

HOUSE BILL No. 2609

By Committee on Appropriations

2-2

1 AN ACT concerning education; relating to school choice; creating the
2 Kansas empowerment scholarship act; amending K.S.A. 2017 Supp.
3 79-32,117 and repealing the existing section; also repealing K.S.A.
4 2017 Supp. 79-32,117o.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 New Section 1. Sections 1 through 12, and amendments thereto, shall
8 be known and may be cited as the Kansas empowerment scholarship act.

9 New Sec. 2. As used in this act:

10 (a) "Account" means a Kansas empowerment scholarship account.

11 (b) "Department" means the Kansas department of education.

12 (c) "Parent" means a parent, legal guardian custodian or other person
13 with authority to act on behalf of a qualified student.

14 (d) "Participating learning entity" means a nonpublic entity that
15 satisfies at least one of the requirements set forth in section 8(a)(1), and
16 amendments thereto.

17 (e) "Postsecondary educational institution" means any public or
18 private postsecondary educational institution as such terms are defined in
19 K.S.A. 74-3201b, and amendments thereto.

20 (f) "Program" means the Kansas empowerment scholarship program
21 established under section 3, and amendments thereto.

22 (g) "Qualified student" means a resident of Kansas who:

23 (1) Is or has been enrolled in kindergarten or any of the grades one
24 through 12 in a school district organized under the laws of this state;

25 (2) is eligible to be enrolled in any school district in the school year in
26 which an account is first sought for such resident and the resident is under
27 the age of six; or

28 (3) (A) has established an account pursuant to this act; and

29 (B) either has not graduated from high school, or has graduated from
30 high school and is attending a postsecondary educational institution in
31 Kansas and has not reached the age of 21.

32 (h) "Resident school district" means the school district in which a
33 qualified student would be enrolled based on such qualified student's
34 residence.

35 (i) "Treasurer" means the state treasurer or the state treasurer's
36 designee.

1 New Sec. 3. (a) The treasurer shall administer the Kansas
2 empowerment scholarship program, which is hereby established. The
3 purpose of the program is to provide options for the education of Kansas
4 students.

5 (b) The treasurer shall establish a Kansas empowerment scholarship
6 account for each qualified student whose parent satisfies the requirements
7 of this act.

8 (c) The treasurer shall maintain an explanation of the following
9 information on the treasurer's website and provide a hard copy of such
10 information to any person who requests it:

11 (1) The allowable uses of moneys in an account;

12 (2) the responsibilities of a parent of a qualified student participating
13 in the program;

14 (3) the effect of participation in the program by qualified students
15 with an individualized education program (IEP) or an education plan under
16 section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504
17 plan);

18 (4) the duties of the treasurer; and

19 (5) a list of participating learning entities.

20 New Sec. 4. (a) To establish an account, the parent of a qualified
21 student shall enter into a written agreement with the treasurer, in a manner
22 and on a form prescribed by the treasurer.

23 (b) The agreement between the parent of a qualified student and the
24 treasurer shall provide:

25 (1) The qualified student shall not enroll full-time in the qualified
26 student's resident school district;

27 (2) the qualified student shall receive instruction from a participating
28 learning entity or postsecondary educational institution;

29 (3) the parent shall comply with all requirements and rules and
30 regulations of the program; and

31 (4) the money in the qualified student's account shall only be
32 expended as authorized by this program.

33 (c) Only one account may be established for each qualified student. A
34 parent acting on behalf of more than one qualified student shall have a
35 separate written agreement for each qualified student.

36 (d) A written agreement entered pursuant to this act shall have a term
37 of one year, but may be terminated early pursuant to subsection (e). Such
38 written agreement shall be executed on or before August 1 of the current
39 school year. Such written agreement may be renewed annually by August
40 1 upon the written consent of the parent and the treasurer in a manner
41 determined by the treasurer, except the parent may submit a request to the
42 treasurer for an extension of time for renewal not to exceed 30 days.
43 Failure to renew a written agreement does not preclude renewal of such

1 written agreement in a subsequent year. A written agreement that has been
2 terminated pursuant to subsection (e) shall not be renewed.

3 (e) (1) A written agreement may be terminated by the treasurer upon a
4 determination that:

5 (A) Money in an account has been used for purposes other than those
6 allowed by the program;

7 (B) the qualified student no longer satisfies the definition of a
8 "qualified student" as defined in section 2, and amendments thereto; or

9 (C) the qualified student enrolls in such student's resident school
10 district on a full-time basis.

11 (2) A written agreement may be terminated by a parent at any time.
12 To terminate a written agreement, such parent shall notify the treasurer in
13 writing of such termination.

14 (3) When a written agreement is terminated, the account associated
15 with such agreement shall be deemed no longer active, and the treasurer
16 shall close the account in accordance with section 5(d)(2), and
17 amendments thereto.

18 New Sec. 5. (a) (1) There is hereby established in the state treasury
19 the Kansas empowerment scholarship fund to be administered by the state
20 treasurer. Money in the Kansas empowerment scholarship fund shall be
21 expended only for the purposes established in this act. All moneys
22 received pursuant to section 6, and amendments thereto, shall be deposited
23 in the state treasury in accordance with the provisions of K.S.A. 75-4215,
24 and amendments thereto, and shall be credited to the Kansas
25 empowerment scholarship fund.

26 (2) On or before the 10th of each month, the director of accounts and
27 reports shall transfer from the state general fund to the Kansas
28 empowerment scholarship fund interest earnings based on:

29 (A) The average daily balance of moneys in the Kansas
30 empowerment scholarship fund; and

31 (B) the net earnings rate of the pooled money investment portfolio for
32 the preceding month.

33 (b) (1) Upon execution of an agreement in accordance with section 4,
34 and amendments thereto, the treasurer shall establish an account in the
35 Kansas empowerment scholarship fund in the state treasury in the name of
36 the qualified student. Upon establishment of such account, the treasurer
37 shall notify the resident school district of the establishment of such an
38 account for the qualified student.

39 (2) For fiscal year 2019, the number of accounts that may be
40 established pursuant to this act shall not exceed 30,000. For fiscal year
41 2020, the number of accounts that may be established pursuant to this act
42 shall not exceed 60,000. For fiscal year 2021 and each fiscal year
43 thereafter, the number of accounts that may be established pursuant to this

1 act shall be unlimited.

2 (c) (1) (A) The treasurer shall transfer to a qualified student's account
3 in the Kansas empowerment scholarship fund an aggregate annual amount
4 equal to 80% of the BASE aid, as defined in K.S.A. 2017 Supp. 72-5132,
5 and amendments thereto, for the immediately preceding school year. The
6 treasurer shall make such transfers in quarterly installments pursuant to a
7 schedule determined by the treasurer.

8 (B) In addition to any amounts transferred to a qualified student's
9 account pursuant to subparagraph (A), the treasurer shall transfer to a
10 qualified student's account an amount equal to the fees for transportation
11 provided by a participating learning entity required for the qualified
12 student to travel to and from such participating learning entity. Prior to any
13 such transfer, the participating learning entity shall certify the fees for such
14 transportation. In no event shall such transfer exceed \$750.

15 (2) If a qualified student enrolls in such student's resident school
16 district on a part-time basis, such qualified student or such student's parent
17 shall notify the treasurer and the treasurer shall prorate the amount to be
18 transferred under subsection (c)(1)(A).

19 (3) The treasurer may deduct a percentage of the amount to be
20 transferred into an account pursuant to subsection (c)(1)(A) as
21 reimbursement for the administrative costs of implementing the provisions
22 of this act as follows:

23 (A) Up to 5% each year for the first two years money is transferred to
24 a qualified student's account under subsection (c)(1)(A); and

25 (B) up to 2.5% the third year and each subsequent year money is
26 transferred to a qualified student's account under subsection (c)(1)(A).

27 (4) No transfers shall be made to any qualified student's account after
28 such student has graduated from high school.

29 (d) (1) Each account shall remain active until:

30 (A) A written agreement is terminated pursuant to section 4, and
31 amendments thereto;

32 (B) July 30 following the date on which the qualified student reaches
33 the age of 21; or

34 (C) there are two consecutive years of nonrenewal of an agreement.

35 (2) When the treasurer determines an account is no longer active, the
36 treasurer shall close the account and certify the amount of funds remaining
37 in the account to the director of accounts and reports. Such certified
38 amount shall be transferred from the closed account to the Kansas
39 empowerment scholarship fund.

40 (e) The treasurer shall develop a system for payment of services by
41 participating parents by electronic funds transfer. However, such system
42 shall not require parents to be reimbursed for out-of-pocket expenses. All
43 transfers shall be only for expenditures approved by the treasurer. The

1 treasurer may contract with a third party for the purposes of this
2 subsection.

3 New Sec. 6. (a) The treasurer shall notify the state board of education
4 as to the names of the students participating in the program and the
5 resident school district of each such student.

6 (b) For school year 2018-2019, and each school year thereafter, a
7 qualified student shall be counted in the enrollment of such qualified
8 student's resident school district for the purposes of calculating the amount
9 of the state foundation aid per student for the school district. An amount
10 equal to 80% of the BASE aid, as defined in K.S.A. 2017 Supp. 72-5132,
11 and amendments thereto, shall be multiplied by the total number of
12 qualified students in such school district who are participating in the
13 program and have not graduated from high school. The state board of
14 education shall certify the resulting product to the director of accounts and
15 reports. Upon receipt of such certification, the director shall transfer such
16 certified amount from the state general fund to the Kansas empowerment
17 scholarship fund established in section 5, and amendments thereto.

18 (c) For school year 2018-2019 and each school year thereafter, the
19 state board shall deduct from the amount of state foundation aid for each
20 school district an amount equal to the amount certified under subsection
21 (b).

22 New Sec. 7. (a) Moneys in the qualified student's account may be
23 accessed by such qualified student's parent, but shall only be expended by
24 such parent for the following purposes:

- 25 (1) Tuition and fees charged by a participating learning entity;
- 26 (2) textbooks and other supplies required by a participating learning
27 entity;
- 28 (3) educational therapies or services provided by a licensed or
29 accredited education provider;
- 30 (4) tutoring services provided by a certified tutor;
- 31 (5) curriculum materials;
- 32 (6) tuition or fees charged by an accredited private online learning
33 program;
- 34 (7) fees for any nationally standardized norm-referenced achievement
35 test, advanced placement examination or other examination related to
36 admission to a postsecondary institution;
- 37 (8) contracted services from a public school district, including
38 individual classes;
- 39 (9) fees for transportation provided by a participating learning entity
40 required for the qualified student to travel to and from a participating
41 learning entity;
- 42 (10) tuition and fees charged by a postsecondary educational
43 institution; and

1 (11) any other education expenses approved by the treasurer.

2 (b) The treasurer shall notify the parent of any expenditures from a
3 qualified student's account that do not meet the requirements of subsection
4 (a). Such parent shall repay the cost of any such expenditures within 30
5 days of notification by the treasurer.

6 (c) Except as provided in section 5(d), and amendments thereto,
7 funds remaining in an account at the end of a school year shall roll over to
8 the next succeeding school year.

9 (d) A participating learning entity providing education services
10 purchased with funds from an account shall not share, refund or rebate any
11 portion of such funds to the parent or qualified student. Any such refund or
12 rebate shall be made directly into the qualified student's account.

13 (e) No personal deposits may be made into an account.

14 (f) (1) The treasurer shall conduct or contract to conduct annual
15 audits of empowerment scholarship accounts to ensure compliance with
16 the provisions of this act. The treasurer shall also conduct or contract to
17 conduct random and quarterly audits of empowerment scholarship
18 accounts as needed to ensure compliance with this act.

19 (2) If the treasurer determines money in an account has been used for
20 purposes other than those allowed by subsection (a), the treasurer may:

21 (A) Prohibit expenditures from the account until such time as
22 determined by the treasurer;

23 (B) prorate amounts to be deposited in such account under section 5,
24 and amendments thereto, by an amount equal to the total amount used for
25 purposes other than those allowed by subsection (a); or

26 (C) terminate the account.

27 New Sec. 8. (a) To become a participating learning entity, an
28 applicant shall submit an application to the treasurer on a form and in a
29 manner prescribed by the treasurer. Such application shall include proof of
30 the following:

31 (1) The applicant is:

32 (A) An accredited nonpublic school registered with the state board of
33 education pursuant to K.S.A. 2017 Supp. 72-4346, and amendments
34 thereto;

35 (B) an accredited program of distance education that is not operated
36 by a public school or the department;

37 (C) a tutor or tutoring facility that is accredited by a state, regional or
38 national accrediting organization;

39 (D) an educational therapy provider; or

40 (E) a special education services provider; and

41 (2) if the applicant is a nonpublic school, then the applicant provides
42 instruction in at least those subjects required by K.S.A. 2017 Supp. 72-
43 3214, 72-3217 and 72-3235, and amendments thereto.

1 (b) The treasurer shall approve an application or request additional
2 information as necessary to prove an applicant meets the criteria to be
3 deemed a participating learning entity within 45 days of receiving the
4 application. If the applicant is unable to provide such additional
5 information, the treasurer may deny the application.

6 (c) The treasurer shall conduct, or contract for the performance of, an
7 audit of a participating learning entity selected at random each year to
8 determine whether the participating learning entity is compliant with the
9 requirements of subsection (a).

10 (d) (1) The treasurer may revoke a participating learning entity's
11 approval if the treasurer determines the participating learning entity:

12 (A) Has routinely failed to comply with the provisions of this act or
13 applicable rules and regulations; or

14 (B) has failed to provide any educational services required by law to a
15 qualified student receiving instruction from the entity if the entity is
16 accepting payments made from such student's account.

17 (2) Prior to revoking a participating learning entity's approval, the
18 treasurer shall notify such participating learning entity of impending
19 revocation and the reason for such revocation. The participating learning
20 entity shall have 30 days from the time it was notified to cure the matter
21 identified in the notice. If the participating learning entity fails to cure
22 within 30 days, such participating learning entity's approval shall be
23 revoked. A participating learning entity whose approval has been revoked
24 shall not be allowed to participate in the program until such time the
25 treasurer determines such participating learning entity is in compliance
26 with the requirements of this act.

27 (3) If the treasurer revokes a participating learning entity's approval,
28 the treasurer shall immediately notify each parent of a qualified student
29 participating in the program and receiving instruction from such
30 participating learning entity.

31 (e) The treasurer may notify the attorney general or the district
32 attorney of the county where the participating learning entity is located if a
33 participating learning entity's approval was revoked because of misuse of
34 money paid from an account.

35 New Sec. 9. Enrollment of a qualified student in a nonpublic school
36 that is a participating learning entity shall be considered a parental
37 placement of such student under the individuals with disabilities education
38 act, 20 U.S.C. § 1400 et seq.

39 New Sec. 10. The provisions of this act shall be subject to the Kansas
40 administrative procedure act.

41 New Sec. 11. On or before January 1, 2019, the treasurer shall adopt
42 rules and regulations necessary to carry out the provisions of this act.

43 New Sec. 12. Nothing in this act shall be deemed to limit the

1 independence or autonomy of a participating learning entity or to make the
2 actions of a participating learning entity the actions of the state
3 government.

4 Sec. 13. K.S.A. 2017 Supp. 79-32,117 is hereby amended to read as
5 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
6 means such individual's federal adjusted gross income for the taxable year,
7 with the modifications specified in this section.

8 (b) There shall be added to federal adjusted gross income:

9 (i) Interest income less any related expenses directly incurred in the
10 purchase of state or political subdivision obligations, to the extent that the
11 same is not included in federal adjusted gross income, on obligations of
12 any state or political subdivision thereof, but to the extent that interest
13 income on obligations of this state or a political subdivision thereof issued
14 prior to January 1, 1988, is specifically exempt from income tax under the
15 laws of this state authorizing the issuance of such obligations, it shall be
16 excluded from computation of Kansas adjusted gross income whether or
17 not included in federal adjusted gross income. Interest income on
18 obligations of this state or a political subdivision thereof issued after
19 December 31, 1987, shall be excluded from computation of Kansas
20 adjusted gross income whether or not included in federal adjusted gross
21 income.

22 (ii) Taxes on or measured by income or fees or payments in lieu of
23 income taxes imposed by this state or any other taxing jurisdiction to the
24 extent deductible in determining federal adjusted gross income and not
25 credited against federal income tax. This paragraph shall not apply to taxes
26 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
27 amendments thereto, for privilege tax year 1995, and all such years
28 thereafter.

29 (iii) The federal net operating loss deduction, except that the federal
30 net operating loss deduction shall not be added to an individual's federal
31 adjusted gross income for tax years beginning after December 31, 2016.

32 (iv) Federal income tax refunds received by the taxpayer if the
33 deduction of the taxes being refunded resulted in a tax benefit for Kansas
34 income tax purposes during a prior taxable year. Such refunds shall be
35 included in income in the year actually received regardless of the method
36 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
37 be deemed to have resulted if the amount of the tax had been deducted in
38 determining income subject to a Kansas income tax for a prior year
39 regardless of the rate of taxation applied in such prior year to the Kansas
40 taxable income, but only that portion of the refund shall be included as
41 bears the same proportion to the total refund received as the federal taxes
42 deducted in the year to which such refund is attributable bears to the total
43 federal income taxes paid for such year. For purposes of the foregoing

1 sentence, federal taxes shall be considered to have been deducted only to
2 the extent such deduction does not reduce Kansas taxable income below
3 zero.

4 (v) The amount of any depreciation deduction or business expense
5 deduction claimed on the taxpayer's federal income tax return for any
6 capital expenditure in making any building or facility accessible to the
7 handicapped, for which expenditure the taxpayer claimed the credit
8 allowed by K.S.A. 79-32,177, and amendments thereto.

9 (vi) Any amount of designated employee contributions picked up by
10 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
11 and amendments thereto.

12 (vii) The amount of any charitable contribution made to the extent the
13 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
14 32,196, and amendments thereto.

15 (viii) The amount of any costs incurred for improvements to a swine
16 facility, claimed for deduction in determining federal adjusted gross
17 income, to the extent the same is claimed as the basis for any credit
18 allowed pursuant to K.S.A. 2017 Supp. 79-32,204, and amendments
19 thereto.

20 (ix) The amount of any ad valorem taxes and assessments paid and
21 the amount of any costs incurred for habitat management or construction
22 and maintenance of improvements on real property, claimed for deduction
23 in determining federal adjusted gross income, to the extent the same is
24 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
25 and amendments thereto.

26 (x) Amounts received as nonqualified withdrawals, as defined by
27 K.S.A. 2017 Supp. 75-643, and amendments thereto, if, at the time of
28 contribution to a family postsecondary education savings account, such
29 amounts were subtracted from the federal adjusted gross income pursuant
30 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
31 are not already included in the federal adjusted gross income.

32 (xi) The amount of any contribution made to the same extent the
33 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2017
34 Supp. 74-50,154, and amendments thereto.

35 (xii) For taxable years commencing after December 31, 2004,
36 amounts received as withdrawals not in accordance with the provisions of
37 K.S.A. 2017 Supp. 74-50,204, and amendments thereto, if, at the time of
38 contribution to an individual development account, such amounts were
39 subtracted from the federal adjusted gross income pursuant to subsection
40 (c)(xiii), or if such amounts are not already included in the federal adjusted
41 gross income.

42 (xiii) The amount of any expenditures claimed for deduction in
43 determining federal adjusted gross income, to the extent the same is

1 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.
2 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

3 (xiv) The amount of any amortization deduction claimed in
4 determining federal adjusted gross income to the extent the same is
5 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,221, and
6 amendments thereto.

7 (xv) The amount of any expenditures claimed for deduction in
8 determining federal adjusted gross income, to the extent the same is
9 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.
10 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
11 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
12 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

13 (xvi) The amount of any amortization deduction claimed in
14 determining federal adjusted gross income to the extent the same is
15 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,227, 79-
16 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
17 thereto.

18 (xvii) The amount of any amortization deduction claimed in
19 determining federal adjusted gross income to the extent the same is
20 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,256, and
21 amendments thereto.

22 (xviii) For taxable years commencing after December 31, 2006, the
23 amount of any ad valorem or property taxes and assessments paid to a state
24 other than Kansas or local government located in a state other than Kansas
25 by a taxpayer who resides in a state other than Kansas, when the law of
26 such state does not allow a resident of Kansas who earns income in such
27 other state to claim a deduction for ad valorem or property taxes or
28 assessments paid to a political subdivision of the state of Kansas in
29 determining taxable income for income tax purposes in such other state,
30 to the extent that such taxes and assessments are claimed as an itemized
31 deduction for federal income tax purposes.

32 (xix) For taxable years beginning after December 31, 2012, and
33 ending before January 1, 2017, the amount of any: (1) Loss from business
34 as determined under the federal internal revenue code and reported from
35 schedule C and on line 12 of the taxpayer's form 1040 federal individual
36 income tax return; (2) loss from rental real estate, royalties, partnerships, S
37 corporations, except those with wholly owned subsidiaries subject to the
38 Kansas privilege tax, estates, trusts, residual interest in real estate
39 mortgage investment conduits and net farm rental as determined under the
40 federal internal revenue code and reported from schedule E and on line 17
41 of the taxpayer's form 1040 federal individual income tax return; and (3)
42 farm loss as determined under the federal internal revenue code and
43 reported from schedule F and on line 18 of the taxpayer's form 1040

1 federal income tax return; all to the extent deducted or subtracted in
2 determining the taxpayer's federal adjusted gross income. For purposes of
3 this subsection, references to the federal form 1040 and federal schedule
4 C, schedule E, and schedule F, shall be to such form and schedules as they
5 existed for tax year 2011, and as revised thereafter by the internal revenue
6 service.

7 (xx) For taxable years beginning after December 31, 2012, and
8 ending before January 1, 2017, the amount of any deduction for self-
9 employment taxes under section 164(f) of the federal internal revenue
10 code as in effect on January 1, 2012, and amendments thereto, in
11 determining the federal adjusted gross income of an individual taxpayer, to
12 the extent the deduction is attributable to income reported on schedule C,
13 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
14 tax return.

15 (xxi) For taxable years beginning after December 31, 2012, and
16 ending before January 1, 2017, the amount of any deduction for pension,
17 profit sharing, and annuity plans of self-employed individuals under
18 section 62(a)(6) of the federal internal revenue code as in effect on January
19 1, 2012, and amendments thereto, in determining the federal adjusted gross
20 income of an individual taxpayer.

21 (xxii) For taxable years beginning after December 31, 2012, and
22 ending before January 1, 2017, the amount of any deduction for health
23 insurance under section 162(l) of the federal internal revenue code as in
24 effect on January 1, 2012, and amendments thereto, in determining the
25 federal adjusted gross income of an individual taxpayer.

26 (xxiii) For taxable years beginning after December 31, 2012, and
27 ending before January 1, 2017, the amount of any deduction for domestic
28 production activities under section 199 of the federal internal revenue code
29 as in effect on January 1, 2012, and amendments thereto, in determining
30 the federal adjusted gross income of an individual taxpayer.

31 (xxiv) For taxable years commencing after December 31, 2013, that
32 portion of the amount of any expenditure deduction claimed in
33 determining federal adjusted gross income for expenses paid for medical
34 care of the taxpayer or the taxpayer's spouse or dependents when such
35 expenses were paid or incurred for an abortion, or for a health benefit plan,
36 as defined in K.S.A. 2017 Supp. 65-6731, and amendments thereto, for the
37 purchase of an optional rider for coverage of abortion in accordance with
38 K.S.A. 2017 Supp. 40-2,190, and amendments thereto, to the extent that
39 such taxes and assessments are claimed as an itemized deduction for
40 federal income tax purposes.

41 (xxv) For taxable years commencing after December 31, 2013, that
42 portion of the amount of any expenditure deduction claimed in
43 determining federal adjusted gross income for expenses paid by a taxpayer

1 for health care when such expenses were paid or incurred for abortion
2 coverage, a health benefit plan, as defined in K.S.A. 2017 Supp. 65-6731,
3 and amendments thereto, when such expenses were paid or incurred for
4 abortion coverage or amounts contributed to health savings accounts for
5 such taxpayer's employees for the purchase of an optional rider for
6 coverage of abortion in accordance with K.S.A. 2017 Supp. 40-2,190, and
7 amendments thereto, to the extent that such taxes and assessments are
8 claimed as a deduction for federal income tax purposes.

9 *(xxvi) For all taxable years beginning after December 31, 2016, the*
10 *amount of any charitable contribution made to the extent the same is*
11 *claimed as the basis for the credit allowed pursuant to K.S.A. 2017 Supp.*
12 *72-4357, and amendments thereto, and is also claimed as an itemized*
13 *deduction for federal income tax purposes.*

14 (c) There shall be subtracted from federal adjusted gross income:

15 (i) Interest or dividend income on obligations or securities of any
16 authority, commission or instrumentality of the United States and its
17 possessions less any related expenses directly incurred in the purchase of
18 such obligations or securities, to the extent included in federal adjusted
19 gross income but exempt from state income taxes under the laws of the
20 United States.

21 (ii) Any amounts received which are included in federal adjusted
22 gross income but which are specifically exempt from Kansas income
23 taxation under the laws of the state of Kansas.

24 (iii) The portion of any gain or loss from the sale or other disposition
25 of property having a higher adjusted basis for Kansas income tax purposes
26 than for federal income tax purposes on the date such property was sold or
27 disposed of in a transaction in which gain or loss was recognized for
28 purposes of federal income tax that does not exceed such difference in
29 basis, but if a gain is considered a long-term capital gain for federal
30 income tax purposes, the modification shall be limited to that portion of
31 such gain which is included in federal adjusted gross income.

32 (iv) The amount necessary to prevent the taxation under this act of
33 any annuity or other amount of income or gain which was properly
34 included in income or gain and was taxed under the laws of this state for a
35 taxable year prior to the effective date of this act, as amended, to the
36 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
37 the right to receive the income or gain, or to a trust or estate from which
38 the taxpayer received the income or gain.

39 (v) The amount of any refund or credit for overpayment of taxes on
40 or measured by income or fees or payments in lieu of income taxes
41 imposed by this state, or any taxing jurisdiction, to the extent included in
42 gross income for federal income tax purposes.

43 (vi) Accumulation distributions received by a taxpayer as a

1 beneficiary of a trust to the extent that the same are included in federal
2 adjusted gross income.

3 (vii) Amounts received as annuities under the federal civil service
4 retirement system from the civil service retirement and disability fund and
5 other amounts received as retirement benefits in whatever form which
6 were earned for being employed by the federal government or for service
7 in the armed forces of the United States.

8 (viii) Amounts received by retired railroad employees as a
9 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
10 228c (a)(1) et seq.

11 (ix) Amounts received by retired employees of a city and by retired
12 employees of any board of such city as retirement allowances pursuant to
13 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
14 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
15 amendments thereto.

16 (x) For taxable years beginning after December 31, 1976, the amount
17 of the federal tentative jobs tax credit disallowance under the provisions of
18 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
19 amount of the targeted jobs tax credit and work incentive credit
20 disallowances under 26 U.S.C. § 280 C.

21 (xi) For taxable years beginning after December 31, 1986, dividend
22 income on stock issued by Kansas venture capital, inc.

23 (xii) For taxable years beginning after December 31, 1989, amounts
24 received by retired employees of a board of public utilities as pension and
25 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,
26 and amendments thereto.

27 (xiii) For taxable years beginning after December 31, 2004, amounts
28 contributed to and the amount of income earned on contributions deposited
29 to an individual development account under K.S.A. 2017 Supp. 74-50,201
30 et seq., and amendments thereto.

31 (xiv) For all taxable years commencing after December 31, 1996, that
32 portion of any income of a bank organized under the laws of this state or
33 any other state, a national banking association organized under the laws of
34 the United States, an association organized under the savings and loan
35 code of this state or any other state, or a federal savings association
36 organized under the laws of the United States, for which an election as an
37 S corporation under subchapter S of the federal internal revenue code is in
38 effect, which accrues to the taxpayer who is a stockholder of such
39 corporation and which is not distributed to the stockholders as dividends of
40 the corporation. For taxable years beginning after December 31, 2012, and
41 ending before January 1, 2017, the amount of modification under this
42 subsection shall exclude the portion of income or loss reported on schedule
43 E and included on line 17 of the taxpayer's form 1040 federal individual

1 income tax return.

2 (xv) For all taxable years beginning after December 31, 2006,
3 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
4 joint return, for each designated beneficiary which are contributed to a
5 family postsecondary education savings account established under the
6 Kansas postsecondary education savings program or a qualified tuition
7 program established and maintained by another state or agency or
8 instrumentality thereof pursuant to section 529 of the internal revenue
9 code of 1986, as amended, for the purpose of paying the qualified higher
10 education expenses of a designated beneficiary at an institution of
11 postsecondary education. The terms and phrases used in this paragraph
12 shall have the meaning respectively ascribed thereto by the provisions of
13 K.S.A. 2017 Supp. 75-643, and amendments thereto, and the provisions of
14 such section are hereby incorporated by reference for all purposes thereof.

15 (xvi) For all taxable years beginning after December 31, 2004,
16 amounts received by taxpayers who are or were members of the armed
17 forces of the United States, including service in the Kansas army and air
18 national guard, as a recruitment, sign up or retention bonus received by
19 such taxpayer as an incentive to join, enlist or remain in the armed services
20 of the United States, including service in the Kansas army and air national
21 guard, and amounts received for repayment of educational or student loans
22 incurred by or obligated to such taxpayer and received by such taxpayer as
23 a result of such taxpayer's service in the armed forces of the United States,
24 including service in the Kansas army and air national guard.

25 (xvii) For all taxable years beginning after December 31, 2004,
26 amounts received by taxpayers who are eligible members of the Kansas
27 army and air national guard as a reimbursement pursuant to K.S.A. 48-
28 281, and amendments thereto, and amounts received for death benefits
29 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
30 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
31 amendments thereto, to the extent that such death benefits are included in
32 federal adjusted gross income of the taxpayer.

33 (xviii) For the taxable year beginning after December 31, 2006,
34 amounts received as benefits under the federal social security act which
35 are included in federal adjusted gross income of a taxpayer with federal
36 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
37 status is single, head of household, married filing separate or married filing
38 jointly; and for all taxable years beginning after December 31, 2007,
39 amounts received as benefits under the federal social security act which
40 are included in federal adjusted gross income of a taxpayer with federal
41 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
42 status is single, head of household, married filing separate or married filing
43 jointly.

1 (xix) Amounts received by retired employees of Washburn university
2 as retirement and pension benefits under the university's retirement plan.

3 (xx) For taxable years beginning after December 31, 2012, and
4 ending before January 1, 2017, the amount of any: (1) Net profit from
5 business as determined under the federal internal revenue code and
6 reported from schedule C and on line 12 of the taxpayer's form 1040
7 federal individual income tax return; (2) net income, not including
8 guaranteed payments as defined in section 707(c) of the federal internal
9 revenue code and as reported to the taxpayer from federal schedule K-1,
10 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
11 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,
12 partnerships, S corporations, estates, trusts, residual interest in real estate
13 mortgage investment conduits and net farm rental as determined under the
14 federal internal revenue code and reported from schedule E and on line 17
15 of the taxpayer's form 1040 federal individual income tax return; and (3)
16 net farm profit as determined under the federal internal revenue code and
17 reported from schedule F and on line 18 of the taxpayer's form 1040
18 federal income tax return; all to the extent included in the taxpayer's
19 federal adjusted gross income. For purposes of this subsection, references
20 to the federal form 1040 and federal schedule C, schedule E, and schedule
21 F, shall be to such form and schedules as they existed for tax year 2011
22 and as revised thereafter by the internal revenue service.

23 (xxi) For all taxable years beginning after December 31, 2013,
24 amounts equal to the unreimbursed travel, lodging and medical
25 expenditures directly incurred by a taxpayer while living, or a dependent
26 of the taxpayer while living, for the donation of one or more human organs
27 of the taxpayer, or a dependent of the taxpayer, to another person for
28 human organ transplantation. The expenses may be claimed as a
29 subtraction modification provided for in this section to the extent the
30 expenses are not already subtracted from the taxpayer's federal adjusted
31 gross income. In no circumstances shall the subtraction modification
32 provided for in this section for any individual, or a dependent, exceed
33 \$5,000. As used in this section, "human organ" means all or part of a liver,
34 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
35 paragraph shall take effect on the day the secretary of revenue certifies to
36 the director of the budget that the cost for the department of revenue of
37 modifications to the automated tax system for the purpose of
38 implementing this paragraph will not exceed \$20,000.

39 (xxii) For taxable years beginning after December 31, 2012, and
40 ending before January 1, 2017, the amount of net gain from the sale of: (1)
41 Cattle and horses, regardless of age, held by the taxpayer for draft,
42 breeding, dairy or sporting purposes, and held by such taxpayer for 24
43 months or more from the date of acquisition; and (2) other livestock,

1 regardless of age, held by the taxpayer for draft, breeding, dairy or
2 sporting purposes, and held by such taxpayer for 12 months or more from
3 the date of acquisition. The subtraction from federal adjusted gross income
4 shall be limited to the amount of the additions recognized under the
5 provisions of subsection (b)(xix) attributable to the business in which the
6 livestock sold had been used. As used in this paragraph, the term
7 "livestock" shall not include poultry.

8 (xxiii) For all taxable years beginning after December 31, 2012,
9 amounts received under either the Overland Park, Kansas police
10 department retirement plan or the Overland Park, Kansas fire department
11 retirement plan, both as established by the city of Overland Park, pursuant
12 to the city's home rule authority.

13 (xxiv) For taxable years beginning after December 31, 2013, and
14 ending before January 1, 2017, the net gain from the sale from Christmas
15 trees grown in Kansas and held by the taxpayer for six years or more.

16 (xxv) *For all taxable years beginning after December 31, 2017,*
17 *amounts deposited in a Kansas empowerment scholarship account*
18 *established by agreement between the taxpayer and the state treasurer*
19 *pursuant to section 4, and amendments thereto, except any amounts*
20 *transferred by the state treasurer from such account to the Kansas*
21 *empowerment scholarship fund pursuant to section 5, and amendments*
22 *thereto, shall not be subtracted from federal adjusted gross income.*

23 (d) There shall be added to or subtracted from federal adjusted gross
24 income the taxpayer's share, as beneficiary of an estate or trust, of the
25 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
26 amendments thereto.

27 (e) The amount of modifications required to be made under this
28 section by a partner which relates to items of income, gain, loss, deduction
29 or credit of a partnership shall be determined under K.S.A. 79-32,131, and
30 amendments thereto, to the extent that such items affect federal adjusted
31 gross income of the partner.

32 (f) No taxpayer shall be assessed penalties and interest from the
33 underpayment of taxes due to changes to this section that became law on
34 July 1, 2017, so long as such underpayment is rectified on or before April
35 17, 2018.

36 Sec. 14. K.S.A. 2017 Supp. 79-32,117 and 79-32,117o are hereby
37 repealed.

38 Sec. 15. This act shall take effect and be in force from and after its
39 publication in the statute book.