

Income/Franchise:

Kansas: New Law Addresses Treatment of GILTI and §163(j) and Extends NOL Carryforward Period

S.B. 50, Governor veto overridden by House and Senate on 5/3/21. Recently enacted legislation addresses the state treatment of i) federal Tax Cuts and Jobs Act (*i.e.*, P.L. 115-97) provisions involving Internal Revenue Code (IRC) section 951A global intangible low-taxed income (GILTI), ii) IRC section 163(j) business interest expense limitations, and iii) net operating loss (NOL) carryforwards for Kansas corporate income tax purposes.

Specifically, for taxable years commencing after December 31, 2020, the legislation provides for a subtraction from federal taxable income of 100% of GILTI, as defined in IRC section 951A, before any deductions allowed under IRC section 250(a)(1)(B) – which, together with another required addition adjustment for IRC section 250(a)(1)(B) deductions, effectively results in an overall subtraction of the “net GILTI amount.” Additionally, for taxable years commencing after December 31, 2020, a subtraction from federal taxable income is allowed for business interest expense to the extent such interest is limited for federal tax purposes under IRC section 163(j); correspondingly, any carryforward claimed for federal purposes in tax years 2021 and beyond that is related to the disallowance of interest expense in tax years prior to 2021 must be reported as an addition modification for Kansas purposes. The new law also provides that for NOLs incurred in taxable years beginning after December 31, 2017, an NOL deduction shall be allowed in the same manner that it is allowed under the IRC, except that the loss may only be carried forward.

[URL: http://www.kslegislature.org/li/b2021_22/measures/sb50/](http://www.kslegislature.org/li/b2021_22/measures/sb50/)

See recently issued Multistate Tax Alert for more details on these and other significant Kansas tax law changes included in this bill, and please contact us with any questions.

[URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-kansas-legislature-overrides-governor-veto-to-enact-significant-indirect-and-income-tax-law-changes.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-kansas-legislature-overrides-governor-veto-to-enact-significant-indirect-and-income-tax-law-changes.pdf)

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