



# This Week in State Tax (TWIST)

August 19, 2024



## Kansas: Department Issues Guidance for Decoupling from IRC Sec. 163(j)

The Kansas Department of Revenue issued guidance addressing the decoupling from IRC section 163(j). Under [2024 Senate Bill 410](#), Kansas decoupled from section 163(j) and allows a deduction for the current year's interest expense in its entirety for tax years beginning after December 31, 2020, without regard to any amount disallowed under the IRC. This is done through a subtraction modification for any amount of disallowed interest expense and an addition modification for any amount deducted by reason of a carryforward of disallowed interest from prior years under section 163(j).

In addition to allowing taxpayers to amend their 2021 state income tax return to adjust the amount of interest deduction now allowed for that year, the bill allows taxpayers to include in their 2021 amended return a recapture of any interest expense disallowed under IRC section 163(j) in tax years 2018, 2019, and 2020. This will be accomplished by including on the amended 2021 return 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 previously allowed on the federal return (including carryforwards) for such tax years. Taxpayers will need to amend their 2021 return to claim this recapture, as the statute of limitations is three years. Taxpayers that file a 2021 Kansas amended return must include a copy of federal form 8990 for each of tax years 2018 through 2021 and a worksheet showing the computation of the interest expense claimed for each of the respective tax years. Please contact [Alexander Karscig](#) with questions on [Notice 24-16](#).

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