

## Income/Franchise:

### Kansas DOR Addresses Newly Enacted Modified Adjustments Related to IRC section 163(j)

*Notice 24-16*, Kan. Dept. of Rev. (8/7/24). A new notice released by the Kansas Department of Revenue addresses recently enacted legislation [see S.B. 410, signed by gov. 4/24/24, and *State Tax Matters*, Issue 2024-18, for more details about this legislation] that clarifies some Kansas adjustments for disallowed business interest expense under Internal Revenue Code (IRC) section 163(j) [see previously issued Multistate Tax Alert for details on Kansas' conformity to certain provisions under the federal 2017 Tax Cuts and Jobs Act], including:

URL: <https://www.ksrevenue.gov/taxnotices/notice24-16.pdf>

URL: [https://www.kslegislature.org/li/b2023\\_24/measures/sb410/](https://www.kslegislature.org/li/b2023_24/measures/sb410/)

URL: [https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240503\\_5.html](https://dhub.deloitte.com/Newsletters/Tax/2024/STM/240503_5.html)

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>

- Specifying that the addition modification is applicable to interest expenses paid or accrued in previous tax years and carried forward and allowed as a deduction in the current tax year under IRC section 163;
- Specifying that a subtraction modification is allowed for interest expense actually paid or accrued in the current tax year which was disallowed pursuant to the IRC section 163(j) limitation; and
- For tax year 2021, specifying that a subtraction modification is allowed for an amount equal to the sum of any interest expenses paid or accrued in tax years 2018, 2019 and 2020 less the sum of amounts allowed as a deduction pursuant to IRC section 163 in tax years 2018, 2019 and 2020.

According to the notice, when filing an amended 2021 tax return, “please include with the amended return a copy of the federal Form 8990 for each of tax years 2018, 2019, 2020, and 2021,” as well as “a worksheet that shows how you computed the amount of interest expense being claimed for each of tax years 2018, 2019, 2020, and 2021, and reference the corresponding line numbers on federal Form 8890.” Please contact us with any questions.

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