**Private Letter Ruling**

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| **Ruling Number:** | **P-2016-008** |

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| **Tax Type:** | **Individual Income Tax** |
| **Brief Description:** | **Tax Treatment of Repaid Unemployment Compensation Benefits** |
| **Keywords:** |  |
| **Effective Date:** | **08/12/2016** |
| **Approval Date:** | **08/12/2016** |

**Body:**

August 12, 2016

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Re: Kansas Income Tax

Dear XXXXX

Your correspondence of August 9, 2016, has been referred to me for response. Thank you for your inquiry.

By your e-mail you have requested our advice regarding Kansas income tax. Specifically, your e-mail states:

I am a tax preparer and can’t find anywhere in the Kansas revenue that allows a credit for taxes paid on unemployment compensation when the unemployment was paid to an individual one year and then repaid in the following year. It is very clear how you handle it with the IRS because you note it as a credit after you recalculate the tax liability for the year you received it. I have searched and can’t find how to handle it for Kansas.

As you are no doubt aware, Kansas law requires the use of federal adjusted gross income as the starting point for computing the Kansas income tax. Then certain modifications, either additions or subtractions, may be required in accordance with K.S.A. 79-32,117. In the absence of a specific modification under K.S.A. 79-32,117 those items which are subject to federal tax will be subject to Kansas tax and those items which are exempt from federal tax will be exempt from Kansas tax.

K.S.A. 79-32,117 does not include a modification for unemployment compensation. As a result, if an individual receives Kansas unemployment compensation and it is included in their federal adjusted gross income it is subject to Kansas income tax. On the other hand, if an individual is required to repay unemployment compensation they received in a prior year no modification will be allowed for the repayment.

You are also correct that Kansas does not allow a credit for the repayment of Kansas unemployment compensation.

The end result is that Kansas unemployment compensation received by an individual and included in their federal adjusted gross income is subject to Kansas income tax, but no subtraction modification or credit against tax is available for Kansas unemployment compensation that is repaid to the State.

I trust this information is of assistance. If I can be of further service, please feel free to contact me.


JW:jw

*NOTE: This opinion letter is based solely on the facts provided in your request for advice. If material facts or information were not disclosed this letter is null and void. This letter will be revoked without further action by the Department if the statutes, administrative regulations, published revenue rulings, or court decisions that materially affect this opinion are changed.*

**Date Composed: 09/16/2016 Date Modified: 09/16/2016**