filers with Less than \$15,000 in Income |
|------|---|---|-------------|---|--|
| 2012 | 6.45% | 6.45% | 6.25% | 3.5% | 3.5% |
| 2013 | 4.9% | 4.9% | Eliminated | 3.0% | 3.0% |
| 2014 | 4.8% | 4.8% | Eliminated | 2.7% | 2.7% |
| 2015 | 4.6% | 4.6% | Eliminated | 2.7% | 2.7% |
| 2016 | 4.6% | 4.6% | Eliminated | 2.4% | 2.4% |
| 2017 | 4.6% | 4.6% | Eliminated | 2.3% | 2.3% |
| 2018 | 3.9% | 3.9% | Eliminated | 2.3% | 2.3% |

Reduced Standard Deduction Amounts:

In addition, the standard deduction amounts for tax year 2013 will decrease from the \$9,000 standard deduction found in current law to \$5,500 for “head of household” taxpayers and to \$7,500 for “married filing jointly” taxpayers.

Reduced Itemized Deduction Amounts for Nearly All Itemized Deductions:

Moreover, the amount of itemized deductions that can be claimed by Kansas taxpayers on their state income tax returns will be reduced beginning in tax year 2013. With the exception of the charitable contribution deduction that can still be claimed in full and the deduction for gambling losses that has been completely eliminated in future tax years, the amount of all other itemized deductions claimed on the Kansas state income tax return will be reduced by 30% in tax year 2013, 35% in tax year 2014, 40% in tax year 2015, 45% in tax year 2016, 50% in tax year 2017 and 50% in tax year 2018. All itemized deductions will remain fully deductible on taxpayers’ federal income tax returns.

Certain Non-Wage Business Income Now Exempt from Kansas State Individual Income Taxes:

Finally, language was added to the Kansas state income tax code by the 2012 Kansas Legislature and retained in **HB 2059** that exempts certain non-wage business income from the Kansas state individual income tax. Beginning with tax year 2013 on January 1, 2013, an individual will no longer pay Kansas state individual income taxes on all:

- (1) net business profits reported on federal Schedule C and Line 12 of Form 1040;
- (2) net income from rental real estate, royalties, partnerships, S-Corps, estates, trusts, residual interests in REIT conduits and net farm rentals reported on federal Schedule E and Line 17 of the federal Form 1040; and
- (3) net farm profits reported on federal Schedule F and Line 18 of the federal Form 1040.

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