

The New Kansas Estate Tax

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The 2006 Kansas Legislative Session produced an entirely new, stand-alone Kansas estate tax. Kansas Senate Bill 365 de-couples the Kansas estate tax from federal tax law, effective for the estates of decedents dying on and after January 1, 2007. The new Kansas estate tax is established for a relatively brief three year period – 2007 through 2009. During these years the United States Federal estate tax only applies if a taxable estate exceeds \$2 million (in 2007 and 2008) or \$3.5 million (in 2009). In Kansas, however, taxable estates exceeding \$1 million will be subject to the new Kansas estate tax with tax rates depending upon the year of death as illustrated in the following table:

The new Kansas estate tax applies to Kansas residents and also to nonresidents owning property having a tax situs in the State of Kansas. Each personal representative of a decedent whose Kansas gross estate exceeds \$1 million must file a Kansas estate tax return (even if applicable deductions bring the taxable estate below \$1,000,000 and no Kansas estate tax is due). Failure to file a return may result in additional taxes and penalties.

The new Kansas estate tax sunsets and does not apply to estates of decedents dying on and after January 1, 2010. Thus, as the laws now exist, estates of decedents dying in 2010 will pay no United States estate tax or Kansas estate tax. Because the changes to the United States estate tax that Congress made in the Economic Growth and Tax Relief Reconciliation Act of 2001 sunset on December 31, 2010, the Kansas Legislature may wait and see what Congress does with the United States estate tax. Based upon what Congress does, the Kansas Legislature will likely extend the Kansas estate tax to some extent.

Taxable Estate	Amount of Tax
For Deaths in 2007	
\$1,000,000 – \$2,000,000	3% of amount over \$1,000,000
\$2,000,000 – \$5,000,000	\$30,000, plus 6% of amount over \$2,000,000
\$5,000,000 – \$10,000,000	\$210,000, plus 8% of amount over \$5,000,000
Over \$10,000,000	\$610,000, plus 10% of amount over \$10,000,000
For Deaths in 2008	
\$1,000,000 – \$2,000,000	1% of amount over \$1,000,000
\$2,000,000 – \$5,000,000	\$10,000, plus 2% of amount over \$2,000,000
\$5,000,000 – \$10,000,000	\$70,000, plus 5% of amount over \$5,000,000
Over \$10,000,000	\$320,000, plus 7% of amount over \$10,000,000
For Deaths in 2009	
\$1,000,000 – \$2,000,000	0.5% of amount over \$1,000,000
\$2,000,000 – \$5,000,000	\$5,000, plus 1% of amount over \$2,000,000
\$5,000,000 – \$10,000,000	\$35,000, plus 2% of amount over \$5,000,000
Over \$10,000,000	\$135,000, plus 3% of amount over \$10,000,000