

June 29, 2007

**ALERT: TAX REDUCTIONS APPROVED IN 2007 KANSAS LEGISLATIVE SESSION**

A number of bills reducing tax liability for Kansas businesses were approved in this year's state legislative session and signed into law by the governor. Here's a wrap-up of the changes you'll see in unemployment tax, franchise tax, sales tax, and income tax, along with several other changes that will affect businesses.

**SB 83 – Unemployment Compensation Tax Reduction**

Employer unemployment compensation contribution rates have been eliminated or reduced. Some 13,000 Kansas businesses will pay nothing under the new plan, while approximately 19,000 will see payment rates cut in half, and another 19,000 will realize a 40% rate reduction.

The new rates went into effect as of Jan. 1, 2007.

New employers: 4% of wages paid during the calendar year (construction industry rate is 6%)

For experienced employers in an established Kansas Department of Labor (KDL) Rate Group, the rates are reduced as follows:

0%	KDL Rate Groups 1-5
58% of the current rate	KDL Rate Groups 6-28
60% of the current rate	KDL Rate Groups 29-51

**HB 2264 – Franchise Tax Repeal**

HB 2264 phases out the corporate franchise tax on Kansas businesses. The tax is reduced starting this year, then repealed altogether effective in tax year 2011. The franchise tax is the levy companies pay for the right to do business in Kansas; it is administered by the Kansas Department of Revenue. A \$40 franchise fee administered by the Secretary of State remains in place.

The current rate is \$1.25 per \$1,000 of shareholder equity or net worth. The new rates are as follows:

Year	Action
2007	2006 rate, but threshold raised from \$100,000 to \$1,000,000
2008	\$.9375 per \$1,000 of equity or net worth
2009	\$.625 per \$1,000 of equity or net worth
2010	\$.3125 per \$1,000 of equity or net worth

### **HB 2171 – Sales Tax Refund Procedures and Streamlined Sales Tax**

**Sales Tax Refund Procedures:** This bill codifies the Department of Revenue’s regulations regarding sales tax refunds. Specifically, it requires that an agent/representative filing a refund claim on behalf of a taxpayer must submit a power of attorney. The bill also clarifies that the three-year statute of limitations for refund claims starts on the due date of the return for the reporting period on which the refund claim is based. The bill also provides that no interest shall be paid for claims refunded within 120 days. The bill also clarifies that consumers or purchasers could request direct refunds of sales or use taxes only for amounts equal to or exceeding \$50.

**Streamlined Sales Tax:** This bill enacts a number of definitions/requirements to allow Kansas to retain status as a member of the Streamlined Agreement, such as outlining the definitions of liability relief, rates and boundaries database, bundled transactions, durable medical equipment, telecommunications services, multiple points of use, and direct mail delivery charges.

### **SB 2031 – Electronic Income Tax Filings**

This bill authorizes the Kansas Secretary of Revenue to waive e-filing requirements for income tax withholding for employers who can show that electronically filing will cause a hardship. Current law requires employers with 50 or more employees to file electronically.

### **HB 2316 – Paperless Payroll**

This measure allows Kansas employers the ability to designate the payment method they believe is in the best interest of the company. It also adds a payroll debit card as an acceptable means of payment. Kansas employers may not require employees to accept direct deposit as a payment method.

### **SB 292 – Contractor/Subcontractor Unemployment Contributions Liability**

This bill amends employment security law by removing the liability of contractors for subcontractors’ unemployment contributions.

**For more information about how AGH can help you with state, local, sales, use, or property tax issues, contact Jerry Capps, vice president of AGH’s state and local tax group, at (316) 267-7231 or [jerry.capps@aghlc.com](mailto:jerry.capps@aghlc.com).**

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