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

Section 1. On July 1, 2013, K.S.A. 2012 Supp. 75-5162 is hereby amended to read as follows: 75-5162. (a) For any tax established pursuant to law which is administered by the Kansas department of revenue, any taxpayer having a delinquent tax liability and entering into an agreement with the department providing for an installment payment plan allowing the pay off of such liability in a time period in excess of 90 days from the date when such agreement is entered into shall be assessed a service fee of $10.

(b) Any taxpayer requesting a full or partial abatement of tax liability pursuant to K.S.A. 79-3233a, 79-3618 or 75-5154, and amendments thereto, shall be assessed a service fee of $50.

(c) The department, when remitting funds to the United States internal revenue service in response to a levy on those funds, may withhold from the funds a service fee of $22.

(d) The secretary of revenue shall remit all moneys received by or for the secretary from such fees and collected under this section 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 to the credit of the recovery fund for enforcement actions and attorney fees, which is hereby established in the state treasury and which may be used for the administration and operation of the department. The secretary of revenue shall remit the first $350,000 of delinquent taxes, including penalties and interest, collected during any fiscal year for income tax or any other tax that would otherwise be deposited 100% in the state general fund, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the
recovery fund for enforcement actions and attorney fees. All expenditures
from the recovery fund for enforcement actions and attorney fees shall be
made in accordance with appropriation acts upon warrants of the director
of accounts and reports issued pursuant to vouchers approved by the
secretary of revenue or by a person or persons designated by the secretary.

Sec. 2. K.S.A. 79-32,109 is hereby amended to read as follows: 79-
32,109. As used in this act, unless the context otherwise requires:
(a) (1) Any term used in this act shall have the same meaning as when
used in a comparable context in the federal internal revenue code. Any
reference in this act to the "federal internal revenue code" shall mean the
provisions of the federal internal revenue code of 1986, and amendments
thereto, and other provisions of the laws of the United States relating to
federal income taxes, as the same may be or become effective at any time,
or from time to time, for the taxable year.
(2) Any reference in this act to a federal form or schedule, or to a line
number on a federal form or schedule, shall be to such form, schedule and
line number as they existed for tax year 2011 and as revised thereafter by
the internal revenue service. Any such reference shall include comparable
federal forms, schedules, and line numbers used by non-United States
residents when filing their federal income tax return with the internal
revenue service.
(b) "Resident individual" means a natural person who is domiciled in
this state. A natural person who spends in the aggregate more than six
months of the taxable year within this state shall be presumed to be a
resident for purposes of this act in absence of proof to the contrary. A
nonresident individual means an individual other than a resident
individual.
(c) "Resident estate" means the estate of a deceased person whose
domicile was in this state at the time of such person's death. "Nonresident
estate" means an estate other than a resident estate.
(d) "Resident trust" means a trust which is administered in this state.
A trust shall not be deemed to be administered in this state solely because
it is subject to the jurisdiction of a district court within this state.
"Nonresident trust" means a trust other than a resident trust.
(e) "Resident partner" means a partner who is a resident individual, a
resident estate, or a resident trust. "Nonresident partner" means a partner
other than a resident partner.
(f) "Resident beneficiary" means a beneficiary of an estate or trust
which beneficiary is a resident individual, a resident estate, or a resident
trust. "Nonresident beneficiary" means a beneficiary other than a resident
beneficiary.
(g) "Director" means the director of taxation.
(h) "Modified Kansas source income" means that part of a
nonresident individual's Kansas adjusted gross income as set forth in
K.S.A. 79-32,117, and amendments thereto, derived from sources in
Kansas. Items of income including unemployment compensation, gain,
loss or deduction reflected in Kansas adjusted gross income shall be
considered derived from sources in Kansas to the extent that they are
attributable to: (1) The ownership of any interest in real or tangible
personal property in this state; (2) a business, trade, profession or
occupation carried on in this state; (3) a business, trade, profession or
occupation carried on partly within and partly without this state as
determined by the uniform division of income for tax purposes act as set
forth in K.S.A. 79-3271 through K.S.A. 79-3293, and amendments thereto;
(4) the distributive share of partnership income, gain, loss and deduction
determined under this section as if the partnership were a nonresident
individual; (5) the share of estate or trust income, gain, loss and deduction
determined under K.S.A. 79-32,137, and amendments thereto; (6) prizes
won from lottery games conducted by the Kansas lottery; (7) any winnings
from parimutuel wagering derived from the conduct of parimutuel
activities within this state; or (8) income from intangible personal property,
including annuities, dividends, interest, and gains from the disposition of
intangible personal property to the extent that such income is from
property employed in a trade, business, profession or occupation carried
on in Kansas. A nonresident, other than a dealer holding property primarily
for sale to customers in the ordinary course of such dealer's trade or
business, shall not be deemed to carry on a business, trade, profession or
occupation in Kansas solely by reason of the purchase and sale of property
for such nonresident's own account.

"Modified Kansas source income" shall not include: (1) Compensation
paid by the United States for service in the armed forces of the United
States, performed during an induction period by an individual not
domiciled in this state; or (2) such individual's share of distributed or
undistributed taxable income or net operating loss of a corporation which
is an electing small business corporation unless an agreement is filed as
provided in K.S.A. 79-32,139, and amendments thereto, in which event,
the "modified Kansas source income" of such nonresident individual shall
include such individual's share of such corporation's distributed and
undistributed taxable income or net operating loss as such share is
determined under the internal revenue code only to the extent, however,
that such income, gain or loss is at the corporate level, derived from
sources within Kansas.

Sec. 3. K.S.A. 2012 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 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. 2012 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. 2012 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. 2012 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. 2012 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. 2012 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. 2012 Supp. 79-32,221, and amendments thereto.

(xv) The amount of any expenditures claimed for deduction in determining federal adjusted gross income, to the extent the same is


(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. 2012 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, except those with wholly owned subsidiaries subject to the Kansas privilege tax, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) farm loss as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; all to the extent deducted or subtracted in determining the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011, and as revised thereafter by the internal revenue service.

(xx) For 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.

(xxii) 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.

(xxiii) 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.

(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. 2012 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. 2012 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

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

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

(xviii) For the taxable year beginning after December 31, 2006, amounts received as benefits under the federal social security act which are included in federal adjusted gross income of a taxpayer with federal adjusted gross income of $50,000 or less, whether such taxpayer's filing status is single, head of household, married filing separate or married filing jointly; and for all taxable years beginning after December 31, 2007, amounts received as benefits under the federal social security act which are included in federal adjusted gross income of a taxpayer with federal
adjusted gross income of $75,000 or less, whether such taxpayer's filing
status is single, head of household, married filing separate or married filing
jointly.
(xix) Amounts received by retired employees of Washburn university
as retirement and pension benefits under the university's retirement plan.
(xx) For 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
schedules 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. 4. K.S.A. 2012 Supp. 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 such individual's Kansas standard deduction
unless such individual elects to deduct such individual's Kansas itemized
deductions under the conditions set forth in K.S.A. 79-32,120, and
amendments thereto.
Sec. 5. K.S.A. 2012 Supp. 79-32,266 is hereby amended to read as
follows: 79-32,266. (a) For taxable years commencing after December 31,
2010, there shall be allowed as a credit against the tax liability of a
resident individual taxpayer an amount equal to 95% of the resident
individual's income tax liability under the provisions of the Kansas income
tax act for Kansas source income received from a qualified company that
is business income attributable to business activities conducted at the
business facility, office, department or other operation relocated to Kansas when the taxpayer owns such qualified company and materially participates in such business activities conducted at such relocated business facility, office, department or other operation of such qualified company which qualified for benefits under the provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments thereto. A taxpayer shall be treated as materially participating in such qualified company's business activities conducted at such business facility, office, department or other operation relocated to Kansas only if the taxpayer is involved in such business activities of such qualified company on a basis which is regular, continuous and substantial. A taxpayer may claim the credit authorized by this section during any tax year in which the qualified company owned by the taxpayer qualifies for benefits under provisions of K.S.A. 74-50,212, and amendments thereto.

(b) Business income attributable to the business activities conducted at the business facility, office, department or other operation relocated to Kansas of a qualified company which qualified for benefits under the provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments thereto, shall be determined by multiplying the business income of the company apportioned to this state by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three. For purposes of this subsection, the property factor is a fraction, the numerator of which is the average value of the company's real and tangible personal property owned or rented and used during the tax period at such relocated facility, office, department or other relocated operation in Kansas, and the denominator of which is the average value of the company's real and tangible personal property owned or rented and used within this state during the tax period. The payroll factor is a fraction, the numerator of which is the total amount paid during the tax period by the company for compensation at such relocated facility, office, department or other relocated operation in Kansas, and the denominator of which is the total compensation paid by the company in this state during the tax period. The sales factor is a fraction, the numerator of which is the total sales of the relocated facility, office, department or other relocated operation in this state during the tax period, and the denominator of which is the total sales of the company in this state during the tax period.

(c) This credit shall not be available to any taxpayer making a modification under (b)(xix) or (c)(xx) of K.S.A. 79-32,117, and amendments thereto.

(d) The secretary of revenue shall adopt rules and regulations regarding the filing of documents that support the qualifications of the taxpayer for the credit claimed pursuant to this section.
Sec. 6. K.S.A. 2012 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 subsections (c), (d) and (e), to the credit of the state general fund.

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

(c) (1) The state treasurer shall credit $5/8 of the revenue collected or received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 4.9%, and deposited as provided in subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

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

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

(4) On July 1, 2007, the state treasurer shall credit $13/106 of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.3%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.
(5) On July 1, 2010, the state treasurer shall credit 11.427% of the revenue collected and received from the tax imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 6.3%, and deposited as provided by subsection (a), exclusive of amounts credited pursuant to subsection (d), in the state highway fund.

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

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

(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. 2012 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. 2012 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. 7. K.S.A. 2012 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 subsections (b)(2)(A) and (B) shall make application biennially to the director of taxation therefor. Exemptions granted pursuant to subsections (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 subsections (b)(2)(D) or (E) shall make application biennially to the director of taxation therefor. Such application shall be accompanied by proof of the approval of an application for the utilization of a water flood process therefor by the corporation commission pursuant to rules and regulations adopted under the authority of K.S.A. 55-152, and amendments thereto, and proof that the oil produced therefrom is kept in a separate tank battery and that separate books and records are maintained therefor. Such exemption shall be valid for a period of two years following the date of certification thereof by the director of taxation; (C) any
exemption granted pursuant to subsections (b)(2)(A), (B), (D) or (E) with
an odd lease number and an exemption termination date between June 1,
2004, and May 31, 2005, inclusive, shall be valid for a period of one year
following the date of certification; and (D) notwithstanding the provisions
of paragraph (A) or (B), any exemption in effect on the effective date of
this act affected by the amendments to subsection (b)(2) by this act shall
be redetermined in accordance with such amendments. Any such
exemption, and any new exemption established by such amendments and
applied for after the effective date of this act 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 from any well within a pool
from which oil was first produced on or after July 1, 2012, as certified by
the state corporation commission to the director of taxation, and from
which the average daily severance and production of oil during the initial
six months of production from the date of first production from such pool
producing well, which well has not been significantly curtailed by reason
of mechanical failure or other disruption of production, does not exceed
50 barrels per day as certified 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. For any
such well that has qualified for exemption, if the average daily severance
and production of oil from such well exceeds 50 barrels per day within any qualifying one-month production period after the initial qualifying production period, the exemption for such well shall be terminated as of the commencement of such one-month production period;

(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;

(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 start-up date of such project. As used in this paragraph:

(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; or
(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 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 subsection (b) (7)(A)(4)(vii).
(C) Any taxpayer applying for an exemption pursuant to this paragraph 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 start-up date and the certification of qualifications by the commission.

(D) The exemptions provided for in this paragraph 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 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. 9. On July 1, 2013, K.S.A. 2012 Supp. 75-5162 is hereby repealed.

Sec. 10. This act shall take effect and be in force from and after its publication in the Kansas register.