

**SENATE BILL No. 259**

By Committee on Financial Institutions and Insurance

1-14

1 AN ACT concerning taxation; relating to privilege tax; banks, trust  
2 companies and savings and loan associations; deduction of net interest  
3 received from certain business and single family residence loans;  
4 amending K.S.A. 79-1109 and repealing the existing section.  
5

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

7 Section 1. K.S.A. 79-1109 is hereby amended to read as follows: 79-  
8 1109. (a) As used in this act, "net income" ~~shall mean~~ means the Kansas  
9 taxable income of corporations as defined in K.S.A. 79-32,138, and  
10 amendments thereto, determined without regard to the provisions of  
11 K.S.A. 79-32,139, and amendments thereto, and the provisions of  
12 ~~paragraph (xiv) of subsection (c) of~~ K.S.A. 79-32,117(c)(xiv), and  
13 amendments thereto, plus income received from obligations or securities  
14 of the United States or any authority, commission or instrumentality of the  
15 United States and its possessions to the extent not included in Kansas  
16 taxable income of a corporation and income received from obligations of  
17 this state or a political subdivision ~~thereof which~~ of this state that is  
18 exempt from income tax under the laws of this state; less dividends  
19 received from stock issued by Kansas venture capital, inc. to the extent  
20 such dividends are included in the Kansas taxable income of a corporation,  
21 interest paid on time deposits or borrowed money and dividends paid on  
22 withdrawable shares of savings and loan associations to the extent not  
23 deducted in arriving at Kansas taxable income of a corporation.

24 (b) Savings and loan associations shall be allowed as a deduction  
25 from net income, as ~~hereinbefore~~ defined in subsection (a), a reserve  
26 established for the sole purpose of meeting or absorbing losses, in the  
27 amount of 5% of such net income determined without benefit of such  
28 deduction, but no further deduction shall be allowed for losses when  
29 actually sustained and charged against such reserve, unless such reserve  
30 shall have been fully absorbed thereby; or, in the alternative, a reasonable  
31 addition to a reserve for losses based on past experience, under such rules  
32 and regulations as the secretary of revenue may prescribe.

33 (c) *For all taxable years commencing after December 31, 2019,*  
34 *national banking associations, state banks, trust companies and savings*  
35 *and loan associations shall be allowed as a deduction from net income, as*  
36 *defined in subsection (a), the net interest income received from business*

1 *loans and the net interest income received from single family residence*  
2 *loans to the extent such interest is included in the Kansas taxable income*  
3 *of a corporation. As used in this subsection: (1) "Interest" means interest*  
4 *on indebtedness incurred in the ordinary course of the active conduct of*  
5 *any business and interest on indebtedness incurred that is secured by a*  
6 *single family residence; (2) "business" means any entity operated*  
7 *primarily for commercial or agricultural purposes and is not an individual*  
8 *obtaining a loan primarily for personal, family or household purposes; (3)*  
9 *"single family residence" means a residence that: (A) Is the principal*  
10 *residence of its occupant; (B) is located in a rural area as defined by the*  
11 *United States department of agriculture that is not within a metropolitan*  
12 *statistical area and has a population of 2,500 or less as determined by the*  
13 *most recent census for which data is available; and (C) is purchased or*  
14 *improved with the proceeds of the loan; (4) "net interest income received*  
15 *from business loans" means the product of the ratio of the interest income*  
16 *earned on business loans over total interest income earned, in relation to*  
17 *the net income of the national banking association, state bank, trust*  
18 *company or savings and loan association without regard to this deduction;*  
19 *and (5) "net interest income received from single family residence loans"*  
20 *means the product of the ratio of the interest income earned on single*  
21 *family residence loans as defined herein over total interest income earned,*  
22 *in relation to the net income of the national banking association, state*  
23 *bank, trust company or savings and loan association without regard to this*  
24 *deduction.*

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

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