Session of 2012

HOUSE BILL No. 2747

By Committee on Taxation


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

New Section 1. (a) (1) Except as provided in subsection (a)(2), commencing with fiscal year 2012, in any fiscal year in which the amount of selected actual state general fund receipts from such fiscal year exceeds the selected actual state general fund receipts for the immediately preceding fiscal year by more than 2%, the director of legislative research shall certify such excess amount to the secretary of revenue and the director of the budget. Upon receipt of such certified amount, the secretary shall compute the excess percentage increase in selected actual state general fund receipts above 2%. Based on such excess percentage of calculated receipt growth, the secretary shall compute the income tax rate reductions to go into effect for the next tax year that would reduce by such certified amount the tax rates during the fiscal year after the next fiscal year according to the provisions of this section, as follows: (A) Rate reductions for individual income tax rates shall be applied to reduce the middle marginal income tax rate applicable to the current tax year by such excess percentage, the highest marginal income tax rate applicable to the current tax year, by such excess percentage minus 0.5%, and the lowest marginal income tax rate applicable to the current tax year by such excess percentage plus 0.5%. In any such computation by the secretary pursuant to this subsection in which the income tax rate for any individual marginal income tax rate is below 0.4%, such rate shall be 0%. Based on all such determinations, the secretary shall reduce individual income tax rates prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section;
(b) upon all individual marginal income tax rates being reduced to 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next shall be applied for the surtax on corporations applicable to the current tax
year by such excess percentage. In any such computation by the secretary pursuant to this subsection in which the surtax is below 0.4%, such surtax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section;

(C) upon the surtax on corporations being reduced to 0% pursuant to the provisions of subsection (a)(1)(B), rate reductions next shall be applied for the normal tax on corporations applicable to the current tax year by such excess percentage. In any such computation by the secretary pursuant to this subsection in which the normal tax is below 0.4%, such normal tax rate shall be 0%. Based on such determination, the secretary shall reduce the normal tax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section;

(D) upon the normal tax on corporations being reduced to 0% pursuant to the provisions of (a)(1)(C), rate reductions next shall be applied for the surtax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, applicable to the current tax year by such excess percentage. In any such computation by the secretary pursuant to this subsection in which the surtax is below 0.4%, such surtax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax on national banking associations and state banks prescribed by K.S.A. 79-1107, and amendments thereto, and the surtax on trust companies and savings and loan associations prescribed by K.S.A. 79-1108, and amendments thereto, as required by this section; and

(E) upon the surtax imposed upon any national banking association, state bank, trust company and savings and loan association being reduced to 0% pursuant to the provisions of subsection (a)(1)(D), rate reductions next shall be applied for the normal tax imposed upon any national banking association, state bank, trust company and savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, applicable to the current tax year by such excess percentage. In any such computation by the secretary pursuant to this subsection in which the normal tax is below 0.4%, such normal tax shall be 0%. Based on such determination, the secretary shall reduce the normal tax on national banking associations and state banks prescribed by K.S.A. 79-1107, and amendments thereto, and the normal tax on trust companies and savings and loan associations prescribed by K.S.A. 79-1108, and amendments thereto, as required by this section;

(2) In any fiscal year in which the amount of selected actual state general fund receipts for such fiscal year are 102% or less than the selected actual state general fund receipts from the immediately preceding fiscal
year, the director of legislative research shall certify such amount and fact to the secretary of revenue and the director of the budget. Upon receipt of such amount and fact, the secretary of revenue shall not make any adjustment to the income tax rates for that tax year.

(b) The director of legislative research shall report any reduction in income tax rates prescribed by this section to the chairperson of the assessment and taxation committee of the senate, the chairperson of the taxation committee of the house of representatives and the governor, and shall cause notice of any such reduction to be published in the Kansas register prior to September 15 of the calendar year immediately preceding the tax year in which such reduction takes effect.

(c) As used in this section, "selected actual state general fund receipts" means receipts from the following taxes and fees: Individual and corporation income taxes imposed under K.S.A. 79-32,110, and amendments thereto, financial institutions privilege taxes imposed under article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, retail sales taxes imposed under K.S.A. 79-3601 et seq., and amendments thereto, compensating use taxes imposed under K.S.A. 79-3701 et seq., and amendments thereto, cigarette and tobacco product taxes imposed under K.S.A. 79-3301 et seq., and amendments thereto, cereal malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 et seq., and amendments thereto, liquor enforcement taxes imposed under K.S.A. 79-4101 et seq., and amendments thereto, liquor drink taxes imposed under K.S.A. 79-41a01 et seq., and amendments thereto, corporation franchise taxes imposed under K.S.A. 79-5401, and amendments thereto, annual franchise fees charged pursuant to law and mineral severance taxes imposed under K.S.A. 79-4216 et seq., and amendments thereto.

Sec. 2. K.S.A. 2011 Supp. 74-50,222 is hereby amended to read as follows: 74-50,222. As used in K.S.A. 74-50,222, 74-50,223 and 79-32,267, and amendments thereto:

(a) "Institution of higher education" means a public or private nonprofit educational institution that meets the requirements of participation in programs under the higher education act of 1965, as amended, 34 C.F.R. § 600;

Smith, Stafford, Stanton, Trego, Thomas, Wallace, Washington, Wichita, Wilson or Woodson counties;

(c) "secretary" means the secretary of commerce; and

(d) "student loan" means a federal student loan program supported by the federal government and a nonfederal loan issued by a lender such as a bank, savings and loan or credit union to help students and parents pay school expenses for attendance at an institution of higher education.

Sec. 3. K.S.A. 2011 Supp. 79-1107 is hereby amended to read as follows: 79-1107. (a) Every national banking association and state bank located or doing business within the state shall pay to the state for the privilege of doing business within the state a tax according to or measured by its net income for the next preceding taxable year to be computed as provided in this act. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(1) The normal tax shall be an amount equal to $2\frac{1}{4}\%$ of such net income; and

(2) the surtax shall be an amount equal to $2\frac{1}{8}\%$ of such net income in excess of $25,000.

(b) The tax levied shall be in lieu of ad valorem taxes which might otherwise be imposed by the state or political subdivisions thereof upon shares of capital stock or the intangible assets of national banking associations and state banks.

(c) Tax rates provided in this section shall be adjusted pursuant to the provisions of section 1, and amendments thereto.

Sec. 4. K.S.A. 2011 Supp. 79-1108 is hereby amended to read as follows: 79-1108. (a) Every trust company and savings and loan association located or doing business within the state shall pay to the state for the privilege of doing business within the state a tax according to or measured by its net income for the next preceding taxable year to be computed as provided in this act. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(1) The normal tax on every trust company and savings and loan association shall be an amount equal to $2\frac{1}{4}\%$ of such net income; and

(2) the surtax on every trust company and savings and loan association shall be an amount equal to $2\frac{1}{8}\%$ of such net income in excess of $25,000.

(b) The tax levied shall be in lieu of ad valorem taxes which might otherwise be imposed by the state or political subdivision thereof upon shares of capital stock or other intangible assets of trust companies and savings and loan associations.

(c) Tax rates provided in this section shall be adjusted pursuant to the provisions of section 1, and amendments thereto.

Sec. 5. K.S.A. 2011 Supp. 79-32,110 is hereby amended to read as
follows: 79-32,110. (a) **Resident Individuals.** Except as otherwise provided by subsection (a) of K.S.A. 79-3220, and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

1. **Married individuals filing joint returns.**

<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $30,000</td>
<td>3.5% of Kansas taxable income</td>
</tr>
<tr>
<td>Over $30,000 but not over $60,000</td>
<td>$1,050 plus 6.25% of excess over $30,000</td>
</tr>
<tr>
<td>Over $60,000</td>
<td>$2,925 plus 6.45% of excess over $60,000</td>
</tr>
</tbody>
</table>

2. **All other individuals.**

   (A) For tax year 1997:

<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $20,000</td>
<td>4.1% of Kansas taxable income</td>
</tr>
<tr>
<td>Over $20,000 but not over $30,000</td>
<td>$820 plus 7.5% of excess over $20,000</td>
</tr>
<tr>
<td>Over $30,000</td>
<td>$1,570 plus 7.75% of excess over $30,000</td>
</tr>
</tbody>
</table>

   (B) For tax year 1998, and all tax years thereafter:

<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $15,000</td>
<td>3.5% of Kansas taxable income</td>
</tr>
<tr>
<td>Over $15,000 but not over $30,000</td>
<td>$525 plus 6.25% of excess over $15,000</td>
</tr>
<tr>
<td>Over $30,000</td>
<td>1,462.50 plus 6.45% of excess over $30,000</td>
</tr>
</tbody>
</table>

(b) **Nonresident Individuals.** A tax is hereby imposed upon the Kansas taxable income of every nonresident individual, which tax shall be an amount equal to the tax computed under subsection (a) as if the nonresident were a resident multiplied by the ratio of modified Kansas source income to Kansas adjusted gross income.

(c) **Corporations.** A tax is hereby imposed upon the Kansas taxable income of every corporation doing business within this state or deriving income from sources within this state. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

1. The normal tax shall be in an amount equal to 4% of the Kansas taxable income of such corporation; and

2. (A) for tax year 2008, the surtax shall be in an amount equal to 3.1% of the Kansas taxable income of such corporation in excess of $50,000;

   (B) for tax years 2009 and 2010, the surtax shall be in an amount equal to 3.05% of the Kansas taxable income of such corporation in excess of $50,000; and

   (C) for tax year 2011, and all tax years thereafter, the surtax shall be
in an amount equal to 3% of the Kansas taxable income of such corporation in excess of $50,000.

(d) **Fiduciaries.** A tax is hereby imposed upon the Kansas taxable income of estates and trusts at the rates provided in paragraph (2) of subsection (a) hereof.

(e) **Tax rates provided in this section shall be adjusted pursuant to the provisions of section 1, and amendments thereto.**

Sec. 6. K.S.A. 2011 Supp. 79-32,111 is hereby amended to read as follows: 79-32,111. (a) The amount of income tax paid to another state by a resident individual, resident estate or resident trust on income derived from sources in another state, and included in Kansas adjusted gross income, shall be allowed as a credit against the tax computed under the provisions of this act. Such credit shall not be greater in proportion to the tax computed under this act than the Kansas adjusted gross income for such year derived in another state while such taxpayer is a resident of this state is to the total Kansas adjusted gross income of the taxpayer. As used in this subsection, state shall have the meaning ascribed thereto by subsection (h) of K.S.A. 79-3271, and amendments thereto. The credit allowable hereunder for income tax paid to a foreign country or political subdivision thereof shall not exceed the difference of such income tax paid less the credit allowable for such income tax paid by the federal internal revenue code. No redetermination of income tax paid for the purposes of determining the credit allowed by this subsection shall be required for the taxable year for which an income tax refund payment pursuant to the provisions of section 18 of article 10 of the Missouri constitution is made, but the income tax paid allowable for credit in the next following taxable year shall be reduced by the amount of such refund amount, except that, for tax year 1998, the income tax paid allowable for credit shall be reduced by the amount of such refunds made for all taxable years prior to tax year 1998.

(b) There shall be allowed as a credit against the tax computed under the provisions of the Kansas income tax act, and acts amendatory thereof and supplemental amendments thereto, on the Kansas taxable income of an individual, corporation or fiduciary the amount determined under the provisions of K.S.A. 79-32,153 to 79-32,158, and amendments thereto.

Sec. 7. K.S.A. 2011 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.

(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 to such sections 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. 2011 Supp. 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. 2011 Supp. 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 paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments thereto, 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. 2011 Supp. 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. 2011 Supp. 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 paragraph (xiii) of subsection (c), 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. 2011 Supp. 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. 2011 Supp. 79-32,221, and amendments thereto.

(xvi) 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. 2011 Supp. 79-32,227, 79-
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. 2011 Supp. 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 tax years 2013, 2014 and 2015, for a taxpayer with federal
adjusted gross income less than $100,000; for tax years 2016 and 2017,
for a taxpayer with federal adjusted gross income less than $250,000; and
for tax year 2018, and all tax years thereafter, 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, 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 tax years 2013, 2014 and 2015, for a taxpayer with federal
adjusted gross income less than $100,000; for tax years 2016 and 2017,
for a taxpayer with federal adjusted gross income less than $250,000; and
for tax year 2018, and all tax years thereafter, 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.

(xxii) For tax years 2013, 2014 and 2015, for a taxpayer with federal adjusted gross income less than $100,000; for tax years 2016 and 2017, for a taxpayer with federal adjusted gross income less than $250,000; and for tax year 2018, and all tax years thereafter, 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 tax years 2013, 2014 and 2015, for a taxpayer with federal adjusted gross income less than $100,000; for tax years 2016 and 2017, for a taxpayer with federal adjusted gross income less than $250,000; and for tax year 2018, and all tax years thereafter, 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.

(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. § 280 C. For taxable years ending after December 31, 1978, the amount of the targeted jobs tax credit and work incentive credit disallowances under 26 U.S.C. § 280 C.
(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. 2011 Supp. 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 tax years 2013, 2014 and 2015, for a taxpayer with federal adjusted gross income less than $100,000; for tax years 2016 and 2017, for a taxpayer with federal adjusted gross income less than $250,000; and for tax year 2018, and all tax years thereafter, 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, 2006, amounts not exceeding $3,000, or $6,000 for a married couple filing a joint return, for each designated beneficiary, which are contributed to 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 at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2011 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

(xvi) For the tax year beginning after December 31, 2004, an amount not exceeding $500; for the tax year beginning after December 31, 2005, an amount not exceeding $600; for the tax year beginning after December 31, 2006, an amount not exceeding $700; for the tax year beginning after December 31, 2007, an amount not exceeding $800; for the tax year beginning December 31, 2008, an amount not exceeding $900; and for all taxable years commencing after December 31, 2009, an amount not exceeding $1,000 of the premium costs for qualified long-term care insurance contracts, as defined by subsection (b) of section 7702B of public law 104-191.

(xvii) 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.
(xviii) 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, or pursuant to section
1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
amounts thereto, to the extent that such death benefits are included in
federal adjusted gross income of the taxpayer.
(xix) 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.
(xx) Amounts received by retired employees of Washburn university
as retirement and pension benefits under the university's retirement plan.
(xxi) For tax years 2013, 2014 and 2015, for a taxpayer with federal
adjusted gross income less than $100,000; for tax years 2016 and 2017,
for a taxpayer with federal adjusted gross income less than $250,000; and
for tax year 2018, and all tax years thereafter, 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 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 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.

(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, and
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.

Sec. 8. K.S.A. 2011 Supp. 79-32,119 is hereby amended to read as
follows: 79-32,119. The Kansas standard deduction of an individual,
including a husband and wife who are either both residents or who file a
joint return as if both were residents, shall be equal to the sum of the
standard deduction amount allowed pursuant to this section, and the
additional standard deduction amount allowed pursuant to this section for
each such deduction allowable to such individual or to such husband and
wife under the federal internal revenue code. For tax year 1998, and all tax
years thereafter through tax year 2013, the standard deduction amount
shall be as follows: Single individual filing status, $3,000; married filing
status, $6,000; and head of household filing status, $4,500. For tax year
1998, and all tax years thereafter, the additional standard deduction
amount shall be as follows: Single individual and head of household filing
status, $850; and married filing status, $700. For tax year 2014, and all
tax years thereafter, the standard deduction amount of an individual,
including husband and wife who are either both residents or who file a
joint return as if both were residents, shall be as follows: Single individual
filing status, $3,000; married filing status, $6,000; and head of household
filing status, $9,000. For purposes of the foregoing, the federal standard
deduction allowable to a husband and wife filing separate Kansas income
tax returns shall be determined on the basis that separate federal returns
were filed, and the federal standard deduction of a husband and wife filing
a joint Kansas income tax return shall be determined on the basis that a
joint federal income tax return was filed.

Sec. 9. K.S.A. 79-32,128 is hereby amended to read as follows: 79-
32,128. An individual who is a resident of Kansas for part of a year shall
have the election to:

(a) Report and compute his or her such individual's Kansas tax as if
he or she were such individual was a resident for the entire year and take
the applicable credit as provided in K.S.A. 79-32,111, and amendments
thereto; or
(b) report and compute his or her such individual's Kansas tax as if he or she were such individual was a nonresident for the entire year, except, however, that for purposes of this computation the following modifications shall be made: (1) Modified Kansas source income for that period during which such individual was a resident shall include all items of income, gain, loss or deductions as set forth in K.S.A. 79-32,117, and amendments thereto, whether or not derived from sources within Kansas; and (2) the credit provided by K.S.A. 79-32,111, and amendments thereto, shall be allowed. For purposes of computing such credit, the amount of income taxes paid to another state shall be deemed to be limited by an amount which bears the same proportion to the total taxes paid to such other state for such year as the amount of Kansas adjusted gross income derived from sources within that state while such individual was a resident bears to the total Kansas adjusted gross income derived from sources within such state for such year.

Sec. 10. K.S.A. 2011 Supp. 79-32,205 is hereby amended to read as follows: 79-32,205. (a) 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 18% for tax years 2010 through 2012, and an amount equal to 17% for tax year 2013, and an amount equal to 9% for tax year 2014, and all tax years thereafter, of the amount of the earned income credit allowed against such taxpayer's federal income tax liability pursuant to section 32 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 subsection (a) exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer.

Sec. 11. K.S.A. 2011 Supp. 79-3620 is hereby amended to read as follows: 79-3620. (a) All revenue collected or received by the director of taxation from the taxes imposed by this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts withheld as provided in subsection (b) and amounts credited as provided in subsection (c), (d) and (e), to the credit of the state general fund.

(b) A refund fund, designated as "sales tax refund fund" not to exceed $100,000 shall be set apart and maintained by the director from sales tax collections and estimated tax collections and held by the state treasurer for prompt payment of all sales tax refunds including refunds authorized under the provisions of K.S.A. 79-3635, and amendments thereto. Such fund shall be in such amount, within the limit set by this section, as the director shall determine is necessary to meet current refunding
requirements under this act. In the event such fund as established by this
section is, at any time, insufficient to provide for the payment of refunds
due claimants thereof, the director shall certify the amount of additional
funds required to the director of accounts and reports who shall promptly
transfer the required amount from the state general fund to the sales tax
refund fund, and notify the state treasurer, who shall make proper entry in
the records.

(c) (1) The state treasurer shall credit $5/89 of the revenue collected or
received from the tax imposed by K.S.A. 79-3603, and amendments
thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
exclusive of amounts credited pursuant to subsection (d), in the state
highway fund.

(2) The state treasurer shall credit $5/106 of the revenue collected or
received from the tax imposed by K.S.A. 79-3603, and amendments
thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
exclusive of amounts credited pursuant to subsection (d), in the state
highway fund.

(3) On July 1, 2006, the state treasurer shall credit $19/265 of the revenue
collected and received from the tax imposed by K.S.A. 79-3603, and
amendments thereto, at the rate of 5.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(4) On July 1, 2007, the state treasurer shall credit $13/106 of the revenue
collected and received from the tax imposed by K.S.A. 79-3603, and
amendments thereto, at the rate of 5.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(5) On July 1, 2010, the state treasurer shall credit 11.427% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(6) On July 1, 2011, the state treasurer shall credit 11.26% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(7) On July 1, 2012, the state treasurer shall credit 11.233% of the
revenue collected and received from the tax imposed by K.S.A. 79-3603,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund, as well as such revenue collected and received at
the rate of 6.3%, after June 30, 2013.
On July 1, 2013, and thereafter, the state treasurer shall credit 11.926% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2014, the state treasurer shall credit 11.535% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a) exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2015, the state treasurer shall credit 20.159% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2016, the state treasurer shall credit 20.096% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2017, the state treasurer shall credit 20.004% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2018, the state treasurer shall credit 19.977% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2019, the state treasurer shall credit 19.921% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2020, the state treasurer shall credit 19.867% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

On July 1, 2021, the state treasurer shall credit 19.814% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(17) On July 1, 2022, and thereafter, the state treasurer shall credit
18.421% of the revenue collected and received from the tax imposed by
K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and
deposited as provided by subsection (a), exclusive of amounts credited
pursuant to subsection (d), in the state highway fund.

(d) The state treasurer shall credit all revenue collected or received
from the tax imposed by K.S.A. 79-3603, and amendments thereto, as
certified by the director, from taxpayers doing business within that portion
of a STAR bond project district occupied by a STAR bond project or
taxpayers doing business with such entity financed by a STAR bond
project as defined in K.S.A. 2011 Supp. 12-17,162, and amendments
thereto, that was determined by the secretary of commerce to be of
statewide as well as local importance or will create a major tourism area
for the state or the project was designated as a STAR bond project as
defined in K.S.A. 2011 Supp. 12-17,162, and amendments thereto, to the
city bond finance fund, which fund is hereby created. The provisions of
this subsection shall expire when the total of all amounts credited
hereunder and under subsection (d) of K.S.A. 79-3710, and amendments
thereto, is sufficient to retire the special obligation bonds issued for the
purpose of financing all or a portion of the costs of such STAR bond
project.

(e) All revenue certified by the director of taxation as having been
collected or received from the tax imposed by subsection (c) of K.S.A. 79-
3603, and amendments thereto, on the sale or furnishing of gas, water,
electricity and heat for use or consumption within the intermodal facility
district described in this subsection, shall be credited by the state treasurer
to the state highway fund. Such revenue may be transferred by the
secretary of transportation to the rail service improvement fund pursuant to
law. The provisions of this subsection shall take effect upon certification
by the secretary of transportation that a notice to proceed has been
received for the construction of the improvements within the intermodal
facility district, but not later than December 31, 2010, and shall expire
when the secretary of revenue determines that the total of all amounts
credited hereunder and pursuant to subsection (e) of K.S.A. 79-3710, and
amendments thereto, is equal to $53,300,000, but not later than December
31, 2045. Thereafter, all revenues shall be collected and distributed in
accordance with applicable law. For all tax reporting periods during which
the provisions of this subsection are in effect, none of the exemptions
contained in K.S.A. 79-3601 et seq., and amendments thereto, shall apply
to the sale or furnishing of any gas, water, electricity and heat for use or
consumption within the intermodal facility district. As used in this
subsection, "intermodal facility district" shall consist of an intermodal transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and amendments thereto, located in Johnson county within the polygonal-shaped area having Waverly Road as the eastern boundary, 191st Street as the southern boundary, Four Corners Road as the western boundary, and Highway 56 as the northern boundary, and the polygonal-shaped area having Poplar Road as the eastern boundary, 183rd Street as the southern boundary, Waverly Road as the western boundary, and the BNSF mainline track as the northern boundary, that includes capital investment in an amount exceeding $150 million for the construction of an intermodal facility to handle the transfer, storage and distribution of freight through railway and trucking operations.

Sec. 12. K.S.A. 2011 Supp. 79-3710 is hereby amended to read as follows: 79-3710. (a) All revenue collected or received by the director under the provisions of this act shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury, less amounts set apart as provided in subsection (b) and amounts credited as provided in subsection (c), (d) and (e), to the credit of the state general fund.

(b) A revolving fund, designated as "compensating tax refund fund" not to exceed $10,000 shall be set apart and maintained by the director from compensating tax collections and estimated tax collections and held by the state treasurer for prompt payment of all compensating tax refunds. Such fund shall be in such amount, within the limit set by this section, as the director shall determine is necessary to meet current refunding requirements under this act.

(c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 4.9%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(2) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.3%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(3) On July 1, 2006, the state treasurer shall credit $\frac{19}{265}$ of the revenue collected or received from the tax imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.3%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

(4) On July 1, 2007, the state treasurer shall credit $\frac{13}{106}$ of the revenue
collected or received from the tax imposed by K.S.A. 79-3703, and
amendments thereto, at the rate of 5.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(5) On July 1, 2010, the state treasurer shall credit 11.427% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(6) On July 1, 2011, the state treasurer shall credit 11.26% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(7) On July 1, 2012, the state treasurer shall credit 11.233% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 6.3%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund, as well as such revenue collected and received at
the rate of 6.3%, after June 30, 2013.

(8) On July 1, 2013, and thereafter, the state treasurer shall credit
18.421% 11.926% of the revenue collected and received from the tax
imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%,
and deposited as provided by subsection (a), exclusive of amounts credited
pursuant to subsection (d), in the state highway fund.

(9) On July 1, 2014, the state treasurer shall credit 11.535% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(10) On July 1, 2015, the state treasurer shall credit 20.159% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(11) On July 1, 2016, the state treasurer shall credit 20.096% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(12) On July 1, 2017, the state treasurer shall credit 20.004% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(13) On July 1, 2018, the state treasurer shall credit 19.977% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(14) On July 1, 2019, the state treasurer shall credit 19.921% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(15) On July 1, 2020, the state treasurer shall credit 19.867% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(16) On July 1, 2021, the state treasurer shall credit 19.814% of the
revenue collected and received from the tax imposed by K.S.A. 79-3703,
and amendments thereto, at the rate of 5.7%, and deposited as provided by
subsection (a), exclusive of amounts credited pursuant to subsection (d), in
the state highway fund.

(17) On July 1, 2022, and thereafter, the state treasurer shall credit
18.421% of the revenue collected and received from the tax imposed by
K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and
deposited as provided by subsection (a), exclusive of amounts credited
pursuant to subsection (d), in the state highway fund.

(d) The state treasurer shall credit all revenue collected or received
from the tax imposed by K.S.A. 79-3703, and amendments thereto, as
certified by the director, from taxpayers doing business within that portion
of a redevelopment district occupied by a redevelopment project that was
determined by the secretary of commerce to be of statewide as well as
local importance or will create a major tourism area for the state as defined
in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
fund created by subsection (d) of K.S.A. 79-3620, and amendments
thereto. The provisions of this subsection shall expire when the total of all
amounts credited hereunder and under subsection (d) of K.S.A. 79-3620,
and amendments thereto, is sufficient to retire the special obligation bonds
issued for the purpose of financing all or a portion of the costs of such
redevelopment project.

This subsection shall not apply to a project designated as a special bond
project as defined in subsection (z) of K.S.A. 12-1770a, and amendments
thereto.
(e) All revenue certified by the director of taxation as having been collected or received from the tax imposed by subsection (c) of K.S.A. 79-3603, and amendments thereto, on the sale or furnishing of gas, water, electricity and heat for use or consumption within the intermodal facility district described in this subsection, shall be credited by the state treasurer to the state highway fund. Such revenue may be transferred by the secretary of transportation to the rail service improvement fund pursuant to law. The provisions of this subsection shall take effect upon certification by the secretary of transportation that a notice to proceed has been received for the construction of the improvements within the intermodal facility district, but not later than December 31, 2010, and shall expire when the secretary of revenue determines that the total of all amounts credited hereunder and pursuant to subsection (e) of K.S.A. 79-3620, and amendments thereto, is equal to $53,300,000, but not later than December 31, 2045. Thereafter, all revenues shall be collected and distributed in accordance with applicable law. For all tax reporting periods during which the provisions of this subsection are in effect, none of the exemptions contained in K.S.A. 79-3601 et seq., and amendments thereto, shall apply to the sale or furnishing of any gas, water, electricity and heat for use or consumption within the intermodal facility district. As used in this subsection, "intermodal facility district" shall consist of an intermodal transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and amendments thereto, located in Johnson county within the polygonal-shaped area having Waverly Road as the eastern boundary, 191st Street as the southern boundary, Four Corners Road as the western boundary, and Highway 56 as the northern boundary, and the polygonal-shaped area having Poplar Road as the eastern boundary, 183rd Street as the southern boundary, Waverly Road as the western boundary, and the BNSF mainline track as the northern boundary, that includes capital investment in an amount exceeding $150 million for the construction of an intermodal facility to handle the transfer, storage and distribution of freight through railway and trucking operations.

Sec. 13. K.S.A. 2011 Supp. 79-4217 is hereby amended to read as follows: 79-4217. (a) There is hereby imposed an excise tax upon the severance and production of coal, oil or gas from the earth or water in this state for sale, transport, storage, profit or commercial use, subject to the following provisions of this section. Such tax shall be borne ratably by all persons within the term "producer" as such term is defined in K.S.A. 79-4216, and amendments thereto, in proportion to their respective beneficial interest in the coal, oil or gas severed. Such tax shall be applied equally to all portions of the gross value of each barrel of oil severed and subject to such tax and to the gross value of the gas severed and subject to such tax. The rate of such tax shall be 8% of the gross value of all oil or gas severed
from the earth or water in this state and subject to the tax imposed under this act. The rate of such tax with respect to coal shall be $1 per ton. For the purposes of the tax imposed hereunder the amount of oil or gas produced shall be measured or determined: (1) In the case of oil, by tank tables compiled to show 100% of the full capacity of tanks without deduction for overage or losses in handling; allowance for any reasonable and bona fide deduction for basic sediment and water, and for correction of temperature to 60 degrees Fahrenheit will be allowed; and if the amount of oil severed has been measured or determined by tank tables compiled to show less than 100% of the full capacity of tanks, such amount shall be raised to a basis of 100% for the purpose of the tax imposed by this act; and (2) in the case of gas, by meter readings showing 100% of the full volume expressed in cubic feet at a standard base and flowing temperature of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is sold and purchased; correction to be made for pressure according to Boyle's law, and used for specific gravity according to the gravity at which the gas is sold and purchased, or if not so specified, according to the test made by the balance method.

(b) The following shall be exempt from the tax imposed under this section:

1. The severance and production of gas which is: (A) Injected into the earth for the purpose of lifting oil, recycling or repressuring; (B) used for fuel in connection with the operation and development for, or production of, oil or gas in the lease or production unit where severed; (C) lawfully vented or flared; (D) severed from a well having an average daily production during a calendar month having a gross value of not more than $87 per day, which well has not been significantly curtailed by reason of mechanical failure or other disruption of production; in the event that the production of gas from more than one well is gauged by a common meter, eligibility for exemption hereunder shall be determined by computing the gross value of the average daily combined production from all such wells and dividing the same by the number of wells gauged by such meter; (E) inadvertently lost on the lease or production unit by reason of leaks, blowouts or other accidental losses; (F) used or consumed for domestic or agricultural purposes on the lease or production unit from which it is severed; or (G) placed in underground storage for recovery at a later date and which was either originally severed outside of the state of Kansas, or as to which the tax levied pursuant to this act has been paid;

2. The severance and production of oil which is: (A) From a lease or production unit whose average daily production is five barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (B) from a lease or production unit, the producing well or wells upon which have a
completion depth of 2,000 feet or more, and whose average daily production is six barrels or less per producing well or, if the price of oil as determined pursuant to subsection (d) is $16 or less, whose average daily production is seven barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $15 or less, whose average daily production is eight barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $14 or less, whose average daily production is nine barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $13 or less, whose average daily production is 10 barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (C) from a lease or production unit, whose production results from a tertiary recovery process. "Tertiary recovery process" means the process or processes described in subparagraphs (1) through (9) of 10 C.F.R. § 212.78(c) as in effect on June 1, 1979; (D) from a lease or production unit, the producing well or wells upon which have a completion depth of less than 2,000 feet and whose average daily production resulting from a water flood process, is six barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (E) from a lease or production unit, the producing well or wells upon which have a completion depth of 2,000 feet or more, and whose average daily production resulting from a water flood process, is seven barrels or less per producing well or, if the price of oil as determined pursuant to subsection (d) is $16 or less, whose average daily production is eight barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $15 or less, whose average daily production is nine barrels or less per producing well, or, if the price of oil as determined pursuant to subsection (d) is $14 or less, whose average daily production is 10 barrels or less per producing well, which well or wells have not been significantly curtailed by reason of mechanical failure or other disruption of production; (F) test, frac or swab oil which is sold or exchanged for value; or (G) inadvertently lost on the lease or production unit by reason of leaks or other accidental means;

(3) (A) any taxpayer applying for an exemption pursuant to subsection (b)(2)(A) and (B) shall make application biennially to the director of taxation therefor. Exemptions granted pursuant to subsection (b)(2)(A) and (B) shall be valid for a period of two years following the date of certification thereof by the director of taxation; (B) any taxpayer applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall make application biennially to the director of taxation therefor. Such application shall be accompanied by proof of the approval of an application for the utilization of a water flood process therefor by the
corporation commission pursuant to rules and regulations adopted under
the authority of K.S.A. 55-152 and amendments thereto and proof that the
oil produced therefrom is kept in a separate tank battery and that separate
books and records are maintained therefor. Such exemption shall be valid
for a period of two years following the date of certification thereof by the
director of taxation; (C) any exemption granted pursuant to subsections (b)
(2)(A), (B), (D) or (E) with an odd lease number and an exemption
termination date between June 1, 2004, and May 31, 2005, inclusive, shall
be valid for a period of one year following the date of certification; and
(D) notwithstanding the provisions of paragraph (A) or (B), any exemption
in effect on the effective date of this act affected by the amendments to
subsection (b)(2) by this act shall be redetermined in accordance with such
amendments. Any such exemption, and any new exemption established by
such amendments and applied for after the effective date of this shall be
valid for a period commencing with May 1, 1998, and ending on April 30,
1999.

(4) the severance and production of gas or oil from any pool from
which oil or gas was first produced on or after April 1, 1983, and prior to
July 1, 2012, as determined by the state corporation commission and
certified to the director of taxation, and continuing for a period of 24
months from the month in which oil or gas was first produced from such
pool as evidenced by an affidavit of completion of a well, filed with the
state corporation commission and certified to the director of taxation.
Exemptions granted for production from any well pursuant to this
paragraph shall be valid for a period of 24 months following the month in
which oil or gas was first produced from such pool. The term "pool"
means an underground accumulation of oil or gas in a single and separate
natural reservoir characterized by a single pressure system so that
production from one part of the pool affects the reservoir pressure
throughout its extent;

(5) the severance and production of oil of not more than 50 barrels
per day from any pool from which oil was first produced on or after July 1,
2012, as determined by the state corporation commission and certified to
the director of taxation, and continuing for a period of 24 months from the
month in which oil was first produced from such pool as evidenced by an
affidavit of completion of a well, filed with the state corporation
commission and certified to the director of taxation. Exemptions granted
for production from any well pursuant to this subsection shall be valid for
a period of 24 months following the month in which oil was first produced
from such pool. The term "pool" means an underground accumulation of
oil in a single and separate natural reservoir characterized by a single
pressure system so that production from one part of the pool affects the
reservoir pressure throughout its extent;
(6) the severance and production of oil or gas from a three-year inactive well, as determined by the state corporation commission and certified to the director of taxation, for a period of 10 years after the date of receipt of such certification. As used in this paragraph, "three-year inactive well" means any well that has not produced oil or gas in more than one month in the three years prior to the date of application to the state corporation commission for certification as a three-year inactive well. An application for certification as a three-year inactive well shall be in such form and contain such information as required by the state corporation commission, and shall be made prior to July 1, 1996. The commission may revoke a certification if information indicates that a certified well was not a three-year inactive well or if other lease production is credited to the certified well. Upon notice to the operator that the certification for a well has been revoked, the exemption shall not be applied to the production from that well from the date of revocation;

(6)(7) (A) The incremental severance and production of oil or gas which results from a production enhancement project begun on or after July 1, 1998, shall be exempt for a period of seven years from the startup date of such project. As used in this paragraph (6):

(1) "Incremental severance and production" means the amount of oil or natural gas which is produced as the result of a production enhancement project which is in excess of the base production of oil or natural gas, and is determined by subtracting the base production from the total monthly production after the production enhancement project is completed.

(2) "Base production" means the average monthly amount of production for the twelve-month period immediately prior to the production enhancement project beginning date, minus the monthly rate of production decline for the well or project for each month beginning 180 days prior to the project beginning date. The monthly rate of production decline shall be equal to the average extrapolated monthly decline rate for the well or project for the twelve-month period immediately prior to the production enhancement project beginning date, except that the monthly rate of production decline shall be equal to zero in the case where the well or project has experienced no monthly decline during the twelve-month period immediately prior to the production enhancement project beginning date. Such monthly rate of production decline shall be continued as the decline that would have occurred except for the enhancement project. Any well or project which may have produced during the twelve-month period immediately prior to the production enhancement project beginning date but is not capable of production on the project beginning date shall have a base production equal to zero. The calculation of the base production amount shall be evidenced by an affidavit and supporting documentation filed by the applying taxpayer with the state corporation commission.
"Workover" means any downhole operation in an existing oil or gas well that is designed to sustain, restore or increase the production rate or ultimate recovery of oil or gas, including but not limited to acidizing, reperforation, fracture treatment, sand/paraffin/scale removal or other wellbore cleanouts, casing repair, squeeze cementing, initial installation, or enhancement of artificial lifts including plunger lifts, rods, pumps, submersible pumps and coiled tubing velocity strings, downsizing existing tubing to reduce well loading, downhole commingling, bacteria treatments, polymer treatments, upgrading the size of pumping unit equipment, setting bridge plugs to isolate water production zones, or any combination of the aforementioned operations; "workover" shall not mean the routine maintenance, routine repair, or like for-like replacement of downhole equipment such as rods, pumps, tubing packers or other mechanical device.

"Production enhancement project" means performing or causing to be performed the following:

(i) Workover;
(ii) recompletion to a different producing zone in the same well bore, except recompletions in formations and zones subject to a state corporation commission proration order;
(iii) secondary recovery projects;
(iv) addition of mechanical devices to dewater a gas or oil well;
(v) replacement or enhancement of surface equipment;
(vi) installation or enhancement of compression equipment, line looping or other techniques or equipment which increases production from a well or a group of wells in a project;
(vii) new discoveries of oil or gas which are discovered as a result of the use of new technology, including, but not limited to, three dimensional seismic studies.

(B) The state corporation commission shall adopt rules and regulations necessary to efficiently and properly administer the provisions of this paragraph (6) including rules and regulations for the qualification of production enhancement projects, the procedures for determining the monthly rate of production decline, criteria for determining the share of incremental production attributable to each well when a production enhancement project includes a group of wells, criteria for determining the start up date for any project for which an exemption is claimed, and determining new qualifying technologies for the purposes of paragraph (6) subsection (7)(A)(4)(vii).

(C) Any taxpayer applying for an exemption pursuant to this paragraph (6) shall make application to the director of taxation. Such application shall be accompanied by a state corporation commission certification that the production for which an exemption is sought results
from a qualified production enhancement project and certification of the base production for the enhanced wells or group of wells, and the rate of decline to be applied to that base production. The secretary of revenue shall provide credit for any taxes paid between the project startup date and the certification of qualifications by the commission.

(D) The exemptions provided for in this paragraph (6) shall not apply for 12 months beginning July 1 of the year subsequent to any calendar year during which: (1) In the case of oil, the secretary of revenue determines that the weighted average price of Kansas oil at the wellhead has exceeded $20.00 per barrel; or (2) in the case of natural gas the secretary of revenue determines that the weighted average price of Kansas gas at the wellhead has exceeded $2.50 per Mcf.

(E) The provisions of this paragraph (6) shall not affect any other exemption allowable pursuant to this section; and

(7) for the calendar year 1988, and any year thereafter, the severance or production of the first 350,000 tons of coal from any mine as certified by the state geological survey.

(c) No exemption shall be granted pursuant to subsection (b)(3) or (4) to any person who does not have a valid operator's license issued by the state corporation commission, and no refund of tax shall be made to any taxpayer attributable to any production in a period when such taxpayer did not hold a valid operator's license issued by the state corporation commission.

(d) On April 15, 1988, and on April 15 of each year thereafter, the secretary of revenue shall determine from statistics compiled and provided by the United States department of energy, the average price per barrel paid by the first purchaser of crude oil in this state for the six-month period ending on December 31 of the preceding year. Such price shall be used for the purpose of determining exemptions allowed by subsection (b)(2)(B) or (E) for the twelve-month period commencing on May 1 of such year and ending on April 30 of the next succeeding year.


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