

HOUSE BILL No. 2421

By Committee on Taxation

2-24

1 AN ACT concerning income taxation; relating to addition and subtraction
2 modifications for the treatment of global intangible low-taxed income,
3 business interest, capital contributions, FDIC premiums, business meals
4 and payment protection program loans and expenses; expanding the
5 expense deduction for income taxpayers and calculating the deduction
6 amount; providing the ability to elect to itemize for individuals;
7 exemption of unemployment compensation income attributable as a
8 result of identity fraud; amending K.S.A. 79-32,117, 79-32,120, 79-
9 32,138 and 79-32,143a and repealing the existing sections.

10

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

12 New Section 1. Notwithstanding any other provision of law, for any
13 individual whose identity was fraudulently used to secure unemployment
14 compensation, if such individual never received such compensation, such
15 compensation shall not be considered gross income and shall not be
16 taxable for Kansas income tax purposes after determination by the
17 department of labor that the benefits were obtained fraudulently by another
18 individual.

19 Sec. 2. K.S.A. 79-32,117 is hereby amended to read as follows: 79-
20 32,117. (a) The Kansas adjusted gross income of an individual means such
21 individual's federal adjusted gross income for the taxable year, with the
22 modifications specified in this section.

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

24 (i) Interest income less any related expenses directly incurred in the
25 purchase of state or political subdivision obligations, to the extent that the
26 same is not included in federal adjusted gross income, on obligations of
27 any state or political subdivision thereof, but to the extent that interest
28 income on obligations of this state or a political subdivision thereof issued
29 prior to January 1, 1988, is specifically exempt from income tax under the
30 laws of this state authorizing the issuance of such obligations, it shall be
31 excluded from computation of Kansas adjusted gross income whether or
32 not included in federal adjusted gross income. Interest income on
33 obligations of this state or a political subdivision thereof issued after
34 December 31, 1987, shall be excluded from computation of Kansas
35 adjusted gross income whether or not included in federal adjusted gross
36 income.

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

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

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

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

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

34 (vii) The amount of any charitable contribution made to the extent the
35 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
36 32,196, and amendments thereto.

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

41 (ix) The amount of any ad valorem taxes and assessments paid and
42 the amount of any costs incurred for habitat management or construction
43 and maintenance of improvements on real property, claimed for deduction

1 in determining federal adjusted gross income, to the extent the same is
2 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
3 and amendments thereto.

4 (x) Amounts received as nonqualified withdrawals, as defined by
5 K.S.A. 75-643, and amendments thereto, if, at the time of contribution to a
6 family postsecondary education savings account, such amounts were
7 subtracted from the federal adjusted gross income pursuant to K.S.A. 79-
8 32,117(c)(xv), and amendments thereto, or if such amounts are not already
9 included in the federal adjusted gross income.

10 (xi) The amount of any contribution made to the same extent the
11 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
12 50,154, and amendments thereto.

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

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

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

28 (xv) The amount of any expenditures claimed for deduction in
29 determining federal adjusted gross income, to the extent the same is
30 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223
31 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-
32 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-
33 32,251 through 79-32,254, and amendments thereto.

34 (xvi) The amount of any amortization deduction claimed in
35 determining federal adjusted gross income to the extent the same is
36 claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-
37 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

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

42 (xviii) For taxable years commencing after December 31, 2006, the
43 amount of any ad valorem or property taxes and assessments paid to a state

1 other than Kansas or local government located in a state other than Kansas
2 by a taxpayer who resides in a state other than Kansas, when the law of
3 such state does not allow a resident of Kansas who earns income in such
4 other state to claim a deduction for ad valorem or property taxes or
5 assessments paid to a political subdivision of the state of Kansas in
6 determining taxable income for income tax purposes in such other state, to
7 the extent that such taxes and assessments are claimed as an itemized
8 deduction for federal income tax purposes.

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

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

35 (xxi) For taxable years beginning after December 31, 2012, and
36 ending before January 1, 2017, the amount of any deduction for pension,
37 profit sharing, and annuity plans of self-employed individuals under
38 section 62(a)(6) of the federal internal revenue code as in effect on January
39 1, 2012, and amendments thereto, in determining the federal adjusted gross
40 income of an individual taxpayer.

41 (xxii) For taxable years beginning after December 31, 2012, and
42 ending before January 1, 2017, the amount of any deduction for health
43 insurance under section 162(l) of the federal internal revenue code as in

1 effect on January 1, 2012, and amendments thereto, in determining the
2 federal adjusted gross income of an individual taxpayer.

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

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

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

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

34 (xxvii) *For all taxable years commencing after December 31, 2020,*
35 *the amount deducted by reason of a carryforward of disallowed business*
36 *interest pursuant to section 163(j) of the federal internal revenue code of*
37 *1986, as in effect on January 1, 2018.*

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

39 (i) Interest or dividend income on obligations or securities of any
40 authority, commission or instrumentality of the United States and its
41 possessions less any related expenses directly incurred in the purchase of
42 such obligations or securities, to the extent included in federal adjusted
43 gross income but exempt from state income taxes under the laws of the

1 United States.

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

5 (iii) The portion of any gain or loss from the sale or other disposition
6 of property having a higher adjusted basis for Kansas income tax purposes
7 than for federal income tax purposes on the date such property was sold or
8 disposed of in a transaction in which gain or loss was recognized for
9 purposes of federal income tax that does not exceed such difference in
10 basis, but if a gain is considered a long-term capital gain for federal
11 income tax purposes, the modification shall be limited to that portion of
12 such gain which is included in federal adjusted gross income.

13 (iv) The amount necessary to prevent the taxation under this act of
14 any annuity or other amount of income or gain which was properly
15 included in income or gain and was taxed under the laws of this state for a
16 taxable year prior to the effective date of this act, as amended, to the
17 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
18 the right to receive the income or gain, or to a trust or estate from which
19 the taxpayer received the income or gain.

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

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

27 (vii) Amounts received as annuities under the federal civil service
28 retirement system from the civil service retirement and disability fund and
29 other amounts received as retirement benefits in whatever form which
30 were earned for being employed by the federal government or for service
31 in the armed forces of the United States.

32 (viii) Amounts received by retired railroad employees as a
33 supplemental annuity under the provisions of 45 U.S.C. §§ 228b(a) and
34 228c(a)(1) et seq.

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

40 (x) For taxable years beginning after December 31, 1976, the amount
41 of the federal tentative jobs tax credit disallowance under the provisions of
42 26 U.S.C. § 280C. For taxable years ending after December 31, 1978, the
43 amount of the targeted jobs tax credit and work incentive credit

1 disallowances under 26 U.S.C. § 280C.

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

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

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

12 (xiv) For all taxable years commencing after December 31, 1996, that
13 portion of any income of a bank organized under the laws of this state or
14 any other state, a national banking association organized under the laws of
15 the United States, an association organized under the savings and loan
16 code of this state or any other state, or a federal savings association
17 organized under the laws of the United States, for which an election as an
18 S corporation under subchapter S of the federal internal revenue code is in
19 effect, which accrues to the taxpayer who is a stockholder of such
20 corporation and which is not distributed to the stockholders as dividends of
21 the corporation. For taxable years beginning after December 31, 2012, and
22 ending before January 1, 2017, the amount of modification under this
23 subsection shall exclude the portion of income or loss reported on schedule
24 E and included on line 17 of the taxpayer's form 1040 federal individual
25 income tax return.

26 (xv) For all taxable years beginning after December 31, 2017, the
27 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple
28 filing a joint return, for each designated beneficiary that are contributed to:
29 (1) A family postsecondary education savings account established under
30 the Kansas postsecondary education savings program or a qualified tuition
31 program established and maintained by another state or agency or
32 instrumentality thereof pursuant to section 529 of the internal revenue
33 code of 1986, as amended, for the purpose of paying the qualified higher
34 education expenses of a designated beneficiary; or (2) an achieving a
35 better life experience (ABLE) account established under the Kansas ABLE
36 savings program or a qualified ABLE program established and maintained
37 by another state or agency or instrumentality thereof pursuant to section
38 529A of the internal revenue code of 1986, as amended, for the purpose of
39 saving private funds to support an individual with a disability. The terms
40 and phrases used in this paragraph shall have the meaning respectively
41 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and
42 amendments thereto, and the provisions of such sections are hereby
43 incorporated by reference for all purposes thereof.

1 (xvi) For all taxable years beginning after December 31, 2004,
2 amounts received by taxpayers who are or were members of the armed
3 forces of the United States, including service in the Kansas army and air
4 national guard, as a recruitment, sign up or retention bonus received by
5 such taxpayer as an incentive to join, enlist or remain in the armed services
6 of the United States, including service in the Kansas army and air national
7 guard, and amounts received for repayment of educational or student loans
8 incurred by or obligated to such taxpayer and received by such taxpayer as
9 a result of such taxpayer's service in the armed forces of the United States,
10 including service in the Kansas army and air national guard.

11 (xvii) For all taxable years beginning after December 31, 2004,
12 amounts received by taxpayers who are eligible members of the Kansas
13 army and air national guard as a reimbursement pursuant to K.S.A. 48-
14 281, and amendments thereto, and amounts received for death benefits
15 pursuant to K.S.A. 48-282, and amendments thereto, ~~or pursuant to section~~
16 ~~1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and~~
17 ~~amendments thereto~~, to the extent that such death benefits are included in
18 federal adjusted gross income of the taxpayer.

19 (xviii) For the taxable year beginning after December 31, 2006,
20 amounts received as benefits under the federal social security act which
21 are included in federal adjusted gross income of a taxpayer with federal
22 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
23 status is single, head of household, married filing separate or married filing
24 jointly; and for all taxable years beginning after December 31, 2007,
25 amounts received as benefits under the federal social security act which
26 are included in federal adjusted gross income of a taxpayer with federal
27 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
28 status is single, head of household, married filing separate or married filing
29 jointly.

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

32 (xx) For taxable years beginning after December 31, 2012, and
33 ending before January 1, 2017, the amount of any: (1) Net profit from
34 business as determined under the federal internal revenue code and
35 reported from schedule C and on line 12 of the taxpayer's form 1040
36 federal individual income tax return; (2) net income, not including
37 guaranteed payments as defined in section 707(c) of the federal internal
38 revenue code and as reported to the taxpayer from federal schedule K-1,
39 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
40 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,
41 partnerships, S corporations, estates, trusts, residual interest in real estate
42 mortgage investment conduits and net farm rental as determined under the
43 federal internal revenue code and reported from schedule E and on line 17

1 of the taxpayer's form 1040 federal individual income tax return; and (3)
2 net farm profit as determined under the federal internal revenue code and
3 reported from schedule F and on line 18 of the taxpayer's form 1040
4 federal income tax return; all to the extent included in the taxpayer's
5 federal adjusted gross income. For purposes of this subsection, references
6 to the federal form 1040 and federal schedule C, schedule E, and schedule
7 F, shall be to such form and schedules as they existed for tax year 2011
8 and as revised thereafter by the internal revenue service.

9 (xxi) For all taxable years beginning after December 31, 2013,
10 amounts equal to the unreimbursed travel, lodging and medical
11 expenditures directly incurred by a taxpayer while living, or a dependent
12 of the taxpayer while living, for the donation of one or more human organs
13 of the taxpayer, or a dependent of the taxpayer, to another person for
14 human organ transplantation. The expenses may be claimed as a
15 subtraction modification provided for in this section to the extent the
16 expenses are not already subtracted from the taxpayer's federal adjusted
17 gross income. In no circumstances shall the subtraction modification
18 provided for in this section for any individual, or a dependent, exceed
19 \$5,000. As used in this section, "human organ" means all or part of a liver,
20 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
21 paragraph shall take effect on the day the secretary of revenue certifies to
22 the director of the budget that the cost for the department of revenue of
23 modifications to the automated tax system for the purpose of
24 implementing this paragraph will not exceed \$20,000.

25 (xxii) For taxable years beginning after December 31, 2012, and
26 ending before January 1, 2017, the amount of net gain from the sale of: (1)
27 Cattle and horses, regardless of age, held by the taxpayer for draft,
28 breeding, dairy or sporting purposes, and held by such taxpayer for 24
29 months or more from the date of acquisition; and (2) other livestock,
30 regardless of age, held by the taxpayer for draft, breeding, dairy or
31 sporting purposes, and held by such taxpayer for 12 months or more from
32 the date of acquisition. The subtraction from federal adjusted gross income
33 shall be limited to the amount of the additions recognized under the
34 provisions of subsection (b)(xix) attributable to the business in which the
35 livestock sold had been used. As used in this paragraph, the term
36 "livestock" shall not include poultry.

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

42 (xxiv) For taxable years beginning after December 31, 2013, and
43 ending before January 1, 2017, the net gain from the sale from Christmas

1 trees grown in Kansas and held by the taxpayer for six years or more.

2 (xxv) *For all taxable years commencing after December 31, 2020,*
3 *100% of global intangible low-taxed income under section 951A of the*
4 *federal internal revenue code of 1986, before any deductions allowed*
5 *under section 250(a)(1)(B) of such code.*

6 (xxvi) *For all taxable years commencing after December 31, 2020,*
7 *the amount disallowed as a deduction pursuant to section 163(j) of the*
8 *federal internal revenue code of 1986, as in effect on January 1, 2018.*

9 (xxvii) *For taxable years commencing after December 31, 2020, the*
10 *amount disallowed as a deduction pursuant to section 274 of the federal*
11 *internal revenue code of 1986 for meal expenditures shall be allowed to*
12 *the extent such expense was deductible for determining federal income tax*
13 *and was allowed and in effect on December 31, 2017.*

14 (xxviii) *For taxable years commencing after December 31, 2019,*
15 *amounts received from the paycheck protection program pursuant to*
16 *sections 1102 and 1106 of Public Law 116-136, if such amounts were*
17 *included in the taxpayer's federal adjusted gross income.*

18 (xxix) *For taxable years commencing after December 31, 2019, the*
19 *amount of any expenses provided under section 276 of the consolidated*
20 *appropriations act, 2021 and not allowed as a deduction in determining*
21 *the federal adjusted gross income of an individual taxpayer.*

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. 3. K.S.A. 79-32,120 is hereby amended to read as follows: 79-
36 32,120. (a) (1) (A) *For all tax years prior to tax year 2021, if federal*
37 *taxable income of an individual is determined by itemizing deductions*
38 *from such individual's federal adjusted gross income, such individual may*
39 *elect to deduct the Kansas itemized deduction in lieu of the Kansas*
40 *standard deduction.*

41 (B) *For tax year 2021, and all tax years thereafter, an individual may*
42 *elect to deduct the Kansas itemized deduction in lieu of the Kansas*
43 *standard deduction, regardless of whether or not such individual's federal*

1 *taxable income is determined by itemizing deductions from such*
2 *individual's federal adjusted gross income.*

3 ~~(2) For the tax year commencing on January 1, 2013, the Kansas~~
4 ~~itemized deduction of an individual means 70% of the total amount of~~
5 ~~deductions from federal adjusted gross income, other than federal~~
6 ~~deductions for personal exemptions, as provided in the federal internal~~
7 ~~revenue code with the modifications specified in this section.~~

8 ~~(3) For the tax year commencing on January 1, 2014, the Kansas~~
9 ~~itemized deduction of an individual means 65% of the total amount of~~
10 ~~deductions from federal adjusted gross income, other than federal~~
11 ~~deductions for personal exemptions, as provided in the federal internal~~
12 ~~revenue code with the modifications specified in this section.~~

13 ~~(4) For the tax years commencing on and after January 1, 2015, and~~
14 ~~ending before January 1, 2018, the Kansas itemized deduction of an~~
15 ~~individual means the following deductions from federal adjusted gross~~
16 ~~income, other than federal deductions for personal exemptions, as~~
17 ~~provided in the federal internal revenue code with the modifications~~
18 ~~specified in this section: (A) 100% of charitable contributions that qualify~~
19 ~~as charitable contributions allowable as deductions in section 170 of the~~
20 ~~federal internal revenue code; (B) 50% of the amount of qualified~~
21 ~~residence interest as provided in section 163(h) of the federal internal~~
22 ~~revenue code; and (C) 50% of the amount of taxes on real and personal~~
23 ~~property as provided in section 164(a) of the federal internal revenue code.~~

24 ~~(5)(3) For the tax year commencing on and after January 1, 2018, and~~
25 ~~ending before January 1, 2019, the Kansas itemized deduction of an~~
26 ~~individual means the following deductions from federal adjusted gross~~
27 ~~income, other than federal deductions for personal exemptions, as~~
28 ~~provided in the federal internal revenue code with the modifications~~
29 ~~specified in this section: (A) 100% of charitable contributions that qualify~~
30 ~~as charitable contributions allowable as deductions in section 170 of the~~
31 ~~federal internal revenue code; (B) 50% of expenses for medical care~~
32 ~~allowable as deductions in section 213 of the federal internal revenue~~
33 ~~code; (C) 50% of the amount of qualified residence interest as provided in~~
34 ~~section 163(h) of the federal internal revenue code; and (D) 50% of the~~
35 ~~amount of taxes on real and personal property as provided in section~~
36 ~~164(a) of the federal internal revenue code.~~

37 ~~(6)(4) For the tax year commencing on and after January 1, 2019, and~~
38 ~~ending before January 1, 2020, the Kansas itemized deduction of an~~
39 ~~individual means the following deductions from federal adjusted gross~~
40 ~~income, other than federal deductions for personal exemptions, as~~
41 ~~provided in the federal internal revenue code with the modifications~~
42 ~~specified in this section: (A) 100% of charitable contributions that qualify~~
43 ~~as charitable contributions allowable as deductions in section 170 of the~~

1 federal internal revenue code; (B) 75% of expenses for medical care
 2 allowable as deductions in section 213 of the federal internal revenue
 3 code; (C) 75% of the amount of qualified residence interest as provided in
 4 section 163(h) of the federal internal revenue code; and (D) 75% of the
 5 amount of taxes on real and personal property as provided in section
 6 164(a) of the federal internal revenue code.

7 (7)(5) For the tax years commencing on and after January 1, 2020, the
 8 Kansas itemized deduction of an individual means the following
 9 deductions from federal adjusted gross income, other than federal
 10 deductions for personal exemptions, as provided in the federal internal
 11 revenue code with the modifications specified in this section: (A) 100% of
 12 charitable contributions that qualify as charitable contributions allowable
 13 as deductions in section 170 of the federal internal revenue code; (B)
 14 100% of expenses for medical care allowable as deductions in section 213
 15 of the federal internal revenue code; (C) 100% of the amount of qualified
 16 residence interest as provided in section 163(h) of the federal internal
 17 revenue code; and (D) 100% of the amount of taxes on real and personal
 18 property as provided in section 164(a) of the federal internal revenue code.

19 (b) The total amount of deductions from federal adjusted gross
 20 income shall be reduced by the total amount of income taxes imposed by
 21 or paid to this state or any other taxing jurisdiction to the extent that the
 22 same are deducted in determining the federal itemized deductions and by
 23 the amount of all depreciation deductions claimed for any real or tangible
 24 personal property upon which the deduction allowed by K.S.A. 79-32,221,
 25 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-
 26 32,256, and amendments thereto, is or has been claimed.

27 Sec. 4. K.S.A. 79-32,138 is hereby amended to read as follows: 79-
 28 32,138. (a) Kansas taxable income of a corporation taxable under this act
 29 shall be the corporation's federal taxable income for the taxable year with
 30 the modifications specified in this section, *except that in determination of*
 31 *such federal taxable income for all taxable years commencing after*
 32 *December 31, 2020, section 118 of the federal internal revenue code of*
 33 *1986 shall be applied as in effect on December 21, 2017.*

34 (b) There shall be added to federal taxable income:

35 (i) The same modifications as are set forth in K.S.A. 79-32,117(b),
 36 and amendments thereto, with respect to resident individuals, except
 37 subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

38 (ii) the amount of all depreciation deductions claimed for any
 39 property upon which the deduction allowed by K.S.A. 79-32,221, 79-
 40 32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-
 41 32,256, and amendments thereto, is claimed;

42 (iii) the amount of any charitable contribution deduction claimed for
 43 any contribution or gift to or for the use of any racially segregated

- 1 educational institution;
- 2 (iv) for taxable years commencing December 31, 2013, that portion
3 of the amount of any expenditure deduction claimed in determining federal
4 adjusted gross income for expenses paid by a taxpayer for health care
5 when such expenses were paid or incurred for abortion coverage, a health
6 benefit plan, as defined in K.S.A. 65-6731, and amendments thereto, when
7 such expenses were paid or incurred for abortion coverage or amounts
8 contributed to health savings accounts for such taxpayer's employees for
9 the purchase of an optional rider for coverage of abortion in accordance
10 with K.S.A. 2020 Supp. 40-2,190, and amendments thereto;
- 11 (v) the amount of any charitable contribution deduction claimed for
12 any contribution or gift made to a scholarship granting organization to the
13 extent the same is claimed as the basis for the credit allowed pursuant to
14 K.S.A. 72-4357, and amendments thereto; ~~and~~
- 15 (vi) the federal net operating loss deduction; *and*
- 16 (vii) *for all taxable years commencing after December 31, 2020, the*
17 *amount of any deduction claimed under section 250(a)(1)(B) of the federal*
18 *internal revenue code of 1986.*
- 19 (c) There shall be subtracted from federal taxable income:
- 20 (i) The same modifications as are set forth in K.S.A. 79-32,117(c),
21 and amendments thereto, with respect to resident individuals, except
22 subsection (c)(xx);
- 23 (ii) the federal income tax liability for any taxable year commencing
24 prior to December 31, 1971, for which a Kansas return was filed after
25 reduction for all credits thereon, except credits for payments on estimates
26 of federal income tax, credits for gasoline and lubricating oil tax, and for
27 foreign tax credits if, on the Kansas income tax return for such prior year,
28 the federal income tax deduction was computed on the basis of the federal
29 income tax paid in such prior year, rather than as accrued. Notwithstanding
30 the foregoing, the deduction for federal income tax liability for any year
31 shall not exceed that portion of the total federal income tax liability for
32 such year which bears the same ratio to the total federal income tax
33 liability for such year as the Kansas taxable income, as computed before
34 any deductions for federal income taxes and after application of
35 subsections (d) and (e) ~~of this section~~ as existing for such year, bears to the
36 federal taxable income for the same year;
- 37 (iii) an amount for the amortization deduction allowed pursuant to
38 K.S.A. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-
39 32,250, 79-32,255 or 79-32,256, and amendments thereto;
- 40 (iv) for all taxable years commencing after December 31, 1987, the
41 amount included in federal taxable income pursuant to the provisions of
42 section 78 of the internal revenue code; ~~and~~
- 43 (v) ~~for all taxable years commencing after December 31, 1987, 80%~~

1 of dividends from corporations incorporated outside of the United States
2 or the District of Columbia which are included in federal taxable income.
3 *As used in this paragraph, "dividends" includes amounts included in*
4 *income under section 965 of the federal internal revenue code of 1986, net*
5 *of the deduction permitted by section 965(c) of the federal internal*
6 *revenue code of 1986. For all taxable years commencing after December*
7 *31, 2020, this paragraph does not apply to amounts excluded from income*
8 *pursuant to K.S.A. 79-32,117(c)(xxv), and amendments thereto, or*
9 *amounts added back pursuant to K.S.A. 79-32,138(b)(vii), and*
10 *amendments thereto; and*

11 *(vi) for all taxable years commencing after December 31, 2020, the*
12 *amount disallowed as a deduction pursuant to section 162(r) of the federal*
13 *internal revenue code of 1986, as in effect on January 1, 2018.*

14 (d) If any corporation derives all of its income from sources within
15 Kansas in any taxable year commencing after December 31, 1979, its
16 Kansas taxable income shall be the sum resulting after application of
17 subsections (a) through (c) ~~hereof~~. Otherwise, such corporation's Kansas
18 taxable income in any such taxable year, after excluding any refunds of
19 federal income tax and before the deduction of federal income taxes
20 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
21 3271 ~~to K.S.A. through 79-3293, inclusive~~, and amendments thereto, plus
22 any refund of federal income tax as determined under K.S.A. 79-32,117(b)
23 (iv), and amendments thereto, and minus the deduction for federal income
24 taxes as provided by subsection (c)(ii) shall be such corporation's Kansas
25 taxable income.

26 (e) A corporation may make an election with respect to its first
27 taxable year commencing after December 31, 1982, whereby no addition
28 modifications as provided for in subsection (b)(ii) and subtraction
29 modifications as provided for in subsection (c)(iii) as those subsections
30 existed prior to their amendment by this act, shall be required to be made
31 for such taxable year.

32 Sec. 5. K.S.A. 79-32,143a is hereby amended to read as follows: 79-
33 32,143a. (a) For taxable years beginning after December 31, ~~2014~~ 2020, a
34 taxpayer may elect to take an expense deduction from Kansas net income
35 before expensing or recapture allocated or apportioned to this state for the
36 cost of the following property placed in service in this state during the
37 taxable year: (1) Tangible property eligible for depreciation under the
38 modified accelerated cost recovery system in section 168 of the internal
39 revenue code, as amended, but not including residential rental property,
40 nonresidential real property, any railroad grading or tunnel bore or any
41 other property with an applicable recovery period in excess of 25 years as
42 defined under section 168(c) or (g) of the internal revenue code, as
43 amended; and (2) computer software as defined in section 197(e)(3)(B) of

1 the internal revenue code, as amended, and as described in section 197(e)
2 (3)(A)(i) of the internal revenue code, as amended, to which section 167 of
3 the internal revenue code, as amended, applies. If such election is made,
4 the amount of expense deduction for such cost shall equal the difference
5 between the depreciable cost of such property for federal income tax
6 purposes and the *sum of the* amount of bonus depreciation being claimed
7 for such property pursuant to section 168(k) *and the amount of expensing*
8 *deduction being claimed for such property pursuant to section 179* of the
9 internal revenue code, as amended, for federal income tax purposes in such
10 tax year, ~~but without regard to any expense deduction being claimed for~~
11 ~~such property under section 179 of the internal revenue code, as amended,~~
12 multiplied by the applicable factor, determined by using, the table
13 provided in subsection (f), based on the method of depreciation selected
14 pursuant to section 168(b)(1), (2), or (3) or (g) of the internal revenue
15 code, as amended, and the applicable recovery period for such property as
16 defined under section 168(c) or (g) of the internal revenue code, as
17 amended. This election shall be made by the due date of the original
18 return, including any extensions, and may be made only for the taxable
19 year in which the property is placed in service, and once made, shall be
20 irrevocable. ~~If the section 179 expense deduction election has been made~~
21 ~~for federal income tax purposes for any asset, the applicable factor to be~~
22 ~~utilized is in the IRC § 168 (b)(1) column of the table provided in~~
23 ~~subsection (f) for the applicable recovery period of the respective assets.~~

24 (b) If the amount of expense deduction calculated pursuant to
25 subsection (a) exceeds the taxpayer's Kansas net income before expensing
26 or recapture allocated or apportioned to this state, such excess amount
27 shall be treated as a Kansas net operating loss as provided in K.S.A. 79-
28 32,143, and amendments thereto.

29 (c) If the property for which an expense deduction is taken pursuant
30 to subsection (a) is subsequently sold during the applicable recovery
31 period for such property as defined under section 168(c) of the internal
32 revenue code, as amended, and in a manner that would cause recapture of
33 any previously taken expense or depreciation deductions for federal
34 income tax purposes, or if the situs of such property is otherwise changed
35 such that the property is relocated outside the state of Kansas during such
36 applicable recovery period, then the expense deduction determined
37 pursuant to subsection (a) shall be subject to recapture and treated as
38 Kansas taxable income allocated to this state. The amount of recapture
39 shall be the Kansas expense deduction determined pursuant to subsection
40 (a) multiplied by a fraction, the numerator of which is the number of years
41 remaining in the applicable recovery period for such property as defined
42 under section 168(c) or (g) of the internal revenue code, as amended, after
43 such property is sold or removed from the state including the year of such

1 disposition, and the denominator of which is the total number of years in
 2 such applicable recovery period.

3 (d) The situs of tangible property for purposes of claiming and
 4 recapture of the expense deduction shall be the physical location of such
 5 property. If such property is mobile, the situs shall be the physical location
 6 of the business operations from where such property is used or based. The
 7 situs of computer software shall be apportioned to Kansas based on the
 8 fraction, the numerator of which is the number of the taxpayer's users
 9 located in Kansas of licenses for such computer software used in the active
 10 conduct of the taxpayer's business operations, and the denominator of
 11 which is the total number of the taxpayer's users of the licenses for such
 12 computer software used in the active conduct of the taxpayer's business
 13 operations everywhere.

14 (e) Any member of a unitary group filing a combined report may
 15 elect to take an expense deduction pursuant to subsection (a) for an
 16 investment in property made by any member of the combined group,
 17 provided that the amount calculated pursuant to subsection (a) may only be
 18 deducted from the Kansas net income before expensing or recapture
 19 allocated to or apportioned to this state by such member making the
 20 election.

21 (f) The following table shall be used in determining the expense
 22 deduction calculated pursuant to subsection (a):

Factors			
IRC§168 Recover Period (year)	IRC§168(b)(1) Depreciation Method	IRC§168(b)(2) Depreciation Method	IRC§168(b)(3) or (g) Depreciation Method
2.5	*	.077	.092
3	.075	.091	.106
3.5	*	.102	.116
4	*	.114	.129
5	.116	.135	.150
6	*	.154	.170
6.5	*	.163	.179
7	.151	.173	.190
7.5	*	.181	.199
8	*	.191	.208
8.5	*	.199	.217
9	*	.208	.226
9.5	*	.216	.235
10	.198	.224	.244
10.5	*	.232	.252
11	*	.240	.261
11.5	*	.248	.269
12	*	.256	.277

1	12.5	*	.263	.285
2	13	*	.271	.293
3	13.5	*	.278	.300
4	14	*	.285	.308
5	15	*	.299	.323
6	16	*	.313	.337
7	16.5	*	.319	.344
8	17	*	.326	.351
9	18	*	.339	.365
10	19	*	.351	.378
11	20	*	.363	.391
12	22	*	.386	.415
13	24	*	.408	.438
14	25	*	.419	.449

15 *Not Applicable

16 (g) If a taxpayer elects to expense any investment pursuant to
17 subsection (a), such taxpayer shall not be eligible for any tax credit,
18 accelerated depreciation, or deduction for such investment allowed
19 pursuant to K.S.A. 79-32,160a(e), 79-32,182b, 79-32,201, 79-32,204, 79-
20 32,211, 79-32,218, 79-32,221, 79-32,222, 79-32,224, 79-32,227, 79-
21 32,229, 79-32,232, 79-32,234, 79-32,237, 79-32,239, 79-32,246, 79-
22 32,249, 79-32,252, 79-32,255, 79-32,256 and 79-32,258, and amendments
23 thereto.

24 (h) (1) For tax year 2013, the deduction allowed by this section shall
25 only be available to taxpayers subject to the income tax on corporations
26 imposed pursuant to ~~subsection (e) of~~ K.S.A. 79-32,110(c), and
27 amendments thereto, and used only to determine such taxpayer's corporate
28 income tax liability.

29 (2) For tax ~~year~~ years 2014, ~~and all tax years thereafter~~ through 2020,
30 the deduction allowed by this section shall only be available to taxpayers
31 subject to the income tax on corporations imposed pursuant to ~~subsection~~
32 ~~(e) of~~ K.S.A. 79-32,110(c), and amendments thereto, or the privilege tax
33 imposed upon any national banking association, state bank, savings bank,
34 trust company or savings and loan association pursuant to article 11 of
35 chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and
36 used only to determine such taxpayer's corporate income or privilege tax
37 liability.

38 (i) *For tax year 2021, and all tax years thereafter, the deduction*
39 *allowed by this section shall be available to all taxpayers subject to the*
40 *income tax imposed pursuant to K.S.A. 79-32,110, and amendments*
41 *thereto, or the privilege tax imposed upon any national banking*
42 *association, state bank, savings bank, trust company or savings and loan*
43 *association pursuant to article 11 of chapter 79 of the Kansas Statutes*

1 *Annotated, and amendments thereto, and used only to determine such*
2 *taxpayer's income or privilege tax liability.*

3 Sec. 6. K.S.A. 79-32,117, 79-32,120, 79-32,138 and 79-32,143a are
4 hereby repealed.

5 Sec. 7. This act shall take effect and be in force from and after its
6 publication in the statute book.