

HOUSE BILL No. 2187

By Committee on Taxation

2-1

1 AN ACT establishing the first-time home buyer savings account act;
2 relating to financial institutions; providing for addition and subtraction
3 modifications for contributions to first-time home buyer savings
4 accounts under the Kansas income tax act; amending K.S.A. 79-32,117
5 and repealing the existing section.
6

7 *Be it enacted by the Legislature of the State of Kansas:*

8 New Section 1. Sections 1 through 6, and amendments thereto, shall
9 be known and may be cited as the first-time home buyer savings account
10 act.

11 New Sec. 2. As used in the first-time home buyer savings account
12 act:

13 (a) "Account" or "first-time home buyer savings account" means an
14 individual savings account established in accordance with the provisions
15 of this act.

16 (b) "Account holder" means an individual who establishes an account
17 that is designated as a first-time home buyer savings account pursuant to
18 the provisions of section 3, and amendments thereto, with a financial
19 institution.

20 (c) "Designated beneficiary" means the individual designated by an
21 account holder pursuant to the provisions of section 3, and amendments
22 thereto, as the individual whose eligible expenses are expected to be paid
23 from the account for the purchase or construction of a primary residence in
24 this state.

25 (d) "Eligible expenses" means a down payment and any closing costs
26 that may be included as part of a real estate settlement agreement,
27 including, but not limited to, appraisal fees, mortgage origination fees and
28 inspection fees or any down payment, costs and fees that may be included
29 as part of financing the construction of a primary residence.

30 (e) "Financial institution" means any state bank, state trust company,
31 savings and loan association, federally chartered credit union doing
32 business in this state, credit union chartered by the state of Kansas,
33 national bank, broker-dealer, mutual fund, insurance company or other
34 similar financial entity qualified to do business in this state.

1 (f) "First-time home buyer" means an individual who:

2 (1) Has never owned or purchased under contract for deed, either
3 individually or jointly, a single-family, owner-occupied primary residence
4 including, but not limited to, a condominium unit or a manufactured or
5 mobile home that was assessed and taxed as real property; or

6 (2) as a result of the individual's dissolution of marriage, has not been
7 listed on a property title for at least three consecutive years.

8 (g) "Secretary" means the secretary of revenue.

9 New Sec. 3. (a) On and after July 1, 2022, any individual may open
10 an account with a financial institution and designate the account, in its
11 entirety, as a first-time home buyer savings account to be used to pay or
12 reimburse a designated beneficiary's eligible expenses for the purchase or
13 construction of a primary residence in this state. An individual may be the
14 account holder of multiple accounts and an individual may jointly own the
15 account with another individual if such individuals file a joint income tax
16 return. An account holder shall comply with the requirements of this act to
17 be eligible for the modifications set forth in K.S.A. 79-32,117, and
18 amendments thereto.

19 (b) An account holder shall designate, no later than April 15 of the
20 year following the taxable year during which the account is established, a
21 first-time home buyer as the designated beneficiary of the account. An
22 Nothing in this section shall prohibit an account holder from designating
23 such account holder as the designated beneficiary of an account. An
24 account holder may change the designated beneficiary at any time, but no
25 account shall have more than one designated beneficiary at any time. An
26 individual may be designated as the designated beneficiary of more than
27 one account if such accounts are held by separate account holders. No
28 account holder shall be authorized to designate the same designated
29 beneficiary on multiple accounts held by such account owner.

30 (c) (1) The following limits apply to an account established pursuant
31 to this act:

32 (A) The maximum contribution to an account in any tax year shall be
33 \$3,000 for an individual and \$6,000 for a married couple filing a joint
34 return;

35 (B) the maximum amount of all contributions into an account in all
36 tax years shall be \$24,000 for an individual and \$48,000 for a married
37 couple filing a joint return; and

38 (C) the maximum total amount in an account shall be \$50,000.

39 (2) If a limit in paragraph (1) is exceeded, then thereafter all interest
40 or other income earned on the investment of moneys in an account shall be
41 subject to the tax imposed by the Kansas income tax act.

42 (3) Moneys may remain in an account for an unlimited duration
43 without the interest or income being subject to recapture or penalty.

1 (d) The account holder shall not use moneys in an account to pay
2 expenses of administering the account, except that a service fee may be
3 deducted from the account by a financial institution. The account holder
4 shall be responsible for maintaining documentation for the account and for
5 eligible expenses related to the designated beneficiary's purchase or
6 construction of a primary residence.

7 New Sec. 4. (a) (1) The moneys in a first-time home buyer savings
8 account may be:

9 (A) Used for eligible expenses related to a designated beneficiary's
10 purchase or construction of a primary residence located in this state;

11 (B) used for eligible expenses related to a designated beneficiary's
12 purchase or construction of a primary residence located outside of this
13 state if such designated beneficiary is active-duty military and was
14 stationed in Kansas for any time after the creation of the account;

15 (C) used for eligible expenses that would have qualified pursuant to
16 paragraph (1)(A) or (1)(B) but the contract for purchase or construction
17 did not close;

18 (D) transferred to another newly created account; and

19 (E) used to pay service fees assessed by the financial institution.

20 (2) This subsection shall apply even if a designated beneficiary is a
21 joint owner of a primary residence with another person who is not a
22 designated beneficiary of an account. Moneys in an account shall not be
23 used to purchase a manufactured or mobile home that is not taxed as real
24 property.

25 (b) Moneys withdrawn from an account shall be subject to recapture
26 by the secretary in the tax year in which they were withdrawn if:

27 (1) At the time of the withdrawal, it has been less than a year since
28 the first deposit in the account; or

29 (2) the moneys are used for any purpose other than the expenses or
30 transactions authorized pursuant to subsection (a)(1).

31 (c) Moneys that are subject to recapture shall be an amount equal to
32 the moneys withdrawn from an account and shall be added to the Kansas
33 adjusted gross income pursuant to K.S.A. 79-32,117(b)(xxvii), and
34 amendments thereto, of the account holder or, if the account holder is no
35 longer living, the designated beneficiary. If any moneys are subject to
36 recapture, the account holder shall pay a penalty in the following amounts:
37 (1) If the withdrawal of moneys occurred 10 or less years after the first
38 deposit in the account, 5% of the amount subject to recapture; and (2) if
39 the withdrawal of moneys occurred more than 10 years after the first
40 deposit in the account, 10% of the amount subject to recapture.

41 (d) The penalties provided in subsection (c) shall not apply if: (1) The
42 withdrawn moneys are used for eligible expenses related to a designated
43 beneficiary's purchase or construction of a primary residence outside of

1 this state; or (2) the withdrawn moneys are from an account in which the
2 designated beneficiary died, and the account holder did not designate a
3 new designated beneficiary during the same tax year.

4 (e) If the account holder dies or, if the account is jointly owned and
5 the account owners die, and the account does not have a surviving transfer
6 on death beneficiary, then all of the moneys in the account resulting from
7 contributions or income earned from assets in the account pursuant to
8 K.S.A. 79-32,117, and amendments thereto, shall be subject to recapture in
9 the tax year of the death or deaths, but no penalty shall be assessed
10 pursuant to subsection (c).

11 New Sec. 5. (a) The secretary shall establish forms for an account
12 holder to annually report information about any accounts held by such
13 account holder. An account holder shall annually file with the account
14 holder's state income tax return all forms required by the secretary under
15 this section, the form 1099 for the account issued by the financial
16 institution and any other supporting documentation the secretary requires.

17 (b) Prior to July 1, 2022, the secretary shall adopt rules and
18 regulations necessary to administer the provisions of the first-time home
19 buyer savings account act.

20 New Sec. 6. (a) No financial institution shall be required to:

21 (1) Designate an account as a first-time home buyer savings account
22 or designate the beneficiaries of an account in the financial institution's
23 account contracts or systems or in any other way;

24 (2) track the use of moneys withdrawn from an account; or

25 (3) report any information to the department of revenue or any other
26 governmental agency that is not otherwise required by law.

27 (b) No financial institution shall be responsible or liable for:

28 (1) Determining or ensuring that an account holder is eligible for a
29 Kansas adjusted gross income modification pursuant to K.S.A. 79-32,117,
30 and amendments thereto;

31 (2) determining or ensuring that moneys in the account are used for
32 eligible expenses; or

33 (3) reporting or remitting taxes or penalties related to the use of
34 account moneys.

35 Sec. 7. K.S.A. 79-32,117 is hereby amended to read as follows: 79-
36 32,117. (a) The Kansas adjusted gross income of an individual means such
37 individual's federal adjusted gross income for the taxable year, with the
38 modifications specified in this section.

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

40 (i) Interest income less any related expenses directly incurred in the
41 purchase of state or political subdivision obligations, to the extent that the
42 same is not included in federal adjusted gross income, on obligations of
43 any state or political subdivision thereof, but to the extent that interest

1 income on obligations of this state or a political subdivision thereof issued
2 prior to January 1, 1988, is specifically exempt from income tax under the
3 laws of this state authorizing the issuance of such obligations, it shall be
4 excluded from computation of Kansas adjusted gross income whether or
5 not included in federal adjusted gross income. Interest income on
6 obligations of this state or a political subdivision thereof issued after
7 December 31, 1987, shall be excluded from computation of Kansas
8 adjusted gross income whether or not included in federal adjusted gross
9 income.

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

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

20 (iv) Federal income tax refunds received by the taxpayer if the
21 deduction of the taxes being refunded resulted in a tax benefit for Kansas
22 income tax purposes during a prior taxable year. Such refunds shall be
23 included in income in the year actually received regardless of the method
24 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
25 be deemed to have resulted if the amount of the tax had been deducted in
26 determining income subject to a Kansas income tax for a prior year
27 regardless of the rate of taxation applied in such prior year to the Kansas
28 taxable income, but only that portion of the refund shall be included as
29 bears the same proportion to the total refund received as the federal taxes
30 deducted in the year to which such refund is attributable bears to the total
31 federal income taxes paid for such year. For purposes of the foregoing
32 sentence, federal taxes shall be considered to have been deducted only to
33 the extent such deduction does not reduce Kansas taxable income below
34 zero.

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

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

43 (vii) The amount of any charitable contribution made to the extent the

1 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
2 32,196, and amendments thereto.

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

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

13 (x) Amounts received as nonqualified withdrawals, as defined by
14 K.S.A. 75-643, and amendments thereto, if, at the time of contribution to a
15 family postsecondary education savings account, such amounts were
16 subtracted from the federal adjusted gross income pursuant to K.S.A. 79-
17 32,117(c)(xv), and amendments thereto, or if such amounts are not already
18 included in the federal adjusted gross income.

19 (xi) The amount of any contribution made to the same extent the
20 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
21 50,154, and amendments thereto.

22 (xii) For taxable years commencing after December 31, 2004,
23 amounts received as withdrawals not in accordance with the provisions of
24 K.S.A. 74-50,204, and amendments thereto, if, at the time of contribution
25 to an individual development account, such amounts were subtracted from
26 the federal adjusted gross income pursuant to subsection (c)(xiii), or if
27 such amounts are not already included in the federal adjusted gross
28 income.

29 (xiii) The amount of any expenditures claimed for deduction in
30 determining federal adjusted gross income, to the extent the same is
31 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,217
32 through 79-32,220 or 79-32,222, and amendments thereto.

33 (xiv) The amount of any amortization deduction claimed in
34 determining federal adjusted gross income to the extent the same is
35 claimed for deduction pursuant to K.S.A. 79-32,221, and amendments
36 thereto.

37 (xv) The amount of any expenditures claimed for deduction in
38 determining federal adjusted gross income, to the extent the same is
39 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223
40 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-
41 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-
42 32,251 through 79-32,254, and amendments thereto.

43 (xvi) The amount of any amortization deduction claimed in

1 determining federal adjusted gross income to the extent the same is
2 claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-
3 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

4 (xvii) The amount of any amortization deduction claimed in
5 determining federal adjusted gross income to the extent the same is
6 claimed for deduction pursuant to K.S.A. 79-32,256, and amendments
7 thereto.

8 (xviii) For taxable years commencing after December 31, 2006, the
9 amount of any ad valorem or property taxes and assessments paid to a state
10 other than Kansas or local government located in a state other than Kansas
11 by a taxpayer who resides in a state other than Kansas, when the law of
12 such state does not allow a resident of Kansas who earns income in such
13 other state to claim a deduction for ad valorem or property taxes or
14 assessments paid to a political subdivision of the state of Kansas in
15 determining taxable income for income tax purposes in such other state, to
16 the extent that such taxes and assessments are claimed as an itemized
17 deduction for federal income tax purposes.

18 (xix) For taxable years beginning after December 31, 2012, and
19 ending before January 1, 2017, the amount of any: (1) Loss from business
20 as determined under the federal internal revenue code and reported from
21 schedule C and on line 12 of the taxpayer's form 1040 federal individual
22 income tax return; (2) loss from rental real estate, royalties, partnerships, S
23 corporations, except those with wholly owned subsidiaries subject to the
24 Kansas privilege tax, estates, trusts, residual interest in real estate
25 mortgage investment conduits and net farm rental as determined under the
26 federal internal revenue code and reported from schedule E and on line 17
27 of the taxpayer's form 1040 federal individual income tax return; and (3)
28 farm loss as determined under the federal internal revenue code and
29 reported from schedule F and on line 18 of the taxpayer's form 1040
30 federal income tax return; all to the extent deducted or subtracted in
31 determining the taxpayer's federal adjusted gross income. For purposes of
32 this subsection, references to the federal form 1040 and federal schedule
33 C, schedule E, and schedule F, shall be to such form and schedules as they
34 existed for tax year 2011, and as revised thereafter by the internal revenue
35 service.

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

1 (xxi) For taxable years beginning after December 31, 2012, and
2 ending before January 1, 2017, the amount of any deduction for pension,
3 profit sharing, and annuity plans of self-employed individuals under
4 section 62(a)(6) of the federal internal revenue code as in effect on January
5 1, 2012, and amendments thereto, in determining the federal adjusted gross
6 income of an individual taxpayer.

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

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

17 (xxiv) For taxable years commencing after December 31, 2013, that
18 portion of the amount of any expenditure deduction claimed in
19 determining federal adjusted gross income for expenses paid for medical
20 care of the taxpayer or the taxpayer's spouse or dependents when such
21 expenses were paid or incurred for an abortion, or for a health benefit plan,
22 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
23 an optional rider for coverage of abortion in accordance with K.S.A. 2020
24 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
25 assessments are claimed as an itemized deduction for federal income tax
26 purposes.

27 (xxv) For taxable years commencing after December 31, 2013, that
28 portion of the amount of any expenditure deduction claimed in
29 determining federal adjusted gross income for expenses paid by a taxpayer
30 for health care when such expenses were paid or incurred for abortion
31 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
32 amendments thereto, when such expenses were paid or incurred for
33 abortion coverage or amounts contributed to health savings accounts for
34 such taxpayer's employees for the purchase of an optional rider for
35 coverage of abortion in accordance with K.S.A. 2020 Supp. 40-2,190, and
36 amendments thereto, to the extent that such taxes and assessments are
37 claimed as a deduction for federal income tax purposes.

38 (xxvi) For all taxable years beginning after December 31, 2016, the
39 amount of any charitable contribution made to the extent the same is
40 claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07,
41 and amendments thereto, and is also claimed as an itemized deduction for
42 federal income tax purposes.

43 (xxvii) *For all taxable years beginning after December 31, 2021, the*

1 *amount of any contributions to, or earnings from, a first-time home buyers*
2 *savings account if distributions from the account were not used to pay for*
3 *expenses or transactions authorized pursuant to section 4, and*
4 *amendments thereto, or were not held for the minimum length of time*
5 *required pursuant to section 4, and amendments thereto. Contributions to,*
6 *or earnings from, such account shall also include any amount resulting*
7 *from the account holder not designating a surviving transfer on death*
8 *beneficiary pursuant to section 4(e), and amendments thereto.*

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

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

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

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

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

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

38 (vi) Accumulation distributions received by a taxpayer as a
39 beneficiary of a trust to the extent that the same are included in federal
40 adjusted gross income.

41 (vii) Amounts received as annuities under the federal civil service
42 retirement system from the civil service retirement and disability fund and
43 other amounts received as retirement benefits in whatever form which

1 were earned for being employed by the federal government or for service
2 in the armed forces of the United States.

3 (viii) Amounts received by retired railroad employees as a
4 supplemental annuity under the provisions of 45 U.S.C. §§ 228b(a) and
5 228c(a)(1) et seq.

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

11 (x) For taxable years beginning after December 31, 1976, the amount
12 of the federal tentative jobs tax credit disallowance under the provisions of
13 26 U.S.C. § 280C. For taxable years ending after December 31, 1978, the
14 amount of the targeted jobs tax credit and work incentive credit
15 disallowances under 26 U.S.C. § 280C.

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

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

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

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

40 (xv) For all taxable years beginning after December 31, 2017, the
41 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple
42 filing a joint return, for each designated beneficiary that are contributed to:
43 (1) A family postsecondary education savings account established under

1 the Kansas postsecondary education savings program or a qualified tuition
2 program established and maintained by another state or agency or
3 instrumentality thereof pursuant to section 529 of the internal revenue
4 code of 1986, as amended, for the purpose of paying the qualified higher
5 education expenses of a designated beneficiary; or (2) an achieving a
6 better life experience (ABLE) account established under the Kansas ABLE
7 savings program or a qualified ABLE program established and maintained
8 by another state or agency or instrumentality thereof pursuant to section
9 529A of the internal revenue code of 1986, as amended, for the purpose of
10 saving private funds to support an individual with a disability. The terms
11 and phrases used in this paragraph shall have the meaning respectively
12 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and
13 amendments thereto, and the provisions of such sections are hereby
14 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, 2021: (1)*
17 *The amount contributed to a first-time home buyer savings account*
18 *pursuant to section 3, and amendments thereto, in an amount not to*
19 *exceed \$3,000 for an individual or \$6,000 for a married couple filing a*
20 *joint return; or (2) amounts received as income earned from assets in a*
21 *first-time home buyer savings account.*

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

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

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

35 Sec. 8. K.S.A. 79-32,117 is hereby repealed.

36 Sec. 9. This act shall take effect and be in force from and after its
37 publication in the ~~statute book~~ *Kansas register {statute book}*.