SENATE BILL No. 339

By Committee on Assessment and Taxation


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

Section 1. On and after January 1, 2013, K.S.A. 39-7,132 is hereby amended to read as follows: 39-7,132. (a) Any person who agrees to provide financial support to a person who would otherwise be eligible to receive aid to families with dependent children and who has entered into an agreement with the secretary of social and rehabilitation services for this purpose, in accordance with rules and regulations adopted by the secretary of social and rehabilitation services establishing the terms and conditions of such agreement, shall receive a credit against the tax liability imposed under the Kansas income tax act as provided under K.S.A. 79-32,200, and amendments thereto.

(b) Moneys received by the secretary under this section shall be used to match available federal moneys for providing aid to families with dependent children in the following manner: (1) The portion equal to 80% of such moneys shall be credited to the state general fund; (2) the portion equal to 15% of such moneys shall be used by the secretary to match available federal moneys and shall be added by the secretary to the grant of the recipient family; and (3) the remaining portion equal to 5% of such moneys shall be credited to the social welfare fund for administrative
expenses and one-time grants.

(c) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 2. On and after January 1, 2013, K.S.A. 2011 Supp. 40-2246 is hereby amended to read as follows: 40-2246. (a) A credit against the taxes otherwise due under the Kansas income tax act shall be allowed to an employer for amounts paid during the taxable year for purposes of this act on behalf of an eligible employee as defined in K.S.A. 40-2239, and amendments thereto, to provide health insurance or care and amounts contributed to health savings accounts of eligible covered employees.

(b) (1) For employers that have established a small employer health benefit plan after December 31, 1999, but prior to January 1, 2005, the amount of the credit allowed by subsection (a) shall be $35 per month per eligible covered employee or 50% of the total amount paid by the employer during the taxable year, whichever is less, for the first two years of participation. In the third year, the credit shall be equal to 75% of the lesser of $35 per month per employee or 50% of the total amount paid by the employer during the taxable year. In the fourth year, the credit shall be equal to 50% of the lesser of $35 per month per employee or 50% of the total amount paid by the employer during the taxable year. In the fifth year, the credit shall be equal to 25% of the lesser of $35 per month per employee or 50% of the total amount paid by the employer during the taxable year. For the sixth and subsequent years, no credit shall be allowed.

(2) For employers that have established a small employer health benefit plan or made contributions to a health savings account of an eligible covered employee after December 31, 2004, the amount of credit allowed by subsection (a) shall be $70 per month per eligible covered employee for the first 12 months of participation, $50 per month per eligible covered employee for the next 12 months of participation and $35 per eligible covered employee for the next 12 months of participation. After 36 months of participation, no credit shall be allowed.

(c) If the credit allowed by this section is claimed, the amount of any deduction allowable under the Kansas income tax act for expenses described in this section shall be reduced by the dollar amount of the credit. The election to claim the credit shall be made at the time of filing the tax return in accordance with law. If the credit allowed by this section exceeds the taxes imposed under the Kansas income tax act for the taxable year, that portion of the credit which exceeds those taxes shall be refunded to the taxpayer.
(d) Any amount of expenses paid by an employer under this act shall not be included as income to the employee for purposes of the Kansas income tax act. If such expenses have been included in federal taxable income of the employee, the amount included shall be subtracted in arriving at state taxable income under the Kansas income tax act.

(e) The secretary of revenue shall promulgate rules and regulations to carry out the provisions of this section.

(f) This section shall apply to all taxable years commencing after December 31, 1999.

(g) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 3. On and after January 1, 2013, K.S.A. 65-7107 is hereby amended to read as follows: 65-7107. (a) Appropriate state agencies are hereby directed to amend their state plans to protect the benefits of those receiving such benefits by adding language consistent with the following: Any funds in an individual development account, including accrued interest, shall be disregarded when determining eligibility to receive the amount of any public assistance or benefits.

(b) A program contributor shall be allowed a credit against state income tax imposed under the Kansas income tax act in an amount equal to 25% of the contribution amount.

(c) The institute shall verify all tax credit claims by contributors. The administration of the community-based organization, with the cooperation of the participating financial institutions, shall submit the names of contributors and the total amount each contributor contributes to the individual development account reserve fund for the calendar year. The institute shall determine the date by which such information shall be submitted to the institute by the local administrator. The institute shall submit verification of qualified tax credits pursuant to K.S.A. 65-7101 through 65-7107, and amendments thereto, to the department of revenue.

(d) The total tax credits authorized pursuant to this section shall not exceed $6,250 in any fiscal year.

(e) The provisions of this section shall be applicable to all taxable years commencing after December 31, 2002.

(f) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 4. On and after January 1, 2013, K.S.A. 2011 Supp. 74-50,173 is
hereby amended to read as follows: 74-50,173. (a) For taxable years commencing on and after December 31, 2003, December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, an amount equal to 20% of the cost of liability insurance paid by a registered agritourism operator who operates an agritourism activity on the effective date of this act. No tax credit claimed pursuant to this subsection shall exceed $2,000. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the amount thereof which 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 tax credit has been deducted from tax liability, except that no such tax credit shall be carried forward for deduction after the third taxable year succeeding the taxable year in which the tax credit is claimed.

(b) For the first five taxable years commencing after a taxpayer opens such taxpayer's business, after the effective date of this act, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, an amount equal to 20% of the cost of liability insurance paid by a registered agritourism operator who starts an agritourism activity after the effective date of this act. No tax credit claimed pursuant to this subsection shall exceed $2,000. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the amount thereof which 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 tax credit has been deducted from tax liability, except that no such tax credit shall be carried forward for deduction after the third taxable year succeeding the taxable year in which the tax credit is claimed.

(c) The secretary of commerce shall adopt rules and regulations establishing criteria for determining those costs which qualify as costs of liability insurance for agritourism activities of a registered agritourism operator.

(d) On or before the 15th day of the regular legislative session in 2006, the secretary of commerce shall submit to the senate standing committee on commerce and the house standing committee on tourism and parks a report on the implementation and use of the tax credit provided by this section.

(e) As used in this section, terms have the meanings provided by K.S.A. 2011 Supp. 74-50,167, and amendments thereto.

(f) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 5. On and after January 1, 2013, K.S.A. 2011 Supp. 74-50,208 is hereby amended to read as follows: 74-50,208. (a) A program contributor shall be allowed a credit against state income tax imposed under the Kansas income tax act in an amount not to exceed 75% of the contribution amount. If the amount of the credit allowed by this section exceeds the taxpayer's income tax liability imposed under the Kansas income tax act, such excess amount shall be refunded to the taxpayer. No credit pursuant to this section shall be allowed for any contribution made by a program contributor which also qualified for a community services tax credit pursuant to the provisions of K.S.A. 79-32,195 et seq., and amendments thereto.

(b) The administration of the community-based organization, with the cooperation of the participating financial institutions, shall submit the names of contributors and the total amount each contributor contributes to the individual development account reserve fund for the calendar year. The secretary of revenue shall determine the date by which such information shall be submitted to the department of revenue by the local administrator.

(c) The total tax credits authorized pursuant to this section shall not exceed $500,000 in any fiscal year.

(d) The provisions of this section shall be applicable to all taxable years commencing after December 31, 2010.

(e) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 6. On and after January 1, 2013, K.S.A. 74-8206 is hereby amended to read as follows: 74-8206. (a) Except as otherwise provided in K.S.A. 74-8207, and amendments thereto, every taxpayer investing in stock issued by Kansas Venture Capital, Inc. shall be entitled to a credit in an amount equal to 25% of the total amount of cash investment in such stock against the income tax liability imposed against such taxpayer pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated. The amount by which that portion of the credit allowed by this section exceeds the taxpayer's tax liability in any one taxable year may be carried forward until the total amount of the credit is used. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code or a partnership, the credit provided by this section shall be claimed by the shareholders of such corporation or the partners of such partnership in the same manner as such shareholders or partners account for their proportionate shares of the income or loss of the corporation or
partnership.

(b) No taxpayer claiming a credit under this section for cash investment in stock issued by Kansas Venture Capital, Inc. shall be eligible to claim a credit for the same investment under the provisions of K.S.A. 74-8301 to 74-8311, inclusive, and amendments thereto.

(c) The provisions of this section, and amendments thereto, shall be applicable to all taxable years commencing after December 31, 1997, until all allowed credits are exhausted.

(d) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 7. On and after January 1, 2013, K.S.A. 74-8304 is hereby amended to read as follows: 74-8304. (a) There shall be allowed as a credit against the tax imposed by the Kansas income tax act on the Kansas taxable income of a taxpayer and against the tax imposed by K.S.A. 40-252, and amendments thereto, on insurance companies for a cash investment in a certified Kansas venture capital company in an amount equal to 25% of such taxpayer's cash investment in any such company in the taxable year in which such investment is made and the taxable years following such taxable year until the total amount of the credit is used. The amount by which that portion of the credit allowed by this section exceeds the taxpayer's liability in any one taxable year may be carried forward until the total amount of the credit is used. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code or a partnership, the credit provided by this section shall be claimed by the shareholders of such corporation or the partners of such partnership in the same manner as such shareholders or partners account for their proportionate shares of the income or loss of the corporation or partnership.

(b) The secretary of revenue shall allow credits that are attributable to not more than $50,000,000 of cash investments in certified Kansas venture capital companies and certified local seed capital pools allowable pursuant to K.S.A. 74-8401, and amendments thereto, which shall include not more than $10,000,000 for Kansas Venture Capital, Inc. The credits shall be allocated by the secretary for cash investments in certified Kansas venture capital companies in the order that completed applications for designation as Kansas venture capital companies are received by the secretary. Any certified Kansas venture capital company may apply to the secretary at any time for additional allocation of such credit based upon then committed cash investments, but priority as to such additional allocation shall be determined at the time of such subsequent application. Notwithstanding
the provisions of subsection (c), investors in Kansas venture capital companies established after July 1, 1984, which otherwise meet the requirements specified in this act, shall be, upon certification of the Kansas venture capital company, entitled to the tax credit provided in subsection (a) in the calendar year in which the investment was made.

(c) No taxpayer shall claim a credit under this section for cash investment in Kansas Venture Capital, Inc. No Kansas venture capital company shall qualify for the tax credit allowed by Chapter 332 of the 1986 Session Laws of Kansas for investment in stock of Kansas Venture Capital, Inc.

(d) The provisions of this section, and amendments thereto, shall be applicable to cash investments made in any taxable year commencing after December 31, 1985, and prior to January 1, 1998.

(e) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 8. On and after January 1, 2013, K.S.A. 2011 Supp. 74-8316 is hereby amended to read as follows: 74-8316. (a) The secretary is hereby authorized to facilitate the establishment of a technology-based venture-capital fund in which the department may invest only moneys from the economic development initiatives fund specifically so allocated. The department may also credit the fund with gifts, donations or grants received from any source other than state government and with proceeds from the fund. Investments in the fund shall qualify for the income tax credit allowed pursuant to K.S.A. 74-8304, and amendments thereto.

(b) The technology-based venture-capital fund may invest the assets as follows:

(1) To carry out the purposes of this act through investments in qualified securities and through the forms of financial assistance authorized by this act, including:

(A) Loans, loans convertible to equity, and equity;
(B) leaseholds;
(C) management or consultant service agreements;
(D) loans with warrants attached that are beneficially owned by the fund;
(E) loans with warrants attached that are beneficially owned by a party other than the fund; and
(F) the fund, in connection with the provision of any form of financial assistance, may enter into royalty agreements with an enterprise.

(2) To invest in such other investments as are lawful for Kansas fiduciaries pursuant to K.S.A. 58-24a02, and amendments thereto.
(c) Distributions received by the corporation may be reinvested in any
fund consistent with the purposes of this act.
(d) The secretary may invest only in a fund whose investment
guidelines permit the fund's purchase of qualified securities issued by an
enterprise as a part of a resource and technology project subject to the
following:
(1) Receipt of an application from the enterprise which contains:
   (A) A business plan including a description of the enterprise and its
management, product and market;
   (B) a statement of the amount, timing and projected use of the capital
required;
   (C) a statement of the potential economic impact of the enterprise,
including the number, location and types of jobs expected to be created;
and
   (D) such other information as the fund manager or the fund's board of
directors shall request.
(2) Approval of the investment by the fund may be made after the
fund manager or the fund's board of directors finds, based upon the
application submitted by the enterprise and such additional investigation as
the fund manager or the fund's board of directors shall make and
incorporate in its minutes, that:
   (A) The proceeds of the investment will be used only to cover the
venture-capital needs of the enterprise except as authorized by this section;
   (B) the enterprise has a reasonable possibility of success;
   (C) the fund's participation is instrumental to the success of the
enterprise because funding otherwise available for the enterprise is not
available on commercially feasible terms;
   (D) the enterprise has the reasonable potential to create a substantial
amount of employment within the state;
   (E) the entrepreneur and other founders of the enterprise have already
made or are contractually committed to make a substantial financial and
time commitment to the enterprise;
   (F) the securities to be purchased are qualified securities;
   (G) there is a reasonable possibility that the fund will recoup at least
its initial investment; and
   (H) binding commitments have been made to the fund by the
enterprise for adequate reporting of financial data to the fund, which shall
include a requirement for an annual report, or if required by the fund
manager, an annual audit of the financial and operational records of the
enterprise, and for such control on the part of the fund as the fund manager
shall consider prudent over the management of the enterprise, so as to
protect the investment of the fund, including in the discretion of the fund
manager and without limitation, the right of access to financial and other
records of the enterprise.

(e) All investments made pursuant to this section shall be evaluated
by the fund's investment committee and the fund shall be audited annually
by an independent auditing firm.

(f) The fund shall not make investments in qualified securities issued
by enterprises in excess of the amount necessary to own more than 49% of
the qualified securities in any one enterprise at the time of the purchase by
the fund, after giving effect to the conversion of all outstanding convertible
qualified securities of the enterprise, except that in the event of severe
financial difficulty of the enterprise, threatening, in the judgment of the
fund manager, the investment of the fund therein, a greater percentage of
such securities may be owned by the fund.

(g) At least 75% of the total investment of the fund must be in Kansas
businesses.

(h) For tax year 2013 and all tax years thereafter, the income tax
credit provided by this section shall only be available to taxpayers subject
to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only
against such taxpayer's corporate income tax liability.
$10,000,000 of such amount shall be dedicated and reserved until December 31, 1990, for cash investments in a seed capital fund or funds in which the department of commerce is an investor. The $50,000,000 amount of cash investments now eligible for the tax credits allowed pursuant to this section and K.S.A. 74-8205, 74-8206 and 74-8304, and amendments thereto, shall be reduced to the extent that the total amount of cash investments received by such seed capital fund or funds before January 1, 1991, is less than $10,000,000. However, any such credits which were not claimed for investments made prior to January 1, 1991, may be allowed to a taxpayer for cash investment made in Kansas Venture Capital, Inc. pursuant to K.S.A. 74-8205 and 74-8206, and amendments thereto, not to exceed $2,595,236 of the $10,000,000 reserved under this subsection for investment in seed capital funds in which the department of commerce was an investor. A taxpayer may also be allowed a credit for cash investment made pursuant to K.S.A. 74-8304, and amendments thereto, not to exceed $6,012,345 of the $10,000,000 reserved under this subsection if such taxpayer first purchases the entire interest of the department of commerce in Kansas venture capital companies established prior to January 1, 1991. However, no credit shall be allowed for cash investment which results in the purchase of the interest of the Kansas technology enterprise corporation or its subsidiaries in Kansas venture capital companies established prior to January 1, 1991.

(c) As used in this section, (1) "local seed capital pool" means money invested in a fund established to provide funding for use by small businesses for any one or more of the following purposes: (A) Development of a prototype product or process; (B) a marketing study to determine the feasibility of a new product or process; or (C) a business plan for the development and production of a new product or process; and (2) "Kansas business" means any small business owned by an individual, any partnership, association or corporation domiciled in Kansas, or any corporation, even if a wholly owned subsidiary of a foreign corporation, that does business primarily in Kansas or does substantially all of its production in Kansas.

(d) No credit from income tax liability shall be allowed for cash investment in a local seed capital pool unless: (1) The amount of private cash investment therein is $200,000 or more; (2) the moneys necessary to administer and operate the pool are funded from sources other than the private and public cash investments; and (3) funds invested by the local seed capital pool shall be invested at 100% in Kansas businesses.

(e) Public funds may be invested in a local seed capital pool except that each dollar of public funds, other than that which may be used to administer and operate a pool, shall be matched by not less than $2 of private cash investment. Public funds shall have a senior position to any
private cash investment and may receive a lower rate of return than that allowable for a private cash investment.

(f) The provisions of this section, and amendments thereto, shall be applicable to all taxable years commencing after December 31, 1986.

(g) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 10. On and after January 1, 2013, 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.

(A) For tax year 2012:

If the taxable income is: The tax is:
Not over $30,000.......................... 3.5% of Kansas taxable income
Over $30,000 but not over $60,000... $1,050 plus 6.25% of excess over $30,000
Over $60,000.............................. $2,925 plus 6.45% of excess over $60,000

(B) For tax year 2013, and all tax years thereafter:

If the taxable income is: The tax is:
Not over $30,000.......................... 3.0% of Kansas taxable income
Over $30,000.............................. $900 plus 4.9% of excess over $30,000

(2) All other individuals.

(A) For tax year 1997:

If the taxable income is: The tax is:
Not over $20,000.......................... 4.1% of Kansas taxable income
Over $20,000 but not over $30,000... $820 plus 7.5% of excess over $20,000
Over $30,000.............................. $1,570 plus 7.75% of excess over $30,000

(B) (A) For tax year 1998, and all tax years thereafter 2012:

If the taxable income is: The tax is:
Not over $15,000.......................... 3.5% of Kansas taxable income
Over $15,000 but not over $30,000... $525 plus 6.25% of excess over $15,000
Over $30,000.............................. $1,462.50 plus 6.45% of excess over $30,000

(B) For tax year 2013, and all tax years thereafter:

If the taxable income is: The tax is:
Not over $15,000.......................... 3.0% of Kansas taxable income
Over $15,000.............................. $450 plus 4.9% of excess over $15,000

(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.

Sec. 11. On and after January 1, 2013, 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. 12. On and after January 1, 2013, 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.


(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 all taxable years beginning after December 31, 2012, 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 all taxable years beginning after December 31, 2012, 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.

(xxi) For all taxable years beginning after December 31, 2012, 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 all taxable years beginning after December 31, 2012, 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 all taxable years beginning after December 31, 2012, 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 all taxable years beginning after December 31, 2012, 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) (xvi) 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 amendments thereto, to the extent that such death benefits are included in federal adjusted gross income of the taxpayer.

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

(xix) For all taxable years beginning after December 31, 2012, 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. 13. On and after January 1, 2013, K.S.A. 79-32,118 is hereby amended to read as follows: 79-32,118. *Commencing in tax year 2013*, the Kansas deduction of an individual shall be his or her such individual’s Kansas standard deduction unless he or she elects to deduct his or her Kansas itemized deductions under the conditions set forth in K.S.A. 79-32,120.

Sec. 14. On and after January 1, 2013, 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 2012*, 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 2013, 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. 15. On and after January 1, 2013, 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: (i) 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 (ii) 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. 16. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,138 is hereby amended to read as follows: 79-32,138. (a) Kansas taxable income of a corporation taxable under this act shall be the corporation's federal taxable income for the taxable year with the modifications specified in this section.

(b) There shall be added to federal taxable income: (i) The same modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and amendments thereto, with respect to resident individuals, except subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii).


(iii) The amount of any charitable contribution deduction claimed for any contribution or gift to or for the use of any racially segregated educational institution.

(c) There shall be subtracted from federal taxable income: (i) The same modifications as are set forth in subsection (c) of K.S.A. 79-32,117, and amendments thereto, with respect to resident individuals, except subsection (c)(xix).

(ii) The federal income tax liability for any taxable year commencing prior to December 31, 1971, for which a Kansas return was filed after reduction for all credits thereon, except credits for payments on estimates of federal income tax, credits for gasoline and lubricating oil tax, and for foreign tax credits if, on the Kansas income tax return for such prior year, the federal income tax deduction was computed on the basis of the federal income tax paid in such prior year, rather than as accrued. Notwithstanding the foregoing, the deduction for federal income tax liability for any year
shall not exceed that portion of the total federal income tax liability for
such year which bears the same ratio to the total federal income tax
liability for such year as the Kansas taxable income, as computed before
any deductions for federal income taxes and after application of
subsections (d) and (e) of this section as existing for such year, bears to the
federal taxable income for the same year.

(iii) An amount for the amortization deduction allowed pursuant to

(iv) For all taxable years commencing after December 31, 1987, the
amount included in federal taxable income pursuant to the provisions of
section 78 of the internal revenue code.

(v) For all taxable years commencing after December 31, 1987, 80%
of dividends from corporations incorporated outside of the United States
or the District of Columbia which are included in federal taxable income.

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

(e) A corporation may make an election with respect to its first
taxable year commencing after December 31, 1982, whereby no addition
modifications as provided for in subsection (b)(ii) of K.S.A. 79-32,138,
and amendments thereto, and subtraction modifications as provided for in
subsection (c)(iii) of K.S.A. 79-32,138, and amendments thereto, as those
subsections existed prior to their amendment by this act, shall be required
to be made for such taxable year.

is hereby amended to read as follows: 79-32,143. (a) For net operating
losses incurred in taxable years beginning after December 31, 1987, a net
operating loss deduction shall be allowed in the same manner that it is
allowed under the federal internal revenue code except that such net
operating loss may only be carried forward to each of the 10 taxable years
following the taxable year of the net operating loss. For net operating farm
losses, as defined by subsection (i) of section 172 of the federal internal
revenue code, incurred in taxable years beginning after December 31,
1999, a net operating loss deduction shall be allowed in the same manner
that it is allowed under the federal internal revenue code except that such
net operating loss may be carried forward to each of the 10 taxable years
following the taxable year of the net operating loss. The amount of the net
operating loss that may be carried back or forward for Kansas income tax
purposes shall be that portion of the federal net operating loss allocated to
Kansas under this act in the taxable year that the net operating loss is
sustained.

(b) The amount of the loss to be carried back or forward will be the
federal net operating loss after: (1) All modifications required under this
act applicable to the net loss in the year the loss was incurred; and (2) after
apportionment as to source in the case of corporations, nonresident
individuals for losses incurred in taxable years beginning prior to January
1, 1978, and nonresident estates and trusts in the same manner that income
for such corporations, nonresident individuals, estates and trusts is
required to be apportioned.

(c) If a net operating loss was incurred in a taxable year beginning
prior to January 1, 1988, the amount of the net operating loss that may be
carried back and carried forward and the period for which it may be
carried back and carried forward shall be determined under the provisions
of the Kansas income tax laws which were in effect during the year that
such net operating loss was incurred.

(d) If any portion of a net operating loss described in subsections (a)
and (b) is not utilized prior to the final year of the carryforward period
provided in subsection (a), a refund shall be allowable in such final year in
an amount equal to the refund which would have been allowable in the
taxable year the loss was incurred by utilizing the three year carryback
provided under K.S.A. 79-32,143, as in effect on December 31, 1987,
multiplied by a fraction, the numerator of which is the unused portion of
such net operating loss in the final year, and the denominator of which is
the amount of such net operating loss which could have been carried back
to the three years immediately preceding the year in which the loss was
incurred. In no event may such fraction exceed 1.

(e) Notwithstanding any other provisions of the Kansas income tax
act, the net operating loss as computed under subsections (a), (b) and (c) of
this section shall be allowed in full in determining Kansas taxable income
or at the option of the taxpayer allowed in full in determining Kansas
adjusted gross income.

(f) No refund of income tax which results from a net operating farm
loss carry back shall be allowed in an amount exceeding $1,500 in any
year. Any overpayment in excess of $1,500 may be carried forward to any
year or years after the year of the loss and may be claimed as a credit
against the tax. The refundable portion of such credit shall not exceed
$1,500 in any year.

(g) For tax year 2013, and all tax years thereafter, a net operating loss allowed by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and used only to determine such taxpayer’s corporate income tax liability.

Sec. 18. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,143a is hereby amended to read as follows: 79-32,143a. (a) For taxable years beginning after December 31, 2011, a taxpayer may elect to take an expense deduction from Kansas net income before expensing or recapture allocated or apportioned to this state for the cost of the following property placed in service in this state during the taxable year: (1) Tangible property eligible for depreciation under the modified accelerated cost recovery system in section 168 of the internal revenue code, as amended, but not including residential rental property, nonresidential real property, any railroad grading or tunnel bore or any other property with an applicable recovery period in excess of 25 years as defined under section 168(c) or (g) of the internal revenue code, as amended; and (2) computer software as defined in section 197(e)(3)(B) of the internal revenue code, as amended, and as described in section 197(e)(3)(A)(i) of the internal revenue code, as amended, to which section 167 of the internal revenue code, as amended, applies. If such election is made, the amount of expense deduction for such cost shall equal the difference between the depreciable cost of such property for federal income tax purposes and the amount of bonus depreciation being claimed for such property pursuant to section 168(k) of the internal revenue code, as amended, for federal income tax purposes in such tax year, but without regard to any expense deduction being claimed for such property under section 179 of the internal revenue code, as amended, multiplied by the applicable factor, determined by using the table provided in subsection (f), based on the method of depreciation selected pursuant to section 168(b)(1), (2), or (3) or (g) of the internal revenue code, as amended, and the applicable recovery period for such property as defined under section 168(c) or (g) of the internal revenue code, as amended. This election shall be made by the due date of the original return, including any extensions, and may be made only for the taxable year in which the property is placed in service, and once made, shall be irrevocable. If the section 179 expense deduction election has been made for federal income tax purposes for any asset, the applicable factor to be utilized is in the IRC § 168 (b)(1) column of the table provided in subsection (f) for the applicable recovery period of the respective assets.

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

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

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

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

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

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*Not Applicable*  


(h) For tax 2013, and all tax years thereafter, the deduction allowed by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-
32,110, and amendments thereto, and used only to determine such taxpayer's corporate income tax liability.

New Sec. 19. (a) For Kansas income tax purposes: (1) The basis of a partner's interest shall be the same as that determined pursuant to section 705 of the federal internal revenue code as in effect on January 1, 2013, and amendments thereto; and
(2) the basis of each shareholder's stock in an S corporation shall be the same as that determined pursuant to section 1367 of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto.
(b) The provisions of this section shall be effective for tax year 2013, and all tax years thereafter.

Sec. 20. On and after January 1, 2013, K.S.A. 79-32,177 is hereby amended to read as follows: 79-32,177. (a) Any taxpayer who makes expenditures for the purpose of making all or any portion of an existing facility accessible to individuals with a disability, or who makes expenditures for the purpose of making all or any portion of a facility or of equipment usable for the employment of individuals with a disability, which facility or equipment is on real property located in this state and used in a trade or business or held for the production of income, shall be entitled to claim an income tax credit in an amount equal to 50% of such expenditures or, the amount of $10,000, whichever is less, against the income tax liability imposed against such taxpayer pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated. Such tax credit shall be deducted from the taxpayer's income tax liability for the taxable year in which the expenditures are made by the taxpayer. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the amount thereof which 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, except that no such tax credit shall be carried over for deduction after the fourth taxable year succeeding the taxable year in which the expenditures are made.
(b) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 21. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,182b is hereby amended to read as follows: 79-32,182b. (a) For all taxable years commencing after December 31, 2000, a credit shall be allowed against the tax imposed by the Kansas income tax act on the Kansas taxable income of a taxpayer for expenditures in research and development activities conducted within this state in an amount equal to 6\(\frac{1}{2}\)\% of the
amount by which the amount expended for such activities in the taxable
year of the taxpayer exceeds the taxpayer's average of the actual
expenditures for such purposes made in such taxable year and the next
preceding two taxable years.

(b) In any one taxable year, the amount of such credit allowable for
deduction from the taxpayer's tax liability shall not exceed 25% of the total
amount of such credit plus any applicable carry forward amount. The
amount by which that portion of the credit allowed by subsections (a) and
(b) to be claimed in any one taxable year exceeds the taxpayer's tax
liability in such year may be carried forward until the total amount of the
credit is used.

(c) As used in this section, the term "expenditures in research and
development activities" means expenditures made for such purposes, other
than expenditures of moneys made available to the taxpayer pursuant to
federal or state law, which are treated as expenses allowable for deduction
under the provisions of the federal internal revenue code of 1986, and
amendments thereto.

(d) For tax year 2013 and all tax years thereafter, the income tax
credit provided by this section shall only be available to taxpayers subject
to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only
against such taxpayer's corporate income tax liability.

Sec. 22. On and after January 1, 2013, K.S.A. 79-32,190 is hereby
amended to read as follows: 79-32,190. (a) Any taxpayer that pays for or
provides child day care services, including the provision of the service of
locating such services, to its employees or that provides facilities and
necessary equipment for child day care services shall be allowed a credit
against the privilege or income tax imposed by articles 11 and 32 of
chapter 79 of the Kansas Statutes Annotated as follows:

(1) Thirty percent of the total amount expended in the state during the
taxable year by a taxpayer for child day care services purchased to provide
care for the dependent children of the taxpayer's employees or for the
provision of the service of locating such services for such children;

(2) (A) in the taxable year in which a facility providing child day care
services in the state for use primarily by the dependent children of the
taxpayer's employees is established, 50% of the total amount expended
during such year by a taxpayer in the establishment and operation of such
facility;

(B) in the taxable years other than the taxable year to which
paragraph (2)(A) applies, 30% of the amount equal to the total amount
expended during the taxable year by a taxpayer for the operation of a
facility described in paragraph (2)(A) less the amount of moneys received
by the taxpayer for use of such facility for child day care services;
(3) (A) in the taxable year in which a facility providing child day care services in the state for use primarily by the dependent children of the taxpayers' employees is established in conjunction with one or more other taxpayers, 50% of the total amount expended during such year by a taxpayer in the establishment and operation of such facility;

(B) in the taxable years other than the taxable year to which paragraph (3)(A) applies, 30% of the amount equal to the total amount expended during the taxable year by a taxpayer for the operation of a facility described in paragraph (3)(A) less the amount of moneys received by the taxpayer for use of such facility for child day care services.

(b) No credit shall be allowed under this section unless the child day care facility or provider is licensed or registered pursuant to Kansas law.

(c) The credit allowed by paragraphs (1), (2)(B) and (3)(B) of subsection (a) shall not exceed $30,000 for any taxpayer during any taxable year. The credit allowed by paragraphs (2)(A) and (3)(A) of subsection (a) shall not exceed $45,000 for any taxpayer during any taxable year. The amount of the credit which exceeds the tax liability for a taxable year shall be refunded to the taxpayer. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code or a partnership, the credit provided by this section shall be claimed by the shareholders of such corporation or the partners of such partnership in the same manner as such shareholders or partners account for their proportionate shares of the income or loss of the corporation or partnership.

(d) The aggregate amount of credits claimed under this act for any fiscal year shall not exceed $3,000,000.

(e) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 23. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,196 is hereby amended to read as follows: 79-32,196. (a) For taxable years commencing after December 31, 1997, any business firm which contributes to a community service organization or governmental entity which engages in the activities of providing community services, shall be allowed a credit, as provided in K.S.A. 79-32,197, and amendments thereto, against the tax imposed by the Kansas income tax act, the tax on net income of national banking associations, state banks, trust companies or savings and loan associations imposed under article 11 of chapter 79 of the Kansas Statutes Annotated, or the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, if the proposal of the provider of community services is approved pursuant to
K.S.A. 79-32,198, and amendments thereto. Any business firm which
makes such a contribution after the effective date of this act and prior to
July 1, 1998, shall be allowed a credit in accordance with this act, as if the
contribution had been made in calendar year 1997, for the firm's tax
liability for taxable years commencing after December 31, 1996.
Notwithstanding any other provisions of this section, no business firm
shall claim more than one credit for the same contribution.

(b) For tax year 2013 and all tax years thereafter, the income tax
credit provided by this section shall only be available to taxpayers subject
to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only
against such taxpayer's corporate income tax liability.

is hereby amended to read as follows: 79-32,197. (a) The amount of credit
allowed pursuant to K.S.A. 79-32,196, and amendments thereto, shall not
exceed 50% of the total amount contributed during the taxable year by the
business firm to a community service organization or governmental entity
for programs approved pursuant to K.S.A. 79-32,198, and amendments
thereto. The amount of credit allowed pursuant to K.S.A. 79-32,196, and
amendments thereto, shall not exceed 70% of the total amount contributed
during the taxable year by the business firm in a rural community to a
community service organization or governmental entity located therein for
programs approved pursuant to K.S.A. 79-32,198, and amendments
thereto. If the amount of the credit allowed by K.S.A. 79-32,196, and
amendments thereto, exceeds the taxpayer's income tax liability imposed
under the Kansas income tax act, such excess amount shall be refunded to
the taxpayer. In no event shall the total amount of credits allowed under
this section exceed $4,130,000 for any one fiscal year.

(b) For tax year 2013 and all tax years thereafter, the income tax
credit provided by this section shall only be available to taxpayers subject
to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only
against such taxpayer's corporate income tax liability.

is hereby amended to read as follows: 79-32,197a. (a) Any business firm
or business entity not subject to Kansas income, privilege or premiums tax,
hereinafter designated the assignor, may sell, assign, convey or otherwise
transfer tax credits allowed and earned pursuant to K.S.A. 79-32,196, and
amendments thereto, for an amount not less than 50% of the value of any
such credit. Such credits shall be deemed to be allowed and earned by any
such business entity which is only disqualified therefrom by reason of not
being subject to such Kansas taxes. The business firm acquiring earned
credits, hereinafter designated the assignee, may use the amount of the
acquired credits to offset up to 100% of its income, privilege or premiums
tax liability for the taxable year in which such acquisition was made. Only
the full credit amount for any one contribution may be transferred and
such credit may be transferred one time. Unused credit amounts claimed
by the assignee may be carried forward for up to five years, except that all
such amounts shall be claimed within 10 years following the tax year in
which the contribution was made. The assignor shall enter into a written
agreement with the assignee establishing the terms and conditions of the
agreement and shall perfect such transfer by notifying the director of
community development of the department of commerce in writing within
30 calendar days following the effective date of the transfer and shall
provide any information as may be required by the director of community
development of the department of commerce to administer and carry out
the provisions of this section. The amount received by the assignor of such
tax credit shall be taxable as income of the assignor, and the excess of the
value of such credit over the amount paid by the assignee for such credit
shall be taxable as income of the assignee.

(b) For tax year 2013 and all tax years thereafter, the income tax
credit provided by this section shall only be available to taxpayers subject
to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only
against such taxpayer's corporate income tax liability.

Sec. 26. On and after January 1, 2013, K.S.A. 79-32,200 is hereby
amended to read as follows: 79-32,200. (a) There shall be allowed as a
credit against the tax liability imposed under the Kansas income tax act of
a person who has entered into an agreement with the secretary of social
and rehabilitation services under K.S.A. 1997 Supp. 39-7,132, and
amendments thereto, an amount equal to 70% of the amount of financial
assistance paid by such person under K.S.A. 1997 Supp. 39-7,132, and
amendments thereto, as certified by the secretary of social and
rehabilitation services, of not to exceed the amount of financial assistance
which would have been paid under the aid to families with dependent
children program from state matching contributions, as certified by the
secretary of social and rehabilitation services, if such person had not
agreed to assume some financial support.

(b) An individual may not claim a tax credit under this section if a
credit for child care and dependent care expenses was claimed on either
the state or federal tax return, or if the individual receives payment for care
of the person provided financial assistance.

(c) The credit allowed by this section shall not exceed the amount of
tax imposed under the Kansas income tax act reduced by the sum of any
other credits allowable pursuant to law.

(d) The provisions of this section shall be applicable to all taxable
For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 27. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,201 is hereby amended to read as follows: 79-32,201. (a) Any taxpayer who makes expenditures for a qualified alternative-fueled motor vehicle or alternative-fuel fueling station shall be allowed a credit against the income tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated, as follows:

1. For any qualified alternative-fueled motor vehicle placed in service on or after January 1, 1996, and before January 1, 2005, an amount equal to 50% of the incremental cost or conversion cost for each qualified alternative-fueled motor vehicle but not to exceed $3,000 for each such motor vehicle with a gross vehicle weight of less than 10,000 lbs.; $5,000 for a heavy duty motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but less than 26,000 lbs.; and $50,000 for motor vehicles having a gross vehicle weight of greater than 26,000 lbs.;

2. For any qualified alternative-fueled motor vehicle placed in service on or after January 1, 2005, an amount equal to 40% of the incremental cost or conversion cost for each qualified alternative-fueled motor vehicle, but not to exceed $2,400 for each such motor vehicle with a gross vehicle weight of less than 10,000 lbs.; $4,000 for a heavy duty motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but less than 26,000 lbs.; and $40,000 for motor vehicles having a gross vehicle weight of greater than 26,000 lbs.;

3. For any qualified alternative-fuel fueling station placed in service on or after January 1, 1996, and before January 1, 2005, an amount equal to 50% of the total amount expended for each qualified alternative-fuel fueling station but not to exceed $200,000 for each fueling station;

4. For any qualified alternative-fuel fueling station placed in service on or after January 1, 2005, and before January 1, 2009, an amount equal to 40% of the total amount expended for each qualified alternative-fuel fueling station, but not to exceed $160,000 for each fueling station;

5. For any qualified alternative-fuel fueling station placed in service on or after January 1, 2009, an amount equal to 40% of the total amount expended for each qualified alternative-fuel fueling station, but not to exceed $100,000 for each fueling station.

(b) If no credit has been claimed pursuant to subsection (a), a credit in an amount not exceeding the lesser of 5% of the cost of the vehicle or $750 shall be allowed to a taxpayer who purchases a motor vehicle
equipped by the vehicle manufacturer with an alternative fuel system and
who is unable or elects not to determine the exact basis attributable to such
property. The credit under this subsection shall be allowed only to the first
individual to take title to such motor vehicle, other than for resale. The
credit under this subsection for motor vehicles which are capable of
operating on a blend of 85% ethanol and 15% gasoline shall be allowed for
taxable years commencing after December 31, 1999, only if the individual
claiming the credit furnishes evidence of the purchase, during the period of
time beginning with the date of purchase of such vehicle and ending on
December 31 of the next succeeding calendar year, of 500 gallons of such
ethanol and gasoline blend as may be required or is satisfactory to the
secretary of revenue.

(c) The tax credit under subsection (a)(1) through (a)(4) or (b) shall
be deducted from the taxpayer's income tax liability for the taxable year in
which the expenditures are made by the taxpayer. If the amount of the tax
credit exceeds the taxpayer's income tax liability for the taxable year, the
amount which exceeds the 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, except that no such tax credit shall be carried over for deduction
after the third taxable year succeeding the taxable year in which the
expenditures are made.

(d) The tax credit under subsection (a)(5) shall be deducted from the
taxpayer's income tax liability for the taxable year in which the
expenditures are made by the taxpayer. If the amount of the tax credit
exceeds the taxpayer's income tax liability for the taxable year, the amount
which exceeds the 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,
except that no such tax credit shall be carried over for deduction after the
fourth taxable year in which the expenditures are made.

(e) As used in this section:

(1) "Alternative fuel" means a combustible liquid derived from grain
starch, oil seed, animal fat or other biomass; or produced from biogas
source, including any nonfossilized, decaying, organic matter.

(2) "Qualified alternative-fueled motor vehicle" means a motor
vehicle that operates on an alternative fuel, meets or exceeds the clean fuel
vehicle standards in the federal clean air act amendments of 1990, Title II
and meets one of the following categories:

(A) Bi-fuel motor vehicle: A motor vehicle with two separate fuel
systems designed to run on either an alternative fuel or conventional fuel,
using only one fuel at a time;

(B) dedicated motor vehicle: A motor vehicle with an engine designed
to operate on a single alternative fuel only; or

(C) flexible fuel motor vehicle: A motor vehicle that may operate on a blend of an alternative fuel with a conventional fuel, such as E-85 (85% ethanol and 15% gasoline) or M-85 (85% methanol and 15% gasoline), as long as such motor vehicle is capable of operating on at least an 85% alternative fuel blend.

(3) "Qualified alternative-fuel fueling station" means the property which is directly related to the delivery of alternative fuel into the fuel tank of a motor vehicle propelled by such fuel, including the compression equipment, storage vessels and dispensers for such fuel at the point where such fuel is delivered but only if such property is primarily used to deliver such fuel for use in a qualified alternative-fueled motor vehicle.

(4) "Incremental cost" means the cost that results from subtracting the manufacturer's list price of the motor vehicle operating on conventional gasoline or diesel fuel from the manufacturer's list price of the same model motor vehicle designed to operate on an alternative fuel.

(5) "Conversion cost" means the cost that results from modifying a motor vehicle which is propelled by gasoline or diesel to be propelled by an alternative fuel.

(6) "Taxpayer" means any person who owns and operates a qualified alternative-fueled vehicle licensed in the state of Kansas or who makes an expenditure for a qualified alternative-fuel fueling station.

(7) "Person" means every natural person, association, partnership, limited liability company, limited partnership or corporation.

(f) Except as otherwise more specifically provided, the provisions of this section shall apply to all taxable years commencing after December 31, 1995.

(g) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 28. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,204 is hereby amended to read as follows: 79-32,204. (a) As used in this section:

(1) Terms have the meanings provided by K.S.A. 65-1,178, and amendments thereto;

(2) "qualified swine facility" means a swine facility that: (A) Is owned and operated by a sole proprietorship or partnership or by a family farm corporation, authorized farm corporation, limited liability agricultural company, family farm limited liability agricultural company, limited agricultural partnership, family trust, authorized trust or testamentary trust, as defined by K.S.A. 17-5903, and amendments thereto; and (B) is
utilizing its swine waste management system on January 1, 1998.; and

(3) "required improvements to a qualified swine facility" means capital improvements that the secretary of health and environment certifies to the director of taxation: (A) Are required for a qualified swine facility to comply with the standards and requirements established pursuant to K.S.A. 65-1,178 through 65-1,198, and amendments thereto, or pursuant to the amendments made by this act to K.S.A. 65-171d, and amendments thereto; and (B) are not required because of expansion for which a permit has not been issued or applied for before the effective date of this act.

(b) There shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act an amount equal to not more than 50% of the costs incurred by the taxpayer for required improvements to a qualified swine facility. The tax credit allowed by this subsection shall be deducted from the taxpayer's income tax liability for the taxable year in which the expenditures are made by the taxpayer. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the taxpayer may carry over the amount thereof that exceeds such tax liability 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, except that no such tax credit shall be carried over for deduction after the fourth taxable year succeeding the year in which the costs are incurred.

(c) The provisions of this section shall be applicable to all taxable years commencing after December 31, 1997.

(d) On or before the first day of the 1999, 2000 and 2001 regular legislative sessions, the secretary of revenue shall submit to the senate standing committee on energy and natural resources, the house standing committee on environment, the senate standing committee on assessment and taxation and the house standing committee on taxation a report of the number of taxpayers claiming the credit allowed by this section and the total amount of such credits claimed by all taxpayers. For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 29. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,207 is hereby amended to read as follows: 79-32,207. (a) As used in this section, "abandoned oil or gas well" means an abandoned well, as defined by K.S.A. 55-191, and amendments thereto:

(1) The drilling of which was commenced before January 1, 1970; and

(2) which is located on land owned by the taxpayer claiming the tax
credit allowed by this section.

(b) For any taxable year commencing after December 31, 2000, a credit shall be allowed against the tax imposed by the Kansas income tax act on the Kansas taxable income of a taxpayer for expenditures made for the purpose of plugging any abandoned oil or gas well in accordance with rules and regulations of the state corporation commission applicable thereto, in an amount equal to 50% of such expenditures made in the taxable year.

(c) If the amount of the tax credit allowed by this section exceeds the taxpayer's income tax liability for such taxable year, the amount thereof which 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.

(d) The total amount of credits allowed taxpayers pursuant to this section, including the amount of credits carried over under subsection (c), shall not exceed $250,000 for any one fiscal year.

(e) The secretary of revenue shall adopt such rules and regulations as necessary to carry out the purposes of this section.

(f) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 30. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,210 is hereby amended to read as follows: 79-32,210. (a) For all taxable years commencing after December 31, 2000, and with respect to property initially acquired and first placed into service in this state on and after January 1, 2001, there shall be allowed as a credit against the tax liability imposed by the Kansas income tax act of a telecommunications company, as defined in K.S.A. 79-3271, and amendments thereto, an amount equal to the difference between the property tax levied for property tax year 2001, and all such years thereafter, and actually and timely paid during the appropriate income taxable year upon property assessed at the 33% assessment rate and the property tax which would be levied and paid on such property if assessed at a 25% assessment rate.

(b) If the amount of the tax credit determined under subsection (a) exceeds the tax liability for the telecommunications company for any taxable year, the amount thereof which exceeds such tax liability shall be refunded to the telecommunications company. If the telecommunications company is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the
shareholders of such corporation, the partners of such partnership or the
members of such limited liability company in the same manner as such
shareholders, partners or members account for their proportionate shares
of income or loss of the corporation, partnership or limited liability
company.

(c) As used in this section, the term "acquired" shall not include the
transfer of property pursuant to an exchange for stock securities, or the
transfer of assets of one business entity to another due to a merger or other
consolidation.

(d) For tax year 2013 and all tax years thereafter, the income tax
credit provided by this section shall only be available to taxpayers subject
to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only
against such taxpayer's corporate income tax liability.

is hereby amended to read as follows: 79-32,211. (a) For all taxable years
commencing after December 31, 2006, there shall be allowed a tax credit
against the income, privilege or premium tax liability imposed upon a
taxpayer pursuant to the Kansas income tax act, the privilege tax 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, or the premiums tax and privilege fees
imposed upon an insurance company pursuant to K.S.A. 40-252, and
amendments thereto, in an amount equal to 25% of qualified expenditures
incurred in the restoration and preservation of a qualified historic structure
pursuant to a qualified rehabilitation plan by a qualified taxpayer if the
total amount of such expenditures equal $5,000 or more; or in an amount
equal to 30% of qualified expenditures incurred in the restoration and
preservation of a qualified historic structure which is exempt from federal
income taxation pursuant to section 501(c)(3) of the federal internal
revenue code and which is not income producing pursuant to a qualified
rehabilitation plan by a qualified taxpayer if the total amount of such
expenditures equals $5,000 or more. In no event shall the total amount of
credits allowed under this section exceed $3,750,000 for fiscal year 2010.
If the amount of such tax credit exceeds the qualified taxpayer's income,
privilege or premium tax liability for the year in which the qualified
rehabilitation plan was placed in service, as defined by section 47(b)(1) of
the federal internal revenue code and federal regulation section 1.48-12(f)
(2), such excess amount may be carried over for deduction from such
taxpayer's income, privilege or premium tax liability in the next
succeeding year or years until the total amount of the credit has been
deducted from tax liability, except that no such credit shall be carried over
for deduction after the 10th taxable year succeeding the taxable year in
which the qualified rehabilitation plan was placed in service.

(b) As used in this section, unless the context clearly indicates otherwise:

(1) "Qualified expenditures" means the costs and expenses incurred by a qualified taxpayer in the restoration and preservation of a qualified historic structure pursuant to a qualified rehabilitation plan which are defined as a qualified rehabilitation expenditure by section 47(c)(2) of the federal internal revenue code;

(2) "qualified historic structure" means any building, whether or not income producing, which is defined as a certified historic structure by section 47(c)(3) of the federal internal revenue code, is individually listed on the register of Kansas historic places, or is located and contributes to a district listed on the register of Kansas historic places;

(3) "qualified rehabilitation plan" means a project which is approved by the cultural resources division of the state historical society, or by a local government certified by the division to so approve, as being consistent with the standards for rehabilitation and guidelines for rehabilitation of historic buildings as adopted by the federal secretary of interior and in effect on the effective date of this act. The society shall adopt rules and regulations providing application and approval procedures necessary to effectively and efficiently provide compliance with this act, and may collect fees in order to defray its approval costs in accordance with rules and regulations adopted therefor; and

(4) "qualified taxpayer" means the owner of the qualified historic structure or any other person who may qualify for the federal rehabilitation credit allowed by section 47 of the federal internal revenue code.

If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company, or as the corporation, partnership or limited liability company mutually agree as provided in the bylaws or other executed agreement. Credits granted to a partnership, a limited liability company taxed as a partnership or other multiple owners of property shall be passed through to the partners, members or owners respectively pro rata or pursuant to an executed agreement among the partners, members or owners documenting any alternate distribution method.

(c) Any person, hereinafter designated the assignor, may sell, assign, convey or otherwise transfer tax credits allowed and earned pursuant to subsection (a). The taxpayer acquiring credits, hereinafter designated the
assignee, may use the amount of the acquired credits to offset up to 100% of its income, privilege or premiums tax liability for either the taxable year in which the qualified rehabilitation plan was first placed into service or the taxable year in which such acquisition was made. Unused credit amounts claimed by the assignee may be carried forward for up to five years, except that all such amounts shall be claimed within 10 years following the tax year in which the qualified rehabilitation plan was first placed into service. The assignor shall enter into a written agreement with the assignee establishing the terms and conditions of the agreement and shall perfect such transfer by notifying the cultural resources division of the state historical society in writing within 90 calendar days following the effective date of the transfer and shall provide any information as may be required by such division to administer and carry out the provisions of this section. The amount received by the assignor of such tax credit shall be taxable as income of the assignor, and the excess of the value of such credit over the amount paid by the assignee for such credit shall be taxable as income of the assignee.

(d) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 32. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,212 is hereby amended to read as follows: 79-32,212. (a) For taxable years 2002 through 2021, there shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act, an amount equal to 100% of the amount attributable to the retirement of indebtedness authorized by a single city port authority established before January 1, 2002. In no event shall the total amount of the credits allowed under this section exceed $500,000 for any one fiscal year.

(b) Upon certification by the secretary of revenue of the amount of any such credit, the director of accounts and reports shall issue to such taxpayer a warrant for such amount which shall be deemed to be a capital contribution.

(c) For tax year 2013 and all tax years thereafter, the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 33. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,222 is hereby amended to read as follows: 79-32,222. (a) As used in this section:

(1) "Refinery" has the meaning provided by K.S.A. 2011 Supp. 79-
"Qualified expenditures" means expenditures which the secretary of health and environment certifies to the director of taxation are required for an existing refinery to comply with environmental standards or requirements established pursuant to federal statute or regulation, or state statute or rules and regulation, adopted after December 31, 2006.

(b) There shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act an amount equal to the taxpayer's qualified expenditures. The tax credit allowed by this subsection shall be deducted from the taxpayer's income tax liability for the taxable year in which the expenditures are made by the taxpayer. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the taxpayer may carry over the amount thereof that exceeds such tax liability 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, except that no such tax credit shall be carried over for deduction after the fourth taxable year succeeding the year in which the costs are incurred.

(c) (1) To qualify the expenditures of the tax credit allowed by this section, a taxpayer shall apply to the secretary of health and environment for a certification that the costs were incurred to comply with environmental standards or requirements as specified in subsection (a). The secretary shall prescribe the form of the application, which shall include, but not be limited to, the following information: (A) A detailed description of the refinery project that is the subject of the expenditure; (B) a citation to the applicable federal or state statutes, regulations or rules and regulations which require the environmental compliance; (C) a detailed accounting of the costs incurred for the environmental compliance; and (D) a certification by a responsible official that, based on information and belief formed after reasonable inquiry, the statements and information in the application are true, accurate and complete.

(2) If the secretary of health and environment determines that the expenditures were incurred to comply with environmental standards or requirements as specified in subsection (a), the secretary shall issue a certificate of compliance to the director of taxation.

(3) The secretary of health and environment may adopt rules and regulations to administer the provisions of this subsection, including rules and regulations to fix, charge and collect an application fee to cover all or any part of the department of health and environment's cost of certifying the taxpayer's qualified expenditures under this subsection.

(d) The provisions of this section shall be applicable to all taxable years commencing after December 31, 2006.

(e) For tax year 2013 and all tax years thereafter, the income tax
credit provided by this section shall only be available to taxpayers subject
to the income tax on corporations imposed pursuant to subsection (c) of
K.S.A. 79-32,110, and amendments thereto, and shall be applied only
against such taxpayer's corporate income tax liability.

Sec. 34. K.S.A. 2011 Supp. 79-3603 is hereby amended to read as
follows: 79-3603. For the privilege of engaging in the business of selling
tangible personal property at retail in this state or rendering or furnishing
any of the services taxable under this act, there is hereby levied and there
shall be collected and paid a tax at the rate of 5.3%, and commencing July
1, 2010, at the rate of 6.3%, and commencing July 1, 2013, at the rate of
5.7%. Within a redevelopment district established pursuant to K.S.A. 74-
8921, and amendments thereto, there is hereby levied and there shall be
collected and paid an additional tax at the rate of 2% until the earlier of the
date the bonds issued to finance or refinance the redevelopment project
have been paid in full or the final scheduled maturity of the first series of
bonds issued to finance any part of the project upon:

(a) The gross receipts received from the sale of tangible personal
property at retail within this state;

(b) the gross receipts from intrastate, interstate or international
telecommunications services and any ancillary services sourced to this
state in accordance with K.S.A. 2011 Supp. 79-3673, and amendments
thereto, except that telecommunications service does not include: (1) Any
interstate or international 800 or 900 service; (2) any interstate or
international private communications service as defined in K.S.A. 2011
Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice
data service; (4) any telecommunication service to a provider of
telecommunication services which will be used to render
telecommunications services, including carrier access services; or (5) any
service or transaction defined in this section among entities classified as
members of an affiliated group as provided by section 1504 of the federal
internal revenue code of 1986, as in effect on January 1, 2001;

(c) the gross receipts from the sale or furnishing of gas, water,
electricity and heat, which sale is not otherwise exempt from taxation
under the provisions of this act, and whether furnished by municipally or
privately owned utilities, except that, on and after January 1, 2006, for
sales of gas, electricity and heat delivered through mains, lines or pipes to
residential premises for noncommercial use by the occupant of such
premises, and for agricultural use and also, for such use, all sales of
propane gas, the state rate shall be 0%; and for all sales of propane gas, LP
gas, coal, wood and other fuel sources for the production of heat or
lighting for noncommercial use of an occupant of residential premises, the
state rate shall be 0%, but such tax shall not be levied and collected upon
the gross receipts from: (1) The sale of a rural water district benefit unit;
(2) a water system impact fee, system enhancement fee or similar fee collected by a water supplier as a condition for establishing service; or (3) connection or reconnection fees collected by a water supplier; 
(d) the gross receipts from the sale of meals or drinks furnished at any private club, drinking establishment, catered event, restaurant, eating house, dining car, hotel, drugstore or other place where meals or drinks are regularly sold to the public; 
(e) the gross receipts from the sale of admissions to any place providing amusement, entertainment or recreation services including admissions to state, county, district and local fairs, but such tax shall not be levied and collected upon the gross receipts received from sales of admissions to any cultural and historical event which occurs triennially; 
(f) the gross receipts from the operation of any coin-operated device dispensing or providing tangible personal property, amusement or other services except laundry services, whether automatic or manually operated; 
(g) the gross receipts from the service of renting of rooms by hotels, as defined by K.S.A. 36-501, and amendments thereto, or by accommodation brokers, as defined by K.S.A. 12-1692, and amendments thereto, but such tax shall not be levied and collected upon the gross receipts received from sales of such service to the federal government and any agency, officer or employee thereof in association with the performance of official government duties; 
(h) the gross receipts from the service of renting or leasing of tangible personal property except such tax shall not apply to the renting or leasing of machinery, equipment or other personal property owned by a city and purchased from the proceeds of industrial revenue bonds issued prior to July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through 12-1749, and amendments thereto, and any city or lessee renting or leasing such machinery, equipment or other personal property purchased with the proceeds of such bonds who shall have paid a tax under the provisions of this section upon sales made prior to July 1, 1973, shall be entitled to a refund from the sales tax refund fund of all taxes paid thereon; 
(i) the gross receipts from the rendering of dry cleaning, pressing, dyeing and laundry services except laundry services rendered through a coin-operated device whether automatic or manually operated; 
(j) the gross receipts from the rendering of the services of washing and washing and waxing of vehicles; 
(k) the gross receipts from cable, community antennae and other subscriber radio and television services; 
(l) (1) except as otherwise provided by paragraph (2), the gross receipts received from the sales of tangible personal property to all contractors, subcontractors or repairmen for use by them in erecting structures, or building on, or otherwise improving, altering, or repairing
real or personal property.

(2) Any such contractor, subcontractor or repairman who maintains an inventory of such property both for sale at retail and for use by them for the purposes described by paragraph (1) shall be deemed a retailer with respect to purchases for and sales from such inventory, except that the gross receipts received from any such sale, other than a sale at retail, shall be equal to the total purchase price paid for such property and the tax imposed thereon shall be paid by the deemed retailer;

(m) the gross receipts received from fees and charges by public and private clubs, drinking establishments, organizations and businesses for participation in sports, games and other recreational activities, but such tax shall not be levied and collected upon the gross receipts received from: (1) Fees and charges by any political subdivision, by any organization exempt from property taxation pursuant to paragraph Ninth of K.S.A. 79-201, and amendments thereto, or by any youth recreation organization exclusively providing services to persons 18 years of age or younger which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, for participation in sports, games and other recreational activities; and (2) entry fees and charges for participation in a special event or tournament sanctioned by a national sporting association to which spectators are charged an admission which is taxable pursuant to subsection (e);

(n) the gross receipts received from dues charged by public and private clubs, drinking establishments, organizations and businesses, payment of which entitles a member to the use of facilities for recreation or entertainment, but such tax shall not be levied and collected upon the gross receipts received from: (1) Dues charged by any organization exempt from property taxation pursuant to paragraphs Eighth and Ninth of K.S.A. 79-201, and amendments thereto; and (2) sales of memberships in a nonprofit organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, and whose purpose is to support the operation of a nonprofit zoo;

(o) the gross receipts received from the isolated or occasional sale of motor vehicles or trailers but not including: (1) The transfer of motor vehicles or trailers by a person to a corporation or limited liability company solely in exchange for stock securities or membership interest in such corporation or limited liability company; or (2) the transfer of motor vehicles or trailers by one corporation or limited liability company to another when all of the assets of such corporation or limited liability company are transferred to such other corporation or limited liability company; or (3) the sale of motor vehicles or trailers which are subject to taxation pursuant to the provisions of K.S.A. 79-5101 et seq., and amendments thereto, by an immediate family member to another
immediate family member. For the purposes of clause (3), immediate
family member means lineal ascendants or descendants, and their spouses.
Any amount of sales tax paid pursuant to the Kansas retailers sales tax act
on the isolated or occasional sale of motor vehicles or trailers on and after
July 1, 2004, which the base for computing the tax was the value pursuant
to subsections (a), (b)(1) and (b)(2) of K.S.A. 79-5105, and amendments
thereto, when such amount was higher than the amount of sales tax which
would have been paid under the law as it existed on June 30, 2004, shall be
refunded to the taxpayer pursuant to the procedure prescribed by this
section. Such refund shall be in an amount equal to the difference between
the amount of sales tax paid by the taxpayer and the amount of sales tax
which would have been paid by the taxpayer under the law as it existed on
June 30, 2004. Each claim for a sales tax refund shall be verified and
submitted not later than six months from the effective date of this act to the
director of taxation upon forms furnished by the director and shall be
accompanied by any additional documentation required by the director.
The director shall review each claim and shall refund that amount of tax
paid as provided by this act. All such refunds shall be paid from the sales
tax refund fund, upon warrants of the director of accounts and reports
pursuant to vouchers approved by the director of taxation or the director's
designee. No refund for an amount less than $10 shall be paid pursuant to
this act. In determining the base for computing the tax on such isolated or
occasional sale, the fair market value of any motor vehicle or trailer traded
in by the purchaser to the seller may be deducted from the selling price;

(p) the gross receipts received for the service of installing or applying
tangible personal property which when installed or applied is not being
held for sale in the regular course of business, and whether or not such
tangible personal property when installed or applied remains tangible
personal property or becomes a part of real estate, except that no tax shall
be imposed upon the service of installing or applying tangible personal
property in connection with the original construction of a building or
facility, the original construction, reconstruction, restoration, remodeling,
renovation, repair or replacement of a residence or the construction,
reconstruction, restoration, replacement or repair of a bridge or highway.

For the purposes of this subsection:

1 "Original construction" shall mean the first or initial construction
of a new building or facility. The term "original construction" shall include
the addition of an entire room or floor to any existing building or facility,
the completion of any unfinished portion of any existing building or
facility and the restoration, reconstruction or replacement of a building,
facility or utility structure damaged or destroyed by fire, flood, tornado,
lightning, explosion, windstorm, ice loading and attendant winds,
terrorism or earthquake, but such term, except with regard to a residence,
shall not include replacement, remodeling, restoration, renovation or
reconstruction under any other circumstances;
(2) "building" shall mean only those enclosures within which
individuals customarily are employed, or which are customarily used to
house machinery, equipment or other property, and including the land
improvements immediately surrounding such building;
(3) "facility" shall mean a mill, plant, refinery, oil or gas well, water
well, feedlot or any conveyance, transmission or distribution line of any
cooperative, nonprofit, membership corporation organized under or subject
to the provisions of K.S.A. 17-4601 et seq., and amendments thereto, or
municipal or quasi-municipal corporation, including the land
improvements immediately surrounding such facility;
(4) "residence" shall mean only those enclosures within which
individuals customarily live;
(5) "utility structure" shall mean transmission and distribution lines
owned by an independent transmission company or cooperative, the
Kansas electric transmission authority or natural gas or electric public
utility; and
(6) "windstorm" shall mean straight line winds of at least 80 miles per
hour as determined by a recognized meteorological reporting agency or
organization;
(q) the gross receipts received for the service of repairing, servicing,
altering or maintaining tangible personal property which when such
services are rendered is not being held for sale in the regular course of
business, and whether or not any tangible personal property is transferred
in connection therewith. The tax imposed by this subsection shall be
applicable to the services of repairing, servicing, altering or maintaining an
item of tangible personal property which has been and is fastened to,
connected with or built into real property;
(r) the gross receipts from fees or charges made under service or
maintenance agreement contracts for services, charges for the providing of
which are taxable under the provisions of subsection (p) or (q);
(s) on and after January 1, 2005, the gross receipts received from the
sale of prewritten computer software and the sale of the services of
modifying, altering, updating or maintaining prewritten computer
software, whether the prewritten computer software is installed or
delivered electronically by tangible storage media physically transferred to
the purchaser or by load and leave;
(t) the gross receipts received for telephone answering services;
(u) the gross receipts received from the sale of prepaid calling service
and prepaid wireless calling service as defined in K.S.A. 2011 Supp. 79-
3673, and amendments thereto; and
(v) the gross receipts received from the sales of bingo cards, bingo
faces and instant bingo tickets by licensees under K.S.A. 79-4701, et seq., and amendments thereto, shall be taxed at a rate of: (1) 4.9% on July 1, 2000, and before July 1, 2001; and (2) 2.5% on July 1, 2001, and before July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo faces and instant bingo tickets by licensees under K.S.A. 79-4701 et seq., and amendments thereto, shall be exempt from taxes imposed pursuant to this section.

Sec. 35. 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 \( \frac{5}{98} \) 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 \( \frac{5}{106} \) 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 \( \frac{19}{265} \) 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 $1^{3/106}$ 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.

(8) On July 1, 2013, 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. 36. K.S.A. 2011 Supp. 79-3703 is hereby amended to read as follows: 79-3703. There is hereby levied and there shall be collected from every person in this state a tax or excise for the privilege of using, storing, or consuming within this state any article of tangible personal property. Such tax shall be levied and collected in an amount equal to the consideration paid by the taxpayer multiplied by the rate of 5.3%, and commencing July 1, 2010, at the rate of 6.3%, and commencing July 1, 2013, at the rate of 5.7%. Within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax of 2% until the earlier of: (1) The date the bonds issued to finance or refinance the...
redevelopment project undertaken in the district have been paid in full; or
(2) the final scheduled maturity of the first series of bonds issued to
finance the redevelopment project. All property purchased or leased within
or without this state and subsequently used, stored or consumed in this
state shall be subject to the compensating tax if the same property or
transaction would have been subject to the Kansas retailers' sales tax had
the transaction been wholly within this state.

Sec. 37. 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 $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 $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 $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 $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% 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. 38. 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
subsection (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.

(3) "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.
(4) "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. 39. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4501 is hereby amended to read as follows: 79-4501. The title of this act shall be the homestead property tax refund act. The purpose of this act shall be to provide ad valorem tax refunds to: (a) Certain persons who are of qualifying age who own or rent their homestead; (b) certain persons who have a disability, who own or rent their homestead; and (c) certain persons other than persons included under the provisions of (a) or (b) who have low incomes and dependent children and own or rent their homestead.

Sec. 40. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4502 is hereby amended to read as follows: 79-4502. As used in this act, unless the context clearly indicates otherwise:

(a) "Income" means the sum of adjusted gross income under the Kansas income tax act, maintenance, support money, cash public assistance and relief, not including any refund granted under this act, the gross amount of any pension or annuity, including all monetary retirement benefits from whatever source derived, including but not limited to, all payments received under the railroad retirement act, except disability payments, payments received under the federal social security act, except
that for determination of what constitutes income such amount shall not
exceed 50% of any such social security payments and shall not include any
social security payments to a claimant who prior to attaining full
retirement age had been receiving disability payments under the federal
social security act in an amount not to exceed the amount of such disability
payments or 50% of any such social security payments, whichever is
greater, all dividends and interest from whatever source derived not
included in adjusted gross income, workers compensation and the gross
amount of "loss of time" insurance. Income does not include gifts from
nongovernmental sources or surplus food or other relief in kind supplied
by a governmental agency, nor shall net operating losses and net capital
losses be considered in the determination of income. Income does not
include veterans disability pensions. Income does not include disability
payments received under the federal social security act.

(b) "Household" means a claimant, a claimant and spouse who
occupy the homestead or a claimant and one or more individuals not
related as husband and wife who together occupy a homestead.

(c) "Household income" means all income received by all persons of
a household in a calendar year while members of such household.

(d) "Homestead" means the dwelling, or any part thereof, whether
owned or rented, which is and occupied as a residence by the household
and so much of the land surrounding it, as defined as a home site for ad
valorem tax purposes, and may consist of a part of a multi-dwelling or
multi-purpose building and a part of the land upon which it is built or a
manufactured home or mobile home and the land upon which it is situated.
"Owned" includes a vendee in possession under a land contract, a life
tenant, a beneficiary under a trust and one or more joint tenants or tenants
in common.

(e) "Claimant" means a person who has filed a claim under the
provisions of this act and was, during the entire calendar year preceding
the year in which such claim was filed for refund under this act, except as
provided in K.S.A. 79-4503, and amendments thereto, both domiciled in
this state and was: (1) A person having a disability; (2) a person who is 55
years of age or older; (3) a disabled veteran; (4) the surviving spouse of
active duty military personnel who died in the line of duty; or (5) a person
other than a person included under (1), (2), (3) or (4) having one or more
dependent children under 18 years of age residing at the person's
homestead during the calendar year immediately preceding the year in
which a claim is filed under this act. The surviving spouse of a disabled
veteran who was receiving benefits pursuant to subsection (e)(3) of this
section at the time of the veterans' death, shall be eligible to continue to
receive benefits until such time the surviving spouse remarries.

When a homestead is occupied by two or more individuals and more
than one of the individuals is able to qualify as a claimant, the individuals may determine between them as to whom the claimant will be. If they are unable to agree, the matter shall be referred to the secretary of revenue whose decision shall be final.

(f) "Property taxes accrued" means property taxes, exclusive of special assessments, delinquent interest and charges for service, levied on a claimant's homestead in 1979 or any calendar year thereafter by the state of Kansas and the political and taxing subdivisions of the state. When a homestead is owned by two or more persons or entities as joint tenants or tenants in common and one or more of the persons or entities is not a member of claimant's household, "property taxes accrued" is that part of property taxes levied on the homestead that reflects the ownership percentage of the claimant's household. For purposes of this act, property taxes are "levied" when the tax roll is delivered to the local treasurer with the treasurer's warrant for collection. When a claimant and household own their homestead part of a calendar year, "property taxes accrued" means only taxes levied on the homestead when both owned and occupied as a homestead by the claimant's household at the time of the levy, multiplied by the percentage of 12 months that the property was owned and occupied by the household as its homestead in the year. When a household owns and occupies two or more different homesteads in the same calendar year, property taxes accrued shall be the sum of the taxes allocable to those several properties while occupied by the household as its homestead during the year. Whenever a homestead is an integral part of a larger unit such as a multi-purpose or multi-dwelling building, property taxes accrued shall be that percentage of the total property taxes accrued as the value of the homestead is of the total value. For the purpose of this act, the word "unit" refers to that parcel of property covered by a single tax statement of which the homestead is a part.

(g) "Disability" means:

(1) Inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months, and an individual shall be determined to be under a disability only if the physical or mental impairment or impairments are of such severity that the individual is not only unable to do the individual's previous work but cannot, considering age, education and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which the individual lives or whether a specific job vacancy exists for the individual, or whether the individual would be hired if application was made for work. For purposes of the preceding sentence (with respect to any individual), "work
which exists in the national economy" means work which exists in
significant numbers either in the region where the individual lives or in
several regions of the country; for purposes of this subsection, a "physical
or mental impairment" is an impairment that results from anatomical,
physiological or psychological abnormalities which are demonstrable by
medically acceptable clinical and laboratory diagnostic techniques; or
(2) blindness and inability by reason of blindness to engage in
substantial gainful activity requiring skills or abilities comparable to those
of any gainful activity in which the individual has previously engaged with
some regularity and over a substantial period of time.
(h) "Blindness" means central visual acuity of 20/200 or less in the
better eye with the use of a correcting lens. An eye which is accompanied
by a limitation in the fields of vision such that the widest diameter of the
visual field subtends an angle no greater than 20 degrees shall be
considered for the purpose of this paragraph as having a central visual
acuity of 20/200 or less.
(i) "Rent constituting property taxes accrued" means 15% of the gross
rent actually paid in cash or its equivalent in 2007 or any taxable year
thereafter by a claimant and claimant's household solely for the right of
occupancy of a Kansas homestead on which ad valorem property taxes
were levied in full for that year. When a household occupies two or more
different homesteads in the same calendar year, rent constituting property
taxes accrued shall be computed by adding the rent constituting property
taxes accrued for each property rented by the household while occupied by
the household as its homestead during the year.
(j) "Gross rent" means the rental paid at arm's length solely for the
right of occupancy of a homestead or space rental paid to a landlord for the
parking of a mobile home, exclusive of charges for any utilities, services,
furniture and furnishings or personal property appliances furnished by the
landlord as a part of the rental agreement, whether or not expressly set out
in the rental agreement. Whenever the director of taxation finds that the
landlord and tenant have not dealt with each other at arms length and that
the gross rent charge was excessive, the director may adjust the gross rent
to a reasonable amount for the purposes of the claim.
(k) "Disabled veteran" means a person who is a resident of Kansas
and has been honorably discharged from active service in any branch of
the armed forces of the United States or Kansas national guard and who
has been certified by the United States department of veterans affairs or its
successor to have a 50% permanent disability sustained through military
action or accident or resulting from disease contracted while in such active
service.
Sec. 41. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4508 is
hereby amended to read as follows: 79-4508. (a) Commencing in the tax
year beginning after December 31, 2005, the amount of any claim pursuant to this act shall be computed by deducting the amount computed under column (2) from the amount of claimant’s property tax accrued and/or rent constituting property tax accrued.

<table>
<thead>
<tr>
<th>Claimant’s household income</th>
<th>Deduction from property tax accrued and/or rent constituting property tax accrued</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least $0</td>
<td>But not more than $6,000</td>
</tr>
<tr>
<td>$6,001</td>
<td>7,000</td>
</tr>
<tr>
<td>7,001</td>
<td>16,000</td>
</tr>
<tr>
<td>16,001</td>
<td>27,000</td>
</tr>
<tr>
<td>27,001</td>
<td>27,600</td>
</tr>
</tbody>
</table>

(b) The director of taxation shall prepare a table under which claims under this act shall be determined. The amount of claim for each bracket shall be computed only to the nearest $1.

(c) The claimant may elect not to record the amount claimed on the claim. The claim allowable to persons making this election shall be computed by the department which shall notify the claimant by mail of the amount of the allowable claim.

(d) In the case of all tax years commencing after December 31, 2004, the upper limit threshold amount prescribed in this section, shall be increased by an amount equal to such threshold amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) of the federal internal revenue code for the calendar year in which the taxable year commences.

Sec. 42. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4509 is hereby amended to read as follows: 79-4509. In the event property taxes accrued, rent constituting property taxes accrued or their sum exceeds $700 for a household in any one year, the amount thereof shall, for purposes of this act, be deemed to have been $700.

Sec. 43. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4511 is hereby amended to read as follows: 79-4511. (a) Every claimant under this act shall supply to the division, in support of a claim, reasonable proof of age or disability, and changes of homestead, household membership, household income, and size and nature of property claimed as the homestead. A claim alleging disability shall be supported by a report of the examining physician of the claimant with a statement or certificate that the
applicant has a disability within the meaning of subsection (g) of K.S.A. 79-4502, and amendments thereto.

(b) Every claimant who is a homestead owner, or whose claim is based wholly or partly upon homestead ownership at some time during the calendar year, shall supply to the division, in support of a claim, the amount of property taxes levied upon the property claimed as a homestead and a statement that the property taxes accrued used for purposes of this act have been or will be paid by the claimant. Upon request by the division, such claimant shall provide a copy of the statement of property taxes levied upon the property claimed as a homestead. The amount of personal property taxes levied on a manufactured home or mobile home shall be set out on the personal property tax statement showing the amount of such tax as a separate item.

(c) Every claimant who is a homestead renter, or whose claim is based wholly or partly upon homestead rental at some time during the calendar year, shall supply to the division, in support of a claim, a statement prescribed by the director certifying the amount of gross rent paid and that ad valorem property taxes were levied in full for that year on the property, all or a part of which was rented by the claimant. When such claimant reports household income that is 150% or less of the homestead rental amount and such claimant has failed to provide any documentation or information requested by the division to verify such household income in support of a claim as required pursuant to subsection (a), within 30 days of such request, such homestead property tax refund claim shall be denied.

(d) The information required to be furnished under subsections (b) or (c) subsection (b) shall be in addition to that required under subsection (a).

Sec. 44. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4522 is hereby amended to read as follows: 79-4522. A person owning or occupying a homestead that is not rental property and for which the appraised valuation for property tax purposes exceeds $350,000 in any year shall not be entitled to claim a refund of property taxes under the homestead property tax refund act for any such year. The provisions of this section shall be part of and supplemental to the homestead property tax refund act.

New Sec. 45. (a) (1) Except as provided in subsection (a)(2), commencing with fiscal year 2015, in any fiscal year in which the amount of actual state general fund receipts from such fiscal year exceeds the actual state general fund receipts for the immediately preceding fiscal year by more than 2% and the actual ending state general fund balance exceeds the amount of 7.5% of the total amount authorized to be expended or transferred by demand transfer from the state general fund in such fiscal year, as determined under subsection (b) of K.S.A. 75-6702, and amendments thereto, the director of budget and the director of legislative
research shall jointly certify such excess amount to the secretary of revenue. Upon receipt of such certified amount, the secretary shall estimate the individual income tax and corporate income tax rate reductions to go into effect for the next tax year that would decrease by such certified amount the estimated individual income tax and corporate income tax receipts during the fiscal year after the next fiscal year. Such rate reductions shall be estimated so that the revenue reductions for individual income tax receipts and corporate income tax receipts will be in the same proportion as individual income tax receipts and corporate income tax receipts are to the total of individual and corporate income tax receipts. Rate reductions for individual and corporate income tax shall be applied to reduce the highest marginal rate applicable. Based on such determination, the secretary shall reduce individual and corporate income tax rates prescribed by K.S.A. 79-32,110, and amendments thereto.

(2) In any fiscal year in which the amount of actual state general fund receipts for such fiscal year are less than 102% of the actual state general fund receipts from any prior fiscal year or the actual ending state general fund balance is equal to or less than the amount equal to 7.5% of the total amount authorized to be expended or transferred by demand transfer from the state general fund in such fiscal year, as determined under subsection (b) of K.S.A. 75-6702, and amendments thereto, the director of budget and the director of legislative research shall jointly certify such amount and fact to the secretary of revenue. Upon receipt of such amount and fact, the secretary shall not make any adjustment to the individual and corporate income tax rates.

(b) Any reduction in individual and corporate income tax rates prescribed by this section shall be published in the Kansas register prior to October 15 of the calendar year immediately preceding the tax year in which such reduction takes effect.

(c) The provisions of this section shall be effective on and after January 1, 2013.

New Sec. 46. Any nonrefundable credits applicable to the Kansas income tax imposed on individuals that are no longer available commencing in tax year 2013 pursuant to this act and earned in any tax year prior to 2013 which are unused may continue to be claimed, subject to the limitations applicable to any such credit pursuant to law at the time such credit was earned.


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1 8136, 74-8137, 74-8316, 74-8401, 79-32,110, 79-32,111, 79-32,111a, 79-
7 and 79-4522 are hereby repealed.
8 Sec. 49. This act shall take effect and be in force from and after its
9 publication in the statute book.