



# This Week in State Tax (TWIST)

May 5, 2025



## Kansas: State Adopts Single Sales Factor and Market-Based Sourcing

Kansas, one of about six remaining states using an equally weighted three factor apportionment approach, will move to a single sales factor apportionment formula based on receipts starting in tax year 2027 under a bill signed recently by Governor Kelly. Any taxpayer that previously made an irrevocable election to use a two-factor apportionment formula is eligible to revoke that election and adopt the new method starting in 2027. Publicly traded companies will be eligible for a deferred tax impact deduction based on the effects of the change on their deferred tax position. Companies intending to claim the deduction are required to notify the Department of Revenue of the amount of the deduction by July 1, 2027. The deduction may be claimed in 10 percent increments beginning with tax year 2035.

In the same bill, Kansas also switches to market-based sourcing for sales other than sales of tangible personal property starting with tax year 2027. Receipts from sales will be assigned to Kansas if the market for sales is in the state. The specifics of the sourcing rules for various types of receipts are similar to other states, but notably, the bill specifies that the sale of a service will be in Kansas to the extent that the service is “delivered” to a location in Kansas. If the receipt cannot be assigned, the state of assignment may be reasonably approximated, and if the receipt can be neither assigned nor approximated, it will be excluded from the apportionment factor. Any communications service provider may continue to source its sales under the previously existing “income producing activity/cost of performance” rule. A “communications service provider” is a person that provides telecommunications services, internet access, or cable services. Please contact [Alexander Karsciq](#) with questions about [H.B. 2231](#).

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