

2019

SENATE BILL NO. ____

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

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

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

(b) Savings and loan associations shall be allowed as a deduction from net income, as ~~hereinbefore~~ defined in subsection (a), a reserve established for the sole purpose of meeting or absorbing losses, in the amount of 5% of such net income determined without benefit of such deduction, but no further deduction shall be allowed for losses when actually sustained and charged against such reserve, unless such reserve shall have been fully absorbed thereby; ~~;~~ or, in

the alternative, a reasonable addition to a reserve for losses based on past experience, under such rules and regulations as the secretary of revenue may prescribe.

(c) For all taxable years commencing after December 31, 2019, national banking associations, state banks, trust companies and savings and loan associations shall be allowed as a deduction from net income, as defined in subsection (a), the interest received from business loans to the extent such interest is included in the Kansas taxable income of a corporation. As used in this subsection: (1) "Interest" means interest on indebtedness incurred in the ordinary course of the active conduct of any business; and (2) "business" means any entity operated primarily for commercial or agricultural purposes and is not an individual obtaining a loan primarily for personal, family or household purposes.

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

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