AN ACT concerning income taxation; relating to credits; providing a tax credit for certain residential solar and wind energy property expenditures; relating to Kansas adjusted gross income; providing a subtraction modification to permit the carryforward of certain net operating losses for individuals and a subtraction modification for the federal work opportunity tax credit and the employee retention credit disallowances; amending K.S.A. 2022 Supp. 79-32,117 and repealing the existing section.

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

New Section 1. (a) For tax year 2023, and all tax years thereafter, there shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to 100% of the amount of the federal residential clean energy credit related to qualified solar electric property expenditures, qualified solar water heating property expenditures and qualified small wind energy property expenditures for a dwelling unit located in this state allowed against such taxpayer's federal income tax liability pursuant to section 25D of the federal internal revenue code for the taxable year in which such credit was claimed against the taxpayer's federal income tax liability.

(b) If the amount of the credit allowed by this section exceeds the taxpayer's income tax liability for such taxable year, the amount thereof that exceeds such tax liability may be carried over for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability. The credit shall not be refundable.

(c) The provisions of this section shall be a part of and supplemental to the Kansas income tax act.

Sec. 2. K.S.A. 2022 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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


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

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

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

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

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

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

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

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

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

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

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

(xviii) For all taxable years beginning after December 31, 2021, the amount of any contributions to, or earnings from, a first-time home buyer savings account if distributions from the account were not used to pay for expenses or transactions authorized pursuant to K.S.A. 2022 Supp. 58-4904, and amendments thereto, or were not held for the minimum length of time required pursuant to K.S.A. 2022 Supp. 58-4904, and amendments thereto. Contributions to, or earnings from, such account shall also include any amount resulting from the account holder not designating a surviving transfer on death beneficiary pursuant to K.S.A. 2022 Supp. 58-4904(e), and amendments thereto.

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

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

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

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

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

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

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

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

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

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

(x) For taxable years beginning after December 31, 1976, the amount of the federal tentative jobs tax credit disallowance under the provisions of 26 U.S.C. § 280C. For taxable years ending after December 31, 1978, the amount of the targeted jobs tax credit and work incentive credit, work opportunity tax credit and similar disallowances under 26 U.S.C. § 280C. For taxable years beginning after December 31, 2019, the provisions of this paragraph shall also apply to the employee retention credit disallowance. The subtraction modifications provided by this paragraph for the work opportunity tax credit and the employee retention credit disallowances shall be limited to 25% of the amount of such disallowances.

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

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

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

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

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

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

(xvii) For all taxable years beginning after December 31, 2004,
amounts received by taxpayers who are eligible members of the Kansas
army and air national guard as a reimbursement pursuant to K.S.A. 48-281, and amendments thereto, and amounts received for death benefits pursuant to K.S.A. 48-282, and amendments thereto, to the extent that such death benefits are included in federal adjusted gross income of the taxpayer.

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

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

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

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

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

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

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

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

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

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

(xxviii) For all taxable years beginning after December 31, 2021:
(1) The amount contributed to a first-time home buyer savings account
pursuant to K.S.A. 2022 Supp. 58-4903, and amendments thereto, in an
amount not to exceed $3,000 for an individual or $6,000 for a married
couple filing a joint return; or (2) amounts received as income earned
from assets in a first-time home buyer savings account.

(xix) For taxable years beginning after December 31, 2017, for an
individual taxpayer who carried back federal net operating losses arising
in a taxable year beginning after December 31, 2017, and before January
1, 2021, pursuant to section 172(b)(1) of the federal internal revenue code
as amended by the coronavirus aid, relief, and economic security act
(CARES act), the amount of such federal net operating loss carryback for
each applicable year. If the amount of such federal net operating loss
carryback exceeds the taxpayer's Kansas adjusted gross income for such
taxable year, the amount thereof that exceeds such Kansas adjusted gross
income may be carried forward as a subtraction modification in the
following taxable year or years until the total amount of such federal net
operating loss carryback has been deducted, except that no such unused
amount shall be carried forward for deduction as a subtraction
modification after the 20th taxable year following the taxable year of the
net operating loss. Notwithstanding any other provision of law to the
contrary, an extension of time shall be allowed for a claim for refund or
amended return for tax years 2018, 2019 or 2020 limited to the
application of the provisions of this paragraph, and such claim for refund
or amended return must be filed on or before April 15, 2025.

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

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

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

Sec. 3. K.S.A. 2022 Supp. 79-32,117 is hereby repealed.

Sec.-2. 4. This act shall take effect and be in force from and after its
publication in the statute book.