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REVISOR of STATUTES

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MEMORANDUM

To: Senate Committee on Assessment and Taxation
From: Office of Revisor of Statutes
Date: January 31, 2024
Subject: Senate Bill No. 377

Summary

Senate Bill No. 377 concerns taxation and relates to sales and compensating use taxes, income tax, privilege tax and property tax.

Sales and Compensating Use Taxes

New Section 1 would establish a new four-day back-to-school sales tax holiday during the first Thursday in August through the following Sunday beginning in 2024. All back-to-school-related sales during that period of the following items would be exempt from the tax imposed by the Kansas retailers' sales tax act:

- (A) Clothing or clothing accessories or equipment with a sales price of \$300 or less per item;
- (B) school supplies, school instructional materials or school art supplies with a sales price of \$100 or less per item;
- (C) prewritten computer software with a sales price of \$300 or less per item; and
- (D) computers or school computer supplies with a sales price of \$2,000 or less per item.

Section 9 would amend K.S.A. 2023 Supp. 79-3603d to reduce the state rate of tax on sales of food and food ingredients to 0% commencing on April 1, 2024. Currently, the rate is scheduled to change from 2% to 0% on January 1, 2025. (page 24) Sections 8, 11, 12 and 13 would amend related statutes to increase the state highway fund percent of sales and compensating use tax revenue to 18% commencing April 1, 2024. The state highway fund percent change is currently scheduled to take place January 1, 2025.

Section 10 would amend K.S.A. 2023 Supp. 79-3606 to provide sales tax exemptions for all sales of children's diapers and feminine hygiene products on and after April 1, 2024. (page 63)

Income Tax

Section 5 would amend K.S.A. 79-32,111c to increase the amount of the tax credit for household and dependent care expenses from an amount equal to 25% of the taxpayer's federal tax credit amount allowed pursuant to 26 U.S.C. § 21 to an amount equal to 50% of such federal tax credit amount beginning with tax year 2024. (page 8)

Section 6 would amend K.S.A. 2023 Supp. 79-32,117 to eliminate the income limit to qualify for the subtraction modification for social security income beginning with tax year 2024. (page 16)

Section 7 would amend K.S.A. 2023 Supp. 79-32,119 to increase the standard deduction for individuals beginning with tax year 2024, as follows:

Single individual filing status, from \$3,500 to \$5,000;
married filing status, \$8,000 to \$10,000; and
head of household filing status, \$6,000 to \$7,500. (page 18)

Privilege Tax

The bill would decrease the privilege tax rates on banks, trust companies and savings and loan associations by reducing the normal tax rates. The bill does not amend the surtax rates. Section 3 would amend K.S.A. 79-1107 to reduce the normal tax rate on banks to 1.94% for tax year 2024, and to 1.63% for tax year 2025, and all tax years thereafter. (page 7) Section 4 would amend K.S.A. 79-1108 to reduce the normal tax rate on trust companies and savings and loan associations to 1.93% for tax year 2024, and to 1.61% for tax year 2025, and all tax years thereafter. (page 8)

Property Tax

Section 2 would amend K.S.A. 2023 Supp. 79-201x to restate the extent of the exemption for residential property from the statewide school levy of \$42,049 of its appraised valuation for tax year 2023 and to increase the extent of the exemption to \$100,000 of its appraised valuation for tax year 2024 and all years thereafter. The bill would eliminate the annual adjustment provision. (page 7)

The bill would take effect from and after its publication in the Kansas register.