

HOUSE BILL No. 2432

By Committee on Taxation

6-4

1 AN ACT concerning taxation; relating to income tax, rates, credits,
2 deductions and determination of Kansas adjusted gross income;
3 amending K.S.A. 2016 Supp. 32-1438, 39-7,132, 40-2246, 65-7107,
4 74-8206, 74-8304, 74-8316, 74-8401, 79-32,110, 79-32,117, 79-32,119,
5 79-32,120, 79-32,143, 79-32,143a, 79-32,182b, 79-32,190, 79-32,200,
6 79-32,201, 79-32,204, 79-32,207, 79-32,210, 79-32,212, 79-32,222,
7 79-32,271, 79-4501, 79-4502, 79-4508, 79-4509, 79-4511 and 79-4522
8 and repealing the existing sections; also repealing K.S.A. 2016 Supp.
9 79-32,269.

10

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

12 New Section 1. The provisions of sections 1 through 8, and
13 amendments thereto, shall be known and may be cited as the food sales tax
14 refund act.

15 New Sec. 2. As used in the food sales tax refund act, unless the
16 context clearly indicates otherwise:

17 (a) "Income" means adjusted gross income determined under the
18 Kansas income tax act without regard to the modifications specified by
19 K.S.A. 79-32,117(c)(i), (vii), (ix), (xii), (xix), (xx), (xxii) and (xxiv), and
20 amendments thereto, and K.S.A. 79-32,117(c)(ii), and amendments
21 thereto, regarding Kansas public employee retirement system benefits.

22 (b) "Household" means a claimant and all other persons for whom a
23 personal exemption is claimed who together occupy a common residence.

24 (c) "Claimant" means a person who has filed a claim for a refund or
25 credit under the provisions of this act and was, during the entire calendar
26 year preceding the year in which the claim was filed for relief under this
27 act, domiciled in this state, was a member of a household, had income of
28 not more than \$36,700 in the calendar year for which a claim is filed and
29 was: (1) A person having a disability; (2) a person other than a person
30 included under paragraph (1), who has attained 55 years of age in the
31 calendar year for which a claim is filed; or (3) a person other than a person
32 included under paragraph (1) or (2) having one or more dependent children
33 under 18 years of age residing at the person's homestead during the
34 calendar year for which a claim is filed.

35 (d) "Head of household" means the person filing a claim under the
36 provisions of this act.

1 (e) "Disability" means: (1) Inability to engage in any substantial
2 gainful activity by reason of any medically determinable physical or
3 mental impairment that can be expected to result in death or has lasted or
4 can be expected to last for a continuous period of not less than 12 months,
5 and an individual shall be determined to be under a disability only if the
6 physical or mental impairment or impairments are of such severity that the
7 individual is not only unable to do the individual's previous work but
8 cannot, considering age, education and work experience, engage in any
9 other kind of substantial gainful work that exists in the national economy,
10 regardless of whether such work exists in the immediate area in which the
11 individual lives or whether a specific job vacancy exists for the individual,
12 or whether the individual would be hired if application was made for work.
13 For purposes of the preceding sentence, with respect to any individual,
14 "work that exists in the national economy" means work that exists in
15 significant numbers, either in the region where the individual lives, or in
16 several regions of the country; for purposes of this subsection, a "physical
17 or mental impairment" is an impairment that results from anatomical,
18 physiological or psychological abnormalities that are demonstrable by
19 medically acceptable clinical and laboratory diagnostic techniques; or

20 (2) blindness and inability by reason of blindness to engage in
21 substantial gainful activity requiring skills or abilities comparable to those
22 of any gainful activity in which the individual has previously engaged with
23 some regularity and over a substantial period of time.

24 (f) "Blindness" means central visual acuity of $^{20}/_{200}$ or less in the better
25 eye with the use of a correcting lens. An eye that is accompanied by a
26 limitation in the fields of vision such that the widest diameter of the visual
27 field subtends an angle no greater than 20 degrees shall be considered for
28 the purpose of this paragraph as having a central visual acuity of $^{20}/_{200}$ or
29 less.

30 New Sec. 3. The right to file a claim for a refund under the food sales
31 tax refund act shall be personal to the claimant and shall not survive such
32 claimant's death, but such right may be exercised on behalf of a claimant
33 by such claimant's legal guardian, conservator or attorney-in-fact. When a
34 claimant dies after having filed a timely claim, the amount of such claim
35 shall be disbursed to another member of the household as determined by
36 the director of taxation. If the claimant was the only member of such
37 claimant's household, the claim may be paid to such claimant's executor or
38 administrator, but if neither is appointed and qualified, the amount of the
39 claim may be paid upon a claim duly made to any heir at law. In the
40 absence of any such claim within two years of the filing of the claim, the
41 amount of the claim shall escheat to the state.

42 New Sec. 4. (a) (1) A claimant shall be entitled to a refund of
43 retailers' sales taxes paid upon food during the calendar year 2017 and

1 each year thereafter in the amount hereinafter provided. There shall be
2 allowed for each member of a household of a claimant having income of
3 \$18,350 or less, an amount equal to \$94. There shall be allowed for each
4 member of a household of a claimant having income of more than
5 \$18,350, but not more than \$36,700, an amount equal to \$47. There shall
6 be allowed for a claimant who qualifies for an additional personal
7 exemption amount pursuant to K.S.A. 79-32,121, and amendments thereto,
8 an additional amount of \$47 or \$94, as the case requires. All such claims
9 shall be paid from the sales tax refund fund upon warrants of the director
10 of accounts and reports pursuant to vouchers approved by the director of
11 taxation or by a person or persons designated by the director.

12 (2) As an alternative to the procedure described by subsection (a)(1),
13 for all taxable years commencing after December 31, 2016, there shall be
14 allowed as a credit against the tax liability of a resident individual imposed
15 under the Kansas income tax act an amount equal to \$47 or \$94, as the
16 case requires, for each member of a household. There shall be allowed for
17 a claimant who qualifies for an additional personal exemption amount
18 pursuant to K.S.A. 79-32,121, and amendments thereto, an additional
19 amount of \$47 or \$94, as the case requires. If the amount of such tax credit
20 exceeds the claimant's income tax liability for such taxable year, such
21 excess amount shall be refunded to the claimant.

22 (b) A head of household shall make application for refunds for all
23 members of the same household upon a common form provided for the
24 making of joint claims. All claims paid to members of the same household
25 shall be paid as a joint claim by means of a single warrant.

26 (c) No claim for a refund of taxes under the provisions of the food
27 sales tax refund act shall be paid or allowed unless such claim is actually
28 filed with and in the possession of the department of revenue on or before
29 April 15 of the year next succeeding the year in which such taxes were
30 paid. The director of taxation may: (1) Extend the time for filing any claim
31 under the provisions of this act when good cause exists; or (2) accept a
32 claim filed after the deadline for filing in the case of sickness, absence or
33 disability of the claimant if such claim has been filed within four years of
34 such deadline.

35 (d) In the case of all tax years commencing after December 31, 2016,
36 the threshold income amounts prescribed in this section and section 2, and
37 amendments thereto, and the amounts of refund of taxes and the amounts
38 of the tax credit, both as prescribed in this section, shall be increased by an
39 amount equal to such threshold amount multiplied by the cost-of-living
40 adjustment determined under section 1 (f)(3) of the federal internal
41 revenue code for the calendar year in which the taxable year commences.

42 New Sec. 5. (a) In administering the food sales tax refund act, the
43 division of taxation shall make available suitable forms with instructions

1 for claimants. Copies of such forms shall also be made available to all
2 county clerks and county treasurers in sufficient numbers to supply
3 claimants residing in their respective counties. It shall be the duty of the
4 county clerk to assist any claimant seeking assistance in the filing of a
5 claim under the provisions of this act. The county treasurer of each county
6 shall mail to each taxpayer with the property tax statement of such
7 taxpayer information on the claiming of a refund of retailers' sales taxes
8 paid upon food, which shall be provided by the secretary of revenue.

9 (b) The secretary of revenue is hereby authorized to adopt such rules
10 and regulations as may be necessary for the administration of the
11 provisions of this act.

12 New Sec. 6. Every claimant for the refund of taxes under the
13 provisions of the food sales tax refund act shall supply to the division, in
14 support of a claim, a valid social security number issued by the social
15 security administration for each claimant, every household member and
16 every dependent child, a clear statement as to whether such claimant
17 qualifies for a refund under the provisions of section 2, and amendments
18 thereto, reasonable proof of age or disability, and household income. A
19 claim alleging disability shall be supported by a report of the examining
20 physician of the claimant with a statement or certificate that the applicant
21 has a disability within the meaning of section 2, and amendments thereto.

22 New Sec. 7. In any case in which it is determined that a claim was
23 filed with fraudulent intent, the claim shall be disallowed, and, if the claim
24 has been paid, the amount paid may be recovered by assessment as income
25 taxes are assessed, and such assessment shall bear interest from the date of
26 payment of the claim, until recovered, at the rate prescribed by K.S.A. 79-
27 2968(a), and amendments thereto. The claimant in such case, and any
28 person who assisted in the preparation or filing of such claim, or supplied
29 information upon which such claim was prepared, with fraudulent intent,
30 shall be guilty of a class B misdemeanor.

31 New Sec. 8. The director of taxation shall examine all claims for
32 refund under the food sales tax refund act, and shall issue final
33 determinations of such claims in the manner prescribed by K.S.A. 79-
34 3226, and amendments thereto, relating to income taxes.

35 New Sec. 9. (a) For all taxable years commencing after December 31,
36 2016, there shall be allowed as a credit against the tax liability of a
37 resident individual imposed under the Kansas income tax act an amount
38 equal to 25% of the amount of the credit allowed against such taxpayer's
39 federal income tax liability pursuant to 26 U.S.C. § 21 for the taxable year
40 in which such credit was claimed against the taxpayer's federal income tax
41 liability.

42 (b) The credit allowed by subsection (a) shall not exceed the amount
43 of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced

1 by the sum of any other credits allowable pursuant to law.

2 (c) No credit provided under this section shall be allowed to any
3 individual who fails to provide a valid social security number issued by the
4 social security administration, to such individual, the individual's spouse
5 and every dependent of the individual.

6 New Sec. 10. (a) For taxable years commencing after December 31,
7 2016, the employer of any officer or enlisted member of the Kansas
8 national guard shall be allowed a credit against the income tax imposed by
9 the Kansas income tax act in an amount equal to amounts paid by such
10 employer for health insurance for such officer or member and such
11 officer's or member's family during any period or consecutive periods of
12 state active duty in excess of 30 days, if such employer is not otherwise
13 required to pay for such insurance.

14 (b) The credit allowed by this section shall not exceed the amount of
15 tax imposed under the Kansas income tax act reduced by the sum of any
16 other credits allowable pursuant to law. If the amount of the credit allowed
17 by subsection (a) of this section exceeds the taxpayer's income tax liability
18 imposed under the Kansas income tax act, such excess amount may be
19 carried over for credit in the same manner in the succeeding taxable years
20 until the total amount of such credit is used.

21 (c) On or before December 15, 2017, and each ensuing year, the
22 adjutant general shall pay to a political subdivision of the state that is the
23 employer of any officer or enlisted member of the Kansas national guard
24 the amount equal to the amount paid by such employer for health
25 insurance for such officer's or member's family during any period or
26 consecutive periods of state active duty in excess of 30 days, if such
27 employer is not otherwise required to pay for such insurance, subject to the
28 allocation of funds in accordance with this subsection. Each officer and
29 enlisted member of the national guard requesting reimbursement under this
30 section shall present proof of such health insurance cost on forms
31 furnished by the adjutant general. The state finance council, acting on this
32 matter, which is hereby characterized as a matter of legislative delegation
33 and subject to the guidelines prescribed in K.S.A. 75-3711c(c), and
34 amendments thereto, is hereby authorized to make allocations to and
35 authorize expenditures by the adjutant general from the state emergency
36 fund for reimbursements to political subdivisions for payment of health
37 insurance costs for members of the national guard for periods of state
38 active duty as provided by this subsection.

39 New Sec. 11. For tax years commencing after December 31, 2016,
40 any business firm that contributes, gifts or donates to the Kansas law
41 enforcement training center to be used by the center for the purpose of
42 providing programs and courses of instruction for full-time police officers
43 and law enforcement officers assigned to fulfill the continuing education

1 and training requirements of such officers pursuant to K.S.A. 74-6507a,
2 and amendments thereto, shall be allowed a credit against the tax imposed
3 by the Kansas income tax act. The amount of such credit shall not exceed
4 50% of the total amount contributed, gifted or donated during the taxable
5 year by the business firm pursuant to this section. In no event shall the
6 total amount of credits allowed under this section in any one tax year
7 exceed the amount of moneys that the director of police training at the
8 Kansas law enforcement training center has certified is necessary to
9 provide such continuing education for the fiscal year following such tax
10 year. Such certification shall be submitted to the secretary of revenue prior
11 to the commencement of the applicable tax year. The credit allowed by this
12 section shall be deducted from the taxpayer's income tax liability imposed
13 by the Kansas income tax act for the taxable year in which the
14 contributions are made by the taxpayer. If the amount of the credit allowed
15 by this section exceeds the taxpayer's income tax liability imposed by the
16 Kansas income tax act for such taxable year, such excess may be carried
17 forward for credit in the same manner in the succeeding taxable years until
18 the total amount of such credit is used. As used in this section, "business
19 firm" means any business entity authorized to do business in the state of
20 Kansas that is subject to the state income tax imposed by the Kansas
21 income tax act and any individual subject to the state income tax imposed
22 by the Kansas income tax act.

23 Sec. 12. K.S.A. 2016 Supp. 32-1438 is hereby amended to read as
24 follows: 32-1438. (a) ~~For taxable years commencing on and after~~
25 ~~December 31, 2003, December 31, 2004, December 31, 2005, December~~
26 ~~31, 2006, and December 31, 2007,~~ There shall be allowed as a credit
27 against the tax liability of a taxpayer imposed under the Kansas income tax
28 act, an amount equal to 20% of the cost of liability insurance paid by a
29 registered agritourism operator who operates an agritourism activity on the
30 effective date of this act. No tax credit claimed pursuant to this subsection
31 shall exceed \$2,000. If the amount of such tax credit exceeds the
32 taxpayer's income tax liability for such taxable year, the amount thereof
33 which exceeds such tax liability may be carried over for deduction from
34 the taxpayer's income tax liability in the next succeeding taxable year or
35 years until the total amount of tax credit has been deducted from tax
36 liability, except that no such tax credit shall be carried forward for
37 deduction after the third taxable year succeeding the taxable year in which
38 the tax credit is claimed.

39 (b) For the first five taxable years commencing after a taxpayer opens
40 such taxpayer's business, after the effective date of this act, there shall be
41 allowed as a credit against the tax liability of a taxpayer imposed under the
42 Kansas income tax act, an amount equal to 20% of the cost of liability
43 insurance paid by a registered agritourism operator who starts an

1 agritourism activity after the effective date of this act. No tax credit
2 claimed pursuant to this subsection shall exceed \$2,000. If the amount of
3 such tax credit exceeds the taxpayer's income tax liability for such taxable
4 year, the amount thereof which exceeds such tax liability may be carried
5 over for deduction from the taxpayer's income tax liability in the next
6 succeeding taxable year or years until the total amount of tax credit has
7 been deducted from tax liability, except that no such tax credit shall be
8 carried forward for deduction after the third taxable year succeeding the
9 taxable year in which the tax credit is claimed.

10 (c) The secretary of wildlife, parks and tourism shall adopt rules and
11 regulations establishing criteria for determining those costs which qualify
12 as costs of liability insurance for agritourism activities of a registered
13 agritourism operator.

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

19 ~~(e)~~—As used in this section, terms have the meanings provided by
20 K.S.A. 2016 Supp. 32-1432, and amendments thereto.

21 ~~(f)(e)~~ For ~~tax year 2013 and all tax years thereafter~~ *all tax years*
22 *beginning after December 31, 2012, and ending before January 1, 2017,*
23 the income tax credit provided by this section shall only be available to
24 taxpayers subject to the income tax on corporations imposed pursuant to
25 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
26 be applied only against such taxpayer's corporate income tax liability.

27 Sec. 13. K.S.A. 2016 Supp. 39-7,132 is hereby amended to read as
28 follows: 39-7,132. (a) Any person who agrees to provide financial support
29 to a person who would otherwise be eligible to receive aid to families with
30 dependent children and who has entered into an agreement with the
31 secretary for children and families for this purpose, in accordance with
32 rules and regulations adopted by the secretary for children and families
33 establishing the terms and conditions of such agreement, shall receive a
34 credit against the tax liability imposed under the Kansas income tax act as
35 provided under K.S.A. 79-32,200, and amendments thereto.

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

1 expenses and one-time grants.

2 (c) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
3 *beginning after December 31, 2012, and ending before January 1, 2017,*
4 the income tax credit provided by this section shall only be available to
5 taxpayers subject to the income tax on corporations imposed pursuant to
6 ~~subsection (c) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall
7 be applied only against such taxpayer's corporate income tax liability.

8 Sec. 14. K.S.A. 2016 Supp. 40-2246 is hereby amended to read as
9 follows: 40-2246. (a) A credit against the taxes otherwise due under the
10 Kansas income tax act shall be allowed to an employer for amounts paid
11 during the taxable year for purposes of this act on behalf of an eligible
12 employee as defined in K.S.A. 40-2239, and amendments thereto, to
13 provide health insurance or care and amounts contributed to health savings
14 accounts of eligible covered employees, except that for taxable years
15 commencing after December 31, 2013, no credit shall be allowed pursuant
16 to this section for that portion of any amounts paid by an employer for
17 healthcare expenditures, a health benefit plan, as defined in K.S.A. 2016
18 Supp. 65-6731, and amendments thereto, or amounts contributed to health
19 savings accounts for the purchase of an optional rider for coverage of
20 abortion in accordance with K.S.A. 40-2,190, and amendments thereto.

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

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

43 (c) If the credit allowed by this section is claimed, the amount of any

1 deduction allowable under the Kansas income tax act for expenses
2 described in this section shall be reduced by the dollar amount of the
3 credit. The election to claim the credit shall be made at the time of filing
4 the tax return in accordance with law. If the credit allowed by this section
5 exceeds the taxes imposed under the Kansas income tax act for the taxable
6 year, that portion of the credit which exceeds those taxes shall be refunded
7 to the taxpayer.

8 (d) Any amount of expenses paid by an employer under this act shall
9 not be included as income to the employee for purposes of the Kansas
10 income tax act. If such expenses have been included in federal taxable
11 income of the employee, the amount included shall be subtracted in
12 arriving at state taxable income under the Kansas income tax act.

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

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

17 (g) For ~~tax year 2013 and all tax years thereafter~~ *all taxable years*
18 *beginning after December 31, 2012, and ending before January 1, 2017,*
19 the income tax credit provided by this section shall only be available to
20 taxpayers subject to the income tax on corporations imposed pursuant to
21 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall
22 be applied only against such taxpayer's corporate income tax liability.

23 Sec. 15. K.S.A. 2016 Supp. 65-7107 is hereby amended to read as
24 follows: 65-7107. (a) Appropriate state agencies are hereby directed to
25 amend their state plans to protect the benefits of those receiving such
26 benefits by adding language consistent with the following: Any funds in an
27 individual development account, including accrued interest, shall be
28 disregarded when determining eligibility to receive the amount of any
29 public assistance or benefits.

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

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

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

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

3 (f) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
4 *beginning after December 31, 2012, and ending before January 1, 2017,*
5 the income tax credit provided by this section shall only be available to
6 taxpayers subject to the income tax on corporations imposed pursuant to
7 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
8 be applied only against such taxpayer's corporate income tax liability.

9 Sec. 16. K.S.A. 2016 Supp. 74-8206 is hereby amended to read as
10 follows: 74-8206. (a) Except as otherwise provided in K.S.A. 74-8207, and
11 amendments thereto, every taxpayer investing in stock issued by Kansas
12 venture capital, inc. shall be entitled to a credit in an amount equal to 25%
13 of the total amount of cash investment in such stock against the income tax
14 liability imposed against such taxpayer pursuant to article 32 of chapter 79
15 of the Kansas Statutes Annotated, *and amendments thereto.* The amount by
16 which that portion of the credit allowed by this section exceeds the
17 taxpayer's tax liability in any one taxable year may be carried forward until
18 the total amount of the credit is used. If the taxpayer is a corporation
19 having an election in effect under subchapter S of the federal internal
20 revenue code or a partnership, the credit provided by this section shall be
21 claimed by the shareholders of such corporation or the partners of such
22 partnership in the same manner as such shareholders or partners account
23 for their proportionate shares of the income or loss of the corporation or
24 partnership.

25 (b) No taxpayer claiming a credit under this section for cash
26 investment in stock issued by Kansas venture capital, inc. shall be eligible
27 to claim a credit for the same investment under the provisions of K.S.A.
28 74-8301 ~~to~~ *through* 74-8311, ~~inclusive,~~ and amendments thereto.

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

32 (d) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
33 *beginning after December 31, 2012, and ending before January 1, 2017,*
34 the income tax credit provided by this section shall only be available to
35 taxpayers subject to the income tax on corporations imposed pursuant to
36 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
37 be applied only against such taxpayer's corporate income tax liability.

38 Sec. 17. K.S.A. 2016 Supp. 74-8304 is hereby amended to read as
39 follows: 74-8304. (a) There shall be allowed as a credit against the tax
40 imposed by the Kansas income tax act on the Kansas taxable income of a
41 taxpayer and against the tax imposed by K.S.A. 40-252, and amendments
42 thereto, on insurance companies for a cash investment in a certified
43 Kansas venture capital company in an amount equal to 25% of such

1 taxpayer's cash investment in any such company in the taxable year in
2 which such investment is made and the taxable years following such
3 taxable year until the total amount of the credit is used. The amount by
4 which that portion of the credit allowed by this section exceeds the
5 taxpayer's liability in any one taxable year may be carried forward until the
6 total amount of the credit is used. If the taxpayer is a corporation having an
7 election in effect under subchapter S of the federal internal revenue code
8 or a partnership, the credit provided by this section shall be claimed by the
9 shareholders of such corporation or the partners of such partnership in the
10 same manner as such shareholders or partners account for their
11 proportionate shares of the income or loss of the corporation or
12 partnership.

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

30 (c) No taxpayer shall claim a credit under this section for cash
31 investment in Kansas venture capital, inc. No Kansas venture capital
32 company shall qualify for the tax credit allowed by Chapter 332 of the
33 1986 Session Laws of Kansas for investment in stock of Kansas venture
34 capital, inc.

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

38 (e) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
39 *beginning after December 31, 2012, and ending before January 1, 2017,*
40 the income tax credit provided by this section shall only be available to
41 taxpayers subject to the income tax on corporations imposed pursuant to
42 ~~subsection (c) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall
43 be applied only against such taxpayer's corporate income tax liability.

1 Sec. 18. K.S.A. 2016 Supp. 74-8316 is hereby amended to read as
2 follows: 74-8316. (a) The secretary is hereby authorized to facilitate the
3 establishment of a technology-based venture-capital fund in which the
4 department may invest only moneys from the economic development
5 initiatives fund specifically so allocated. The department may also credit
6 the fund with gifts, donations or grants received from any source other
7 than state government and with proceeds from the fund. Investments in the
8 fund shall qualify for the income tax credit allowed pursuant to K.S.A. 74-
9 8304, and amendments thereto.

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

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

- 15 (A) Loans, loans convertible to equity, and equity;
- 16 (B) leaseholds;
- 17 (C) management or consultant service agreements;
- 18 (D) loans with warrants attached that are beneficially owned by the
19 fund;
- 20 (E) loans with warrants attached that are beneficially owned by a
21 party other than the fund; and

22 (F) the fund, in connection with the provision of any form of financial
23 assistance, may enter into royalty agreements with an enterprise.

24 (2) To invest in such other investments as are lawful for Kansas
25 fiduciaries pursuant to K.S.A. 58-24a02, and amendments thereto.

26 (c) Distributions received by the corporation may be reinvested in any
27 fund consistent with the purposes of this act.

28 (d) The secretary may invest only in a fund whose investment
29 guidelines permit the fund's purchase of qualified securities issued by an
30 enterprise as a part of a resource and technology project subject to the
31 following:

- 32 (1) Receipt of an application from the enterprise which contains:
 - 33 (A) A business plan including a description of the enterprise and its
34 management, product and market;
 - 35 (B) a statement of the amount, timing and projected use of the capital
36 required;
 - 37 (C) a statement of the potential economic impact of the enterprise,
38 including the number, location and types of jobs expected to be created;
39 and
 - 40 (D) such other information as the fund manager or the fund's board of
41 directors shall request.

42 (2) Approval of the investment by the fund may be made after the
43 fund manager or the fund's board of directors finds, based upon the

1 application submitted by the enterprise and such additional investigation as
2 the fund manager or the fund's board of directors shall make and
3 incorporate in its minutes, that:

4 (A) The proceeds of the investment will be used only to cover the
5 venture-capital needs of the enterprise except as authorized by this section;

6 (B) the enterprise has a reasonable possibility of success;

7 (C) the fund's participation is instrumental to the success of the
8 enterprise because funding otherwise available for the enterprise is not
9 available on commercially feasible terms;

10 (D) the enterprise has the reasonable potential to create a substantial
11 amount of employment within the state;

12 (E) the entrepreneur and other founders of the enterprise have already
13 made or are contractually committed to make a substantial financial and
14 time commitment to the enterprise;

15 (F) the securities to be purchased are qualified securities;

16 (G) there is a reasonable possibility that the fund will recoup at least
17 its initial investment; and

18 (H) binding commitments have been made to the fund by the
19 enterprise for adequate reporting of financial data to the fund, which shall
20 include a requirement for an annual report, or if required by the fund
21 manager, an annual audit of the financial and operational records of the
22 enterprise, and for such control on the part of the fund as the fund manager
23 shall consider prudent over the management of the enterprise, so as to
24 protect the investment of the fund, including in the discretion of the fund
25 manager and without limitation, the right of access to financial and other
26 records of the enterprise.

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

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

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

40 (h) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
41 *beginning after December 31, 2012, and ending before January 1, 2017,*
42 the income tax credit provided by this section shall only be available to
43 taxpayers subject to the income tax on corporations imposed pursuant to

1 ~~subsection (e)~~ of K.S.A. 79-32,110(c), and amendments thereto, and shall
2 be applied only against such taxpayer's corporate income tax liability.

3 Sec. 19. K.S.A. 2016 Supp. 74-8401 is hereby amended to read as
4 follows: 74-8401. (a) There shall be allowed as a credit against the tax
5 imposed by the Kansas income tax act on the Kansas taxable income of a
6 taxpayer and against the tax imposed by K.S.A. 40-252, and amendments
7 thereto, on insurance companies for cash investment in a certified local
8 seed capital pool an amount equal to 25% of such taxpayer's cash
9 investment in any such pool in the taxable year in which such investment
10 is made and the taxable years following such taxable year until the total
11 amount of the credit is used. The amount by which that portion of the
12 credit allowed by this section exceeds the taxpayer's liability in any one
13 taxable year may be carried forward until the total amount of the credit is
14 used. If the taxpayer is a corporation having an election in effect under
15 subchapter S of the federal internal revenue code or a partnership, the
16 credit provided by this section shall be claimed by the shareholders of such
17 corporation or the partners of such partnership in the same manner as such
18 shareholders or partners account for their proportionate shares of the
19 income or loss of the corporation or partnership.

20 (b) The total amount of credits allowable pursuant to this section and
21 credits allowable pursuant to K.S.A. 74-8205, 74-8206 and 74-8304, and
22 amendments thereto, shall be attributable to not more than \$50,000,000 of
23 cash investments in Kansas venture capital companies, Kansas venture
24 capital, inc. and local seed capital pools. With respect to the additional
25 amount of cash investments made eligible for tax credits by this act,
26 \$10,000,000 of such amount shall be dedicated and reserved until
27 December 31, 1990, for cash investments in a seed capital fund or funds in
28 which the department of commerce is an investor. The \$50,000,000
29 amount of cash investments now eligible for the tax credits allowed
30 pursuant to this section and K.S.A. 74-8205, 74-8206 and 74-8304, and
31 amendments thereto, shall be reduced to the extent that the total amount of
32 cash investments received by such seed capital fund or funds before
33 January 1, 1991, is less than \$10,000,000. However, any such credits
34 which were not claimed for investments made prior to January 1, 1991,
35 may be allowed to a taxpayer for cash investment made in Kansas venture
36 capital, inc. pursuant to K.S.A. 74-8205 and 74-8206, and amendments
37 thereto, not to exceed \$2,595,236 of the \$10,000,000 reserved under this
38 subsection for investment in seed capital funds in which the department of
39 commerce was an investor. A taxpayer may also be allowed a credit for
40 cash investment made pursuant to K.S.A. 74-8304, and amendments
41 thereto, not to exceed \$6,012,345 of the \$10,000,000 reserved under this
42 subsection if such taxpayer first purchases the entire interest of the
43 department of commerce in Kansas venture capital companies established

1 prior to January 1, 1991. However, no credit shall be allowed for cash
 2 investment which results in the purchase of the interest of the Kansas
 3 technology enterprise corporation or its subsidiaries in Kansas venture
 4 capital companies established prior to January 1, 1991.

5 (c) As used in this section;: (1) "Local seed capital pool" means
 6 money invested in a fund established to provide funding for use by small
 7 businesses for any one or more of the following purposes: (A)
 8 Development of a prototype product or process; (B) a marketing study to
 9 determine the feasibility of a new product or process; or (C) a business
 10 plan for the development and production of a new product or process; and

11 (2) "Kansas business" means any small business owned by an
 12 individual, any partnership, association or corporation domiciled in
 13 Kansas, or any corporation, even if a wholly owned subsidiary of a foreign
 14 corporation, that does business primarily in Kansas or does substantially
 15 all of its production in Kansas.

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

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

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

30 (g) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
 31 *beginning after December 31, 2012, and ending before January 1, 2017,*
 32 the income tax credit provided by this section shall only be available to
 33 taxpayers subject to the income tax on corporations imposed pursuant to
 34 ~~subsection (e) of K.S.A. 79-32,110(c)~~, and amendments thereto, and shall
 35 be applied only against such taxpayer's corporate income tax liability.

36 Sec. 20. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as
 37 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided
 38 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed
 39 upon the Kansas taxable income of every resident individual, which tax
 40 shall be computed in accordance with the following tax schedules:

41 (1) *Married individuals filing joint returns*.

42 (A) For tax year 2012:

43 If the taxable income is:

The tax is:

| | | |
|---|--|-------------------------------|
| 1 | Not over \$30,000..... | 3.5% of Kansas taxable income |
| 2 | Over \$30,000 but not over \$60,000..... | \$1,050 plus 6.25% of excess |
| 3 | | over \$30,000 |
| 4 | Over \$60,000..... | \$2,925 plus 6.45% of excess |
| 5 | | over \$60,000 |

6 (B) For tax year 2013:

| | | |
|----|---------------------------|--------------------------------|
| 7 | If the taxable income is: | The tax is: |
| 8 | Not over \$30,000..... | 3.0% of Kansas taxable income |
| 9 | Over \$30,000..... | \$900 plus 4.9% of excess over |
| 10 | | \$30,000 |

11 (C) For tax year 2014:

| | | |
|----|---------------------------|--------------------------------|
| 12 | If the taxable income is: | The tax is: |
| 13 | Not over \$30,000..... | 2.7% of Kansas taxable income |
| 14 | Over \$30,000..... | \$810 plus 4.8% of excess over |
| 15 | | \$30,000 |

16 (D) For tax years 2015; ~~and 2016 and 2017:~~

| | | |
|----|---------------------------|--------------------------------|
| 17 | If the taxable income is: | The tax is: |
| 18 | Not over \$30,000..... | 2.7% of Kansas taxable income |
| 19 | Over \$30,000..... | \$810 plus 4.6% of excess over |
| 20 | | \$30,000 |

21 (E) For tax year ~~2018~~ 2017, and all tax years thereafter:

| | | |
|----|--|--|
| 22 | If the taxable income is: | The tax is: |
| 23 | Not over \$30,000..... | 2.6% 3.5% of Kansas taxable |
| 24 | | income |
| 25 | Over \$30,000 <i>but not over \$60,000</i> | \$780 \$1,050 plus 4.6% 6.25% of |
| 26 | | excess over \$30,000 |
| 27 | <i>Over \$60,000</i> | \$2,925 plus 6.45% of excess over |
| 28 | | \$60,000 |

29 (2) *All other individuals.*

30 (A) For tax year 2012:

| | | |
|----|--|---------------------------------|
| 31 | If the taxable income is: | The tax is: |
| 32 | Not over \$15,000..... | 3.5% of Kansas taxable income |
| 33 | Over \$15,000 but not over \$30,000..... | \$525 plus 6.25% of excess |
| 34 | | over \$15,000 |
| 35 | Over \$30,000..... | \$1,462.50 plus 6.45% of excess |
| 36 | | over \$30,000 |

37 (B) For tax year 2013:

| | | |
|----|---------------------------|--------------------------------|
| 38 | If the taxable income is: | The tax is: |
| 39 | Not over \$15,000..... | 3.0% of Kansas taxable income |
| 40 | Over \$15,000..... | \$450 plus 4.9% of excess over |
| 41 | | \$15,000 |

42 (C) For tax year 2014:

| | | |
|----|---------------------------|-------------|
| 43 | If the taxable income is: | The tax is: |
|----|---------------------------|-------------|

| | | |
|---|--|--------------------------------|
| 1 | Not over \$15,000..... | 2.7% of Kansas taxable income |
| 2 | Over \$15,000..... | \$405 plus 4.8% of excess over |
| 3 | | \$15,000 |
| 4 | (D) For tax years 2015, and 2016 and 2017 : | |
| 5 | If the taxable income is: | The tax is: |
| 6 | Not over \$15,000..... | 2.7% of Kansas taxable income |
| 7 | Over \$15,000..... | \$405 plus 4.6% of excess over |
| 8 | | \$15,000 |

| | | |
|----|--|--|
| 9 | (E) For tax year 2018 2017, and all tax years thereafter: | |
| 10 | If the taxable income is: | The tax is: |
| 11 | Not over \$15,000..... | 2.6% 3.5% of Kansas taxable |
| 12 | | income |
| 13 | Over \$15,000 but not over \$30,000..... | \$390 \$525 plus 4.6% 6.25% of |
| 14 | | excess over \$15,000 |
| 15 | Over \$30,000..... | \$1,462.50 plus 6.45% of excess |
| 16 | | over \$30,000 |

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

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

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

28 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
 29 3.1% of the Kansas taxable income of such corporation in excess of
 30 \$50,000;

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

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

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

40 (e) ~~Tax rates provided in this section shall be adjusted pursuant to the~~
 41 ~~provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.~~

42 (f) ~~Notwithstanding the provisions of subsections (a) and (b), for tax~~
 43 ~~year 2016, and all tax years thereafter, married individuals filing joint~~

1 returns with taxable income of \$12,500 or less, and all other individuals
2 with taxable income of \$5,000 or less, shall have a tax liability of zero.

3 *(f) No taxpayer shall be assessed penalties and interest arising from*
4 *the underpayment of taxes due to changes to the rates in subsection (a)*
5 *that became law on July 1, 2017, so long as such underpayment is*
6 *rectified on or before April 17, 2018.*

7 Sec. 21. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as
8 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
9 means such individual's federal adjusted gross income for the taxable year,
10 with the modifications specified in this section.

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

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

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

32 (iii) The federal net operating loss deduction.

33 (iv) Federal income tax refunds received by the taxpayer if the
34 deduction of the taxes being refunded resulted in a tax benefit for Kansas
35 income tax purposes during a prior taxable year. Such refunds shall be
36 included in income in the year actually received regardless of the method
37 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
38 be deemed to have resulted if the amount of the tax had been deducted in
39 determining income subject to a Kansas income tax for a prior year
40 regardless of the rate of taxation applied in such prior year to the Kansas
41 taxable income, but only that portion of the refund shall be included as
42 bears the same proportion to the total refund received as the federal taxes
43 deducted in the year to which such refund is attributable bears to the total

1 federal income taxes paid for such year. For purposes of the foregoing
2 sentence, federal taxes shall be considered to have been deducted only to
3 the extent such deduction does not reduce Kansas taxable income below
4 zero.

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

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

13 (vii) The amount of any charitable contribution made to the extent the
14 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
15 32,196, and amendments thereto.

16 (viii) The amount of any costs incurred for improvements to a swine
17 facility, claimed for deduction in determining federal adjusted gross
18 income, to the extent the same is claimed as the basis for any credit
19 allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments
20 thereto.

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

27 (x) Amounts received as nonqualified withdrawals, as defined by
28 K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of
29 contribution to a family postsecondary education savings account, such
30 amounts were subtracted from the federal adjusted gross income pursuant
31 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
32 are not already included in the federal adjusted gross income.

33 (xi) The amount of any contribution made to the same extent the
34 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2016
35 Supp. 74-50,154, and amendments thereto.

36 (xii) For taxable years commencing after December 31, 2004,
37 amounts received as withdrawals not in accordance with the provisions of
38 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of
39 contribution to an individual development account, such amounts were
40 subtracted from the federal adjusted gross income pursuant to subsection
41 (c)(xiii), or if such amounts are not already included in the federal adjusted
42 gross income.

43 (xiii) The amount of any expenditures claimed for deduction in

1 determining federal adjusted gross income, to the extent the same is
2 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
3 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

4 (xiv) The amount of any amortization deduction claimed in
5 determining federal adjusted gross income to the extent the same is
6 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and
7 amendments thereto.

8 (xv) The amount of any expenditures claimed for deduction in
9 determining federal adjusted gross income, to the extent the same is
10 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
11 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
12 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
13 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

14 (xvi) The amount of any amortization deduction claimed in
15 determining federal adjusted gross income to the extent the same is
16 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
17 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
18 thereto.

19 (xvii) The amount of any amortization deduction claimed in
20 determining federal adjusted gross income to the extent the same is
21 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and
22 amendments thereto.

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

33 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*
34 *ending before January 1, 2017*, the amount of any: (1) Loss from business
35 as determined under the federal internal revenue code and reported from
36 schedule C and on line 12 of the taxpayer's form 1040 federal individual
37 income tax return; (2) loss from rental real estate, royalties, partnerships, S
38 corporations, except those with wholly owned subsidiaries subject to the
39 Kansas privilege tax, estates, trusts, residual interest in real estate
40 mortgage investment conduits and net farm rental as determined under the
41 federal internal revenue code and reported from schedule E and on line 17
42 of the taxpayer's form 1040 federal individual income tax return; and (3)
43 farm loss as determined under the federal internal revenue code and

1 reported from schedule F and on line 18 of the taxpayer's form 1040
2 federal income tax return; all to the extent deducted or subtracted in
3 determining the taxpayer's federal adjusted gross income. For purposes of
4 this subsection, references to the federal form 1040 and federal schedule
5 C, schedule E, and schedule F, shall be to such form and schedules as they
6 existed for tax year 2011, and as revised thereafter by the internal revenue
7 service.

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

16 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*
17 *ending before January 1, 2017*, the amount of any deduction for pension,
18 profit sharing, and annuity plans of self-employed individuals under
19 section 62(a)(6) of the federal internal revenue code as in effect on January
20 1, 2012, and amendments thereto, in determining the federal adjusted gross
21 income of an individual taxpayer.

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

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

32 (xxiv) For taxable years commencing after December 31, 2013, that
33 portion of the amount of any expenditure deduction claimed in
34 determining federal adjusted gross income for expenses paid for medical
35 care of the taxpayer or the taxpayer's spouse or dependents when such
36 expenses were paid or incurred for an abortion, or for a health benefit plan,
37 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the
38 purchase of an optional rider for coverage of abortion in accordance with
39 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that
40 such taxes and assessments are claimed as an itemized deduction for
41 federal income tax purposes.

42 (xxv) For taxable years commencing after December 31, 2013, that
43 portion of the amount of any expenditure deduction claimed in

1 determining federal adjusted gross income for expenses paid by a taxpayer
2 for health care when such expenses were paid or incurred for abortion
3 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,
4 and amendments thereto, when such expenses were paid or incurred for
5 abortion coverage or amounts contributed to health savings accounts for
6 such taxpayer's employees for the purchase of an optional rider for
7 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and
8 amendments thereto, to the extent that such taxes and assessments are
9 claimed as a deduction for federal income tax purposes.

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

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

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

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

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

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

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

42 (vii) Amounts received as annuities under the federal civil service
43 retirement system from the civil service retirement and disability fund and

1 other amounts received as retirement benefits in whatever form which
2 were earned for being employed by the federal government or for service
3 in the armed forces of the United States.

4 (viii) Amounts received by retired railroad employees as a
5 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
6 228c (a)(1) et seq.

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

12 (x) For taxable years beginning after December 31, 1976, the amount
13 of the federal tentative jobs tax credit disallowance under the provisions of
14 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
15 amount of the targeted jobs tax credit and work incentive credit
16 disallowances under 26 U.S.C. § 280 C.

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

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

23 (xiii) For taxable years beginning after December 31, 2004, amounts
24 contributed to and the amount of income earned on contributions deposited
25 to an individual development account under K.S.A. 2016 Supp. 74-50,201
26 et seq., and amendments thereto.

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

41 (xv) For all taxable years beginning after December 31, 2006,
42 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
43 joint return, for each designated beneficiary which are contributed to a

1 family postsecondary education savings account established under the
2 Kansas postsecondary education savings program or a qualified tuition
3 program established and maintained by another state or agency or
4 instrumentality thereof pursuant to section 529 of the internal revenue
5 code of 1986, as amended, for the purpose of paying the qualified higher
6 education expenses of a designated beneficiary at an institution of
7 postsecondary education. The terms and phrases used in this paragraph
8 shall have the meaning respectively ascribed thereto by the provisions of
9 K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of
10 such section are hereby incorporated by reference for all purposes thereof.

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

21 (xvii) For all taxable years beginning after December 31, 2004,
22 amounts received by taxpayers who are eligible members of the Kansas
23 army and air national guard as a reimbursement pursuant to K.S.A. 48-
24 281, and amendments thereto, and amounts received for death benefits
25 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
26 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
27 amendments thereto, to the extent that such death benefits are included in
28 federal adjusted gross income of the taxpayer.

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

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

42 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
43 *ending before January 1, 2017*, the amount of any: (1) Net profit from

1 business as determined under the federal internal revenue code and
2 reported from schedule C and on line 12 of the taxpayer's form 1040
3 federal individual income tax return; (2) net income, not including
4 guaranteed payments as defined in section 707(c) of the federal internal
5 revenue code and as reported to the taxpayer from federal schedule K-1,
6 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
7 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,
8 partnerships, S corporations, estates, trusts, residual interest in real estate
9 mortgage investment conduits and net farm rental as determined under the
10 federal internal revenue code and reported from schedule E and on line 17
11 of the taxpayer's form 1040 federal individual income tax return; and (3)
12 net farm profit as determined under the federal internal revenue code and
13 reported from schedule F and on line 18 of the taxpayer's form 1040
14 federal income tax return; all to the extent included in the taxpayer's
15 federal adjusted gross income. For purposes of this subsection, references
16 to the federal form 1040 and federal schedule C, schedule E, and schedule
17 F, shall be to such form and schedules as they existed for tax year 2011
18 and as revised thereafter by the internal revenue service.

19 (xxi) For all taxable years beginning after December 31, 2013,
20 amounts equal to the unreimbursed travel, lodging and medical
21 expenditures directly incurred by a taxpayer while living, or a dependent
22 of the taxpayer while living, for the donation of one or more human organs
23 of the taxpayer, or a dependent of the taxpayer, to another person for
24 human organ transplantation. The expenses may be claimed as a
25 subtraction modification provided for in this section to the extent the
26 expenses are not already subtracted from the taxpayer's federal adjusted
27 gross income. In no circumstances shall the subtraction modification
28 provided for in this section for any individual, or a dependent, exceed
29 \$5,000. As used in this section, "human organ" means all or part of a liver,
30 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
31 paragraph shall take effect on the day the secretary of revenue certifies to
32 the director of the budget that the cost for the department of revenue of
33 modifications to the automated tax system for the purpose of
34 implementing this paragraph will not exceed \$20,000.

35 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
36 *ending before January 1, 2017*, the amount of net gain from the sale of: (1)
37 Cattle and horses, regardless of age, held by the taxpayer for draft,
38 breeding, dairy or sporting purposes, and held by such taxpayer for 24
39 months or more from the date of acquisition; and (2) other livestock,
40 regardless of age, held by the taxpayer for draft, breeding, dairy or
41 sporting purposes, and held by such taxpayer for 12 months or more from
42 the date of acquisition. The subtraction from federal adjusted gross income
43 shall be limited to the amount of the additions recognized under the

1 provisions of subsection (b)(xix) attributable to the business in which the
2 livestock sold had been used. As used in this paragraph, the term
3 "livestock" shall not include poultry.

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

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

12 (xxv) *For taxable years beginning after December 31, 2016, an*
13 *amount not exceeding \$1,000 of the premium costs for qualified long-term*
14 *care insurance contracts, as defined by subsection (b) of section 7702B of*
15 *public law 104-191.*

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

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

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

29 Sec. 22. K.S.A. 2016 Supp. 79-32,119 is hereby amended to read as
30 follows: 79-32,119. The Kansas standard deduction of an individual,
31 including a husband and wife who are either both residents or who file a
32 joint return as if both were residents, shall be equal to the sum of the
33 standard deduction amount allowed pursuant to this section, and the
34 additional standard deduction amount allowed pursuant to this section for
35 each such deduction allowable to such individual or to such husband and
36 wife under the federal internal revenue code. For tax year 1998 through tax
37 year 2012, the standard deduction amount shall be as follows: Single
38 individual filing status, \$3,000; married filing status, \$6,000; and head of
39 household filing status, \$4,500. For tax year 1998, and all tax years
40 thereafter, the additional standard deduction amount shall be as follows:
41 Single individual and head of household filing status, \$850; and married
42 filing status, \$700. For tax year 2013, ~~and all tax years thereafter through~~
43 *tax year 2016*, the standard deduction amount of an individual, including

1 husband and wife who are either both residents or who file a joint return as
2 if both were residents, shall be as follows: Single individual filing status,
3 \$3,000; married filing status, \$7,500; and head of household filing status,
4 \$5,500. *For tax year 2017, and all tax years thereafter, the standard*
5 *deduction shall be as follows: Single individual filing status, \$3,000;*
6 *married filing status, \$6,000; and head of household filing status, \$4,500.*
7 For purposes of the foregoing, the federal standard deduction allowable to
8 a husband and wife filing separate Kansas income tax returns shall be
9 determined on the basis that separate federal returns were filed, and the
10 federal standard deduction of a husband and wife filing a joint Kansas
11 income tax return shall be determined on the basis that a joint federal
12 income tax return was filed.

13 Sec. 23. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as
14 follows: 79-32,120. (a) (1) If federal taxable income of an individual is
15 determined by itemizing deductions from such individual's federal
16 adjusted gross income, such individual may elect to deduct the Kansas
17 itemized deduction in lieu of the Kansas standard deduction.

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

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

28 (4) For the tax years commencing on and after January 1, 2015, *and*
29 *ending before January 1, 2017*, the Kansas itemized deduction of an
30 individual means the following deductions from federal adjusted gross
31 income, other than federal deductions for personal exemptions, as
32 provided in the federal internal revenue code with the modifications
33 specified in this section: (A) 100% of charitable contributions that qualify
34 as charitable contributions allowable as deductions in section 170 of the
35 federal internal revenue code; (B) 50% of the amount of qualified
36 residence interest as provided in section 163(h) of the federal internal
37 revenue code; and (C) 50% of the amount of taxes on real and personal
38 property as provided in section 164(a) of the federal internal revenue code.

39 (5) *For tax year 2017, and all tax years thereafter, the Kansas*
40 *itemized deduction of an individual means the total amount of deductions*
41 *from federal adjusted gross income, other than federal deductions for*
42 *personal exemptions, as provided in the federal internal revenue code with*
43 *the modifications specified in this section.*

1 (b) The total amount of deductions from federal adjusted gross
2 income shall be reduced by the total amount of income taxes imposed by
3 or paid to this state or any other taxing jurisdiction to the extent that the
4 same are deducted in determining the federal itemized deductions and by
5 the amount of all depreciation deductions claimed for any real or tangible
6 personal property upon which the deduction allowed by K.S.A. 2016
7 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,
8 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

9 Sec. 24. K.S.A. 2016 Supp. 79-32,143 is hereby amended to read as
10 follows: 79-32,143. (a) For net operating losses incurred in taxable years
11 beginning after December 31, 1987, a net operating loss deduction shall be
12 allowed in the same manner that it is allowed under the federal internal
13 revenue code except that such net operating loss may only be carried
14 forward to each of the 10 taxable years following the taxable year of the
15 net operating loss. For net operating farm losses, as defined by subsection
16 (i) of section 172 of the federal internal revenue code, incurred in taxable
17 years beginning after December 31, 1999, a net operating loss deduction
18 shall be allowed in the same manner that it is allowed under the federal
19 internal revenue code except that such net operating loss may be carried
20 forward to each of the 10 taxable years following the taxable year of the
21 net operating loss. The amount of the net operating loss that may be
22 carried back or forward for Kansas income tax purposes shall be that
23 portion of the federal net operating loss allocated to Kansas under this act
24 in the taxable year that the net operating loss is sustained.

25 (b) The amount of the loss to be carried back or forward will be the
26 federal net operating loss after: (1) All modifications required under this
27 act applicable to the net loss in the year the loss was incurred; and (2) after
28 apportionment as to source in the case of corporations, nonresident
29 individuals for losses incurred in taxable years beginning prior to January
30 1, 1978, and nonresident estates and trusts in the same manner that income
31 for such corporations, nonresident individuals, estates and trusts is
32 required to be apportioned.

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

39 (d) If any portion of a net operating loss described in subsections (a)
40 and (b) is not utilized prior to the final year of the carryforward period
41 provided in subsection (a), a refund shall be allowable in such final year in
42 an amount equal to the refund which would have been allowable in the
43 taxable year the loss was incurred by utilizing the three year carryback

1 provided under K.S.A. 79-32,143, as in effect on December 31, 1987,
2 multiplied by a fraction, the numerator of which is the unused portion of
3 such net operating loss in the final year, and the denominator of which is
4 the amount of such net operating loss which could have been carried back
5 to the three years immediately preceding the year in which the loss was
6 incurred. In no event may such fraction exceed 1.

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

12 (f) No refund of income tax which results from a net operating farm
13 loss carry back shall be allowed in an amount exceeding \$1,500 in any
14 year. Any overpayment in excess of \$1,500 may be carried forward to any
15 year or years after the year of the loss and may be claimed as a credit
16 against the tax. The refundable portion of such credit shall not exceed
17 \$1,500 in any year.

18 (g) For tax year 2013, ~~and all tax years thereafter~~ *through tax year*
19 *2016*, a net operating loss allowed by this section shall only be available to
20 taxpayers subject to the income tax on corporations imposed pursuant to
21 ~~subsection (e)~~ of K.S.A. 79-32,110(c), and amendments thereto, and used
22 only to determine such taxpayer's corporate income tax liability.

23 Sec. 25. K.S.A. 2016 Supp. 79-32,143a is hereby amended to read as
24 follows: 79-32,143a. (a) For taxable years beginning after December 31,
25 2011, a taxpayer may elect to take an expense deduction from Kansas net
26 income before expensing or recapture allocated or apportioned to this state
27 for the cost of the following property placed in service in this state during
28 the taxable year: (1) Tangible property eligible for depreciation under the
29 modified accelerated cost recovery system in section 168 of the internal
30 revenue code, as amended, but not including residential rental property,
31 nonresidential real property, any railroad grading or tunnel bore or any
32 other property with an applicable recovery period in excess of 25 years as
33 defined under section 168(c) or (g) of the internal revenue code, as
34 amended; and (2) computer software as defined in section 197(e)(3)(B)
35 of the internal revenue code, as amended, and as described in section 197(e)
36 (3)(A)(i) of the internal revenue code, as amended, to which section 167 of
37 the internal revenue code, as amended, applies. If such election is made,
38 the amount of expense deduction for such cost shall equal the difference
39 between the depreciable cost of such property for federal income tax
40 purposes and the amount of bonus depreciation being claimed for such
41 property pursuant to section 168(k) of the internal revenue code, as
42 amended, for federal income tax purposes in such tax year, but without
43 regard to any expense deduction being claimed for such property under

1 section 179 of the internal revenue code, as amended, multiplied by the
2 applicable factor, determined by using, the table provided in subsection (f),
3 based on the method of depreciation selected pursuant to section 168(b)
4 (1), (2), or (3) or (g) of the internal revenue code, as amended, and the
5 applicable recovery period for such property as defined under section
6 168(c) or (g) of the internal revenue code, as amended. This election shall
7 be made by the due date of the original return, including any extensions,
8 and may be made only for the taxable year in which the property is placed
9 in service, and once made, shall be irrevocable. If the section 179 expense
10 deduction election has been made for federal income tax purposes for any
11 asset, the applicable factor to be utilized is in the IRC § 168 (b)(1) column
12 of the table provided in subsection (f) for the applicable recovery period of
13 the respective assets.

14 (b) If the amount of expense deduction calculated pursuant to
15 subsection (a) exceeds the taxpayer's Kansas net income before expensing
16 or recapture allocated or apportioned to this state, such excess amount
17 shall be treated as a Kansas net operating loss as provided in K.S.A. 79-
18 32,143, and amendments thereto.

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

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

1 which is the total number of the taxpayer's users of the licenses for such
2 computer software used in the active conduct of the taxpayer's business
3 operations everywhere.

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

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

| Factors | | | | |
|----------------|---------------|---------------|----------------------|--|
| IRC§168 | IRC§168(b)(1) | IRC§168(b)(2) | IRC§168(b)(3) or (g) | |
| Recover Period | Depreciation | Depreciation | Depreciation | |
| (year) | Method | Method | Method | |
| 2.5 | * | .077 | .092 | |
| 3 | .075 | .091 | .106 | |
| 3.5 | * | .102 | .116 | |
| 4 | * | .114 | .129 | |
| 5 | .116 | .135 | .150 | |
| 6 | * | .154 | .170 | |
| 6.5 | * | .163 | .179 | |
| 7 | .151 | .173 | .190 | |
| 7.5 | * | .181 | .199 | |
| 8 | * | .191 | .208 | |
| 8.5 | * | .199 | .217 | |
| 9 | * | .208 | .226 | |
| 9.5 | * | .216 | .235 | |
| 10 | .198 | .224 | .244 | |
| 10.5 | * | .232 | .252 | |
| 11 | * | .240 | .261 | |
| 11.5 | * | .248 | .269 | |
| 12 | * | .256 | .277 | |
| 12.5 | * | .263 | .285 | |
| 13 | * | .271 | .293 | |
| 13.5 | * | .278 | .300 | |
| 14 | * | .285 | .308 | |
| 15 | * | .299 | .323 | |
| 16 | * | .313 | .337 | |
| 16.5 | * | .319 | .344 | |
| 17 | * | .326 | .351 | |
| 18 | * | .339 | .365 | |
| 19 | * | .351 | .378 | |

| | | | | |
|---|----|---|------|------|
| 1 | 20 | * | .363 | .391 |
| 2 | 22 | * | .386 | .415 |
| 3 | 24 | * | .408 | .438 |
| 4 | 25 | * | .419 | .449 |

5 *Not Applicable

6 (g) If a taxpayer elects to expense any investment pursuant to
 7 subsection (a), such taxpayer shall not be eligible for any tax credit,
 8 accelerated depreciation, or deduction for such investment allowed
 9 pursuant to K.S.A. 2016 Supp. 79-32,160a(e), 79-32,182b, 79-32,201, 79-
 10 32,204, 79-32,211, 79-32,218, 79-32,221, 79-32,222, 79-32,224, 79-
 11 32,227, 79-32,229, 79-32,232, 79-32,234, 79-32,237, 79-32,239, 79-
 12 32,246, 79-32,249, 79-32,252, 79-32,255, 79-32,256 and 79-32,258, and
 13 amendments thereto.

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

19 (2) For tax year 2014, ~~and all tax years thereafter~~ *through tax year*
 20 *2016*, the deduction allowed by this section shall only be available to
 21 taxpayers subject to the income tax on corporations imposed pursuant to
 22 ~~subsection (e) of~~ K.S.A. 79-32,110(c), and amendments thereto, or the
 23 privilege tax imposed upon any national banking association, state bank,
 24 savings bank, trust company or savings and loan association pursuant to
 25 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
 26 thereto, and used only to determine such taxpayer's corporate income or
 27 privilege tax liability.

28 Sec. 26. K.S.A. 2016 Supp. 79-32,182b is hereby amended to read as
 29 follows: 79-32,182b. (a) For all taxable years commencing after December
 30 31, 2000, a credit shall be allowed against the tax imposed by the Kansas
 31 income tax act on the Kansas taxable income of a taxpayer for
 32 expenditures in research and development activities conducted within this
 33 state in an amount equal to 6½% of the amount by which the amount
 34 expended for such activities in the taxable year of the taxpayer exceeds the
 35 taxpayer's average of the actual expenditures for such purposes made in
 36 such taxable year and the next preceding two taxable years.

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

1 (c) As used in this section, the term "expenditures in research and
2 development activities" means expenditures made for such purposes, other
3 than expenditures of moneys made available to the taxpayer pursuant to
4 federal or state law, which are treated as expenses allowable for deduction
5 under the provisions of the federal internal revenue code of 1986, as
6 amended, except that for taxable years commencing after December 31,
7 2013, expenditures in research and development activities shall not include
8 any expenditures for the performance of any abortion, as defined in K.S.A.
9 65-6701, and amendments thereto.

10 (d) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
11 *beginning after December 31, 2012, and ending before January 1, 2017,*
12 the income tax credit provided by this section shall only be available to
13 taxpayers subject to the income tax on corporations imposed pursuant to
14 ~~subsection (c) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
15 be applied only against such taxpayer's corporate income tax liability.

16 Sec. 27. K.S.A. 2016 Supp. 79-32,190 is hereby amended to read as
17 follows: 79-32,190. (a) Any taxpayer that pays for or provides child day
18 care services, including the provision of the service of locating such
19 services, to its employees or that provides facilities and necessary
20 equipment for child day care services shall be allowed a credit against the
21 privilege or income tax imposed by articles 11 and 32 of chapter 79 of the
22 Kansas Statutes Annotated, *and amendments thereto*, as follows:

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

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

32 (B) in the taxable years other than the taxable year to which
33 paragraph (2)(A) applies, 30% of the amount equal to the total amount
34 expended during the taxable year by a taxpayer for the operation of a
35 facility described in paragraph (2)(A) less the amount of moneys received
36 by the taxpayer for use of such facility for child day care services;

37 (3) (A) in the taxable year in which a facility providing child day care
38 services in the state for use primarily by the dependent children of the
39 taxpayers' employees is established in conjunction with one or more other
40 taxpayers, 50% of the total amount expended during such year by a
41 taxpayer in the establishment and operation of such facility;

42 (B) in the taxable years other than the taxable year to which
43 paragraph (3)(A) applies, 30% of the amount equal to the total amount

1 expended during the taxable year by a taxpayer for the operation of a
2 facility described in paragraph (3)(A) less the amount of moneys received
3 by the taxpayer for use of such facility for child day care services.

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

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

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

20 (e) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
21 *beginning after December 31, 2012, and ending before January 1, 2017,*
22 the income tax credit provided by this section shall only be available to
23 taxpayers subject to the income tax on corporations imposed pursuant to
24 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
25 be applied only against such taxpayer's corporate income tax liability.

26 Sec. 28. K.S.A. 2016 Supp. 79-32,200 is hereby amended to read as
27 follows: 79-32,200. (a) There shall be allowed as a credit against the tax
28 liability imposed under the Kansas income tax act of a person who has
29 entered into an agreement with the secretary for children and families
30 under K.S.A. 39-7,132, and amendments thereto, an amount equal to 70%
31 of the amount of financial assistance paid by such person under K.S.A. 39-
32 7,132, and amendments thereto, as certified by the secretary for children
33 and families, of not to exceed the amount of financial assistance which
34 would have been paid under the aid to families with dependent children
35 program from state matching contributions, as certified by the secretary for
36 children and families, if such person had not agreed to assume some
37 financial support.

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

42 (c) The credit allowed by this section shall not exceed the amount of
43 tax imposed under the Kansas income tax act reduced by the sum of any

1 other credits allowable pursuant to law.

2 (d) The provisions of this section shall be applicable to all taxable
3 years commencing after December 31, 1993.

4 (e) ~~For tax year 2014 and all tax years thereafter~~ *all taxable years*
5 *beginning after December 31, 2013, and ending before January 1, 2017,*
6 the income tax credit provided by this section shall only be available to
7 taxpayers subject to the income tax on corporations imposed pursuant to
8 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
9 be applied only against such taxpayer's corporate income tax liability.

10 Sec. 29. K.S.A. 2016 Supp. 79-32,201 is hereby amended to read as
11 follows: 79-32,201. (a) Any taxpayer who makes expenditures for a
12 qualified alternative-fueled motor vehicle or alternative-fuel fueling station
13 shall be allowed a credit against the income tax imposed by article 32 of
14 chapter 79 of the Kansas Statutes Annotated, *and amendments thereto,* as
15 follows:

16 (1) For any qualified alternative-fueled motor vehicle placed in
17 service on or after January 1, 1996, and before January 1, 2005, an amount
18 equal to 50% of the incremental cost or conversion cost for each qualified
19 alternative-fueled motor vehicle but not to exceed \$3,000 for each such
20 motor vehicle with a gross vehicle weight of less than 10,000 lbs.; \$5,000
21 for a heavy duty motor vehicle with a gross vehicle weight of greater than
22 10,000 lbs. but less than 26,000 lbs.; and \$50,000 for motor vehicles
23 having a gross vehicle weight of greater than 26,000 lbs.;

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

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

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

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

1 (b) If no credit has been claimed pursuant to subsection (a), a credit in
2 an amount not exceeding the lesser of 5% of the cost of the vehicle or
3 \$750 shall be allowed to a taxpayer who purchases a motor vehicle
4 equipped by the vehicle manufacturer with an alternative fuel system and
5 who is unable or elects not to determine the exact basis attributable to such
6 property. The credit under this subsection shall be allowed only to the first
7 individual to take title to such motor vehicle, other than for resale. The
8 credit under this subsection for motor vehicles which are capable of
9 operating on a blend of 85% ethanol and 15% gasoline shall be allowed for
10 taxable years commencing after December 31, 1999, only if the individual
11 claiming the credit furnishes evidence of the purchase, during the period of
12 time beginning with the date of purchase of such vehicle and ending on
13 December 31 of the next succeeding calendar year, of 500 gallons of such
14 ethanol and gasoline blend as may be required or is satisfactory to the
15 secretary of revenue.

16 (c) The tax credit under subsection (a)(1) through (a)(4) or (b) shall
17 be deducted from the taxpayer's income tax liability for the taxable year in
18 which the expenditures are made by the taxpayer. If the amount of the tax
19 credit exceeds the taxpayer's income tax liability for the taxable year, the
20 amount which exceeds the tax liability may be carried over for deduction
21 from the taxpayer's income tax liability in the next succeeding taxable year
22 or years until the total amount of the tax credit has been deducted from tax
23 liability, except that no such tax credit shall be carried over for deduction
24 after the third taxable year succeeding the taxable year in which the
25 expenditures are made.

26 (d) The tax credit under subsection (a)(5) shall be deducted from the
27 taxpayer's income tax liability for the taxable year in which the
28 expenditures are made by the taxpayer. If the amount of the tax credit
29 exceeds the taxpayer's income tax liability for the taxable year, the amount
30 which exceeds the tax liability may be carried over for deduction from the
31 taxpayer's income tax liability in the next succeeding taxable year or years
32 until the total amount of the tax credit has been deducted from tax liability,
33 except that no such tax credit shall be carried over for deduction after the
34 fourth taxable year in which the expenditures are made.

35 (e) As used in this section:

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

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

43 (A) Bi-fuel motor vehicle: A motor vehicle with two separate fuel

1 systems designed to run on either an alternative fuel or conventional fuel,
2 using only one fuel at a time;

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

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

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

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

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

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

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

28 (f) Except as otherwise more specifically provided, the provisions of
29 this section shall apply to all taxable years commencing after December
30 31, 1995.

31 (g) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
32 *beginning after December 31, 2012, and ending before January 1, 2017,*
33 the income tax credit provided by this section shall only be available to
34 taxpayers subject to the income tax on corporations imposed pursuant to
35 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
36 be applied only against such taxpayer's corporate income tax liability.

37 Sec. 30. K.S.A. 2016 Supp. 79-32,204 is hereby amended to read as
38 follows: 79-32,204. (a) As used in this section:

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

41 (2) "qualified swine facility" means a swine facility that: (A) Is
42 owned and operated by a sole proprietorship or partnership or by a family
43 farm corporation, authorized farm corporation, limited liability agricultural

1 company, family farm limited liability agricultural company, limited
2 agricultural partnership, family trust, authorized trust or testamentary trust,
3 as defined by K.S.A. 17-5903, and amendments thereto; and (B) is
4 utilizing its swine waste management system on January 1, 1998; and

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

13 (b) There shall be allowed as a credit against the tax liability of a
14 taxpayer imposed under the Kansas income tax act an amount equal to not
15 more than 50% of the costs incurred by the taxpayer for required
16 improvements to a qualified swine facility. The tax credit allowed by this
17 subsection shall be deducted from the taxpayer's income tax liability for
18 the taxable year in which the expenditures are made by the taxpayer. If the
19 amount of such tax credit exceeds the taxpayer's income tax liability for
20 such taxable year, the taxpayer may carry over the amount thereof that
21 exceeds such tax liability for deduction from the taxpayer's income tax
22 liability in the next succeeding taxable year or years until the total amount
23 of the tax credit has been deducted from tax liability, except that no such
24 tax credit shall be carried over for deduction after the fourth taxable year
25 succeeding the year in which the costs are incurred.

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

28 (d) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
29 *beginning after December 31, 2012, and ending before January 1, 2017,*
30 the income tax credit provided by this section shall only be available to
31 taxpayers subject to the income tax on corporations imposed pursuant to
32 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
33 be applied only against such taxpayer's corporate income tax liability.

34 Sec. 31. K.S.A. 2016 Supp. 79-32,207 is hereby amended to read as
35 follows: 79-32,207. (a) As used in this section, "abandoned oil or gas well"
36 means an abandoned well, as defined by K.S.A. 55-191, and amendments
37 thereto:

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

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

42 (b) For any taxable year commencing after December 31, 2000, a
43 credit shall be allowed against the tax imposed by the Kansas income tax

1 act on the Kansas taxable income of a taxpayer for expenditures made for
2 the purpose of plugging any abandoned oil or gas well in accordance with
3 rules and regulations of the state corporation commission applicable
4 thereto, in an amount equal to 50% of such expenditures made in the
5 taxable year.

6 (c) If the amount of the tax credit allowed by this section exceeds the
7 taxpayer's income tax liability for such taxable year, the amount thereof
8 which exceeds such tax liability may be carried over for deduction from
9 the taxpayer's income tax liability in the next succeeding taxable year or
10 years until the total amount of the tax credit has been deducted from tax
11 liability.

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

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

17 (f) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
18 *beginning after December 31, 2012, and ending before January 1, 2017,*
19 the income tax credit provided by this section shall only be available to
20 taxpayers subject to the income tax on corporations imposed pursuant to
21 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
22 be applied only against such taxpayer's corporate income tax liability.

23 Sec. 32. K.S.A. 2016 Supp. 79-32,210 is hereby amended to read as
24 follows: 79-32,210. (a) For all taxable years commencing after December
25 31, 2000, and with respect to property initially acquired and first placed
26 into service in this state on and after January 1, 2001, there shall be
27 allowed as a credit against the tax liability imposed by the Kansas income
28 tax act of a telecommunications company, as defined in K.S.A. 79-3271,
29 and amendments thereto, an amount equal to the difference between the
30 property tax levied for property tax year 2001, and all such years
31 thereafter, and actually and timely paid during the appropriate income
32 taxable year upon property assessed at the 33% assessment rate and the
33 property tax which would be levied and paid on such property if assessed
34 at a 25% assessment rate.

35 (b) If the amount of the tax credit determined under subsection (a)
36 exceeds the tax liability for the telecommunications company for any
37 taxable year, the amount thereof which exceeds such tax liability shall be
38 refunded to the telecommunications company. If the telecommunications
39 company is a corporation having an election in effect under subchapter S
40 of the federal internal revenue code, a partnership or a limited liability
41 company, the credit provided by this section shall be claimed by the
42 shareholders of such corporation, the partners of such partnership or the
43 members of such limited liability company in the same manner as such

1 shareholders, partners or members account for their proportionate shares
2 of income or loss of the corporation, partnership or limited liability
3 company.

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

8 (d) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
9 *beginning after December 31, 2012, and ending before January 1, 2017,*
10 the income tax credit provided by this section shall only be available to
11 taxpayers subject to the income tax on corporations imposed pursuant to
12 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
13 be applied only against such taxpayer's corporate income tax liability.

14 Sec. 33. K.S.A. 2016 Supp. 79-32,212 is hereby amended to read as
15 follows: 79-32,212. (a) For taxable years 2002 through 2021, there shall be
16 allowed as a credit against the tax liability of a taxpayer imposed under the
17 Kansas income tax act, an amount equal to 100% of the amount
18 attributable to the retirement of indebtedness authorized by a single city
19 port authority established before January 1, 2002. In no event shall the
20 total amount of the credits allowed under this section exceed \$500,000 for
21 any one fiscal year.

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

26 (c) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
27 *beginning after December 31, 2012, and ending before January 1, 2017,*
28 the income tax credit provided by this section shall only be available to
29 taxpayers subject to the income tax on corporations imposed pursuant to
30 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
31 be applied only against such taxpayer's corporate income tax liability.

32 Sec. 34. K.S.A. 2016 Supp. 79-32,222 is hereby amended to read as
33 follows: 79-32,222. (a) As used in this section:

34 (1) "Refinery" has the meaning provided by K.S.A. 2016 Supp. 79-
35 32,217, and amendments thereto.

36 (2) "Qualified expenditures" means expenditures which the secretary
37 of health and environment certifies to the director of taxation are required
38 for an existing refinery to comply with environmental standards or
39 requirements established pursuant to federal statute or regulation, or state
40 statute or rules and regulation, adopted after December 31, 2006.

41 (b) There shall be allowed as a credit against the tax liability of a
42 taxpayer imposed under the Kansas income tax act an amount equal to the
43 taxpayer's qualified expenditures. The tax credit allowed by this subsection

1 shall be deducted from the taxpayer's income tax liability for the taxable
2 year in which the expenditures are made by the taxpayer. If the amount of
3 such tax credit exceeds the taxpayer's income tax liability for such taxable
4 year, the taxpayer may carry over the amount thereof that exceeds such tax
5 liability for deduction from the taxpayer's income tax liability in the next
6 succeeding taxable year or years until the total amount of the tax credit has
7 been deducted from tax liability, except that no such tax credit shall be
8 carried over for deduction after the fourth taxable year succeeding the year
9 in which the costs are incurred.

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

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

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

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

34 (e) ~~For tax year 2013 and all tax years thereafter~~ *all taxable years*
35 *beginning after December 31, 2012, and ending before January 1, 2017,*
36 the income tax credit provided by this section shall only be available to
37 taxpayers subject to the income tax on corporations imposed pursuant to
38 ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall
39 be applied only against such taxpayer's corporate income tax liability.

40 Sec. 35. K.S.A. 2016 Supp. 79-32,271 is hereby amended to read as
41 follows: 79-32,271. (a) For any taxable year commencing after December
42 31, 2014, *and ending before January 1, 2017,* a credit shall be allowed
43 against the tax imposed by the Kansas income tax act on the Kansas

1 taxable income of an individual income taxpayer who purchased food in
2 this state, had federal adjusted gross income for the tax year that did not
3 exceed \$30,615, and meets the qualifications in subsections (b) and (c).

4 (b) During the entire tax year a taxpayer filing single, head of
5 household, or married filing separate, or the taxpayer and the taxpayer's
6 spouse if married filing jointly, must be domiciled in this state. For
7 purposes of this credit, "domicile" shall not include any correctional
8 facility, or portion thereof, as defined in K.S.A. 75-5202, and amendments
9 thereto, any juvenile correctional facility, or portion thereof, as defined in
10 K.S.A. 38-2302, and amendments thereto, any correctional facility of the
11 federal bureau of prisons located in the state of Kansas, or any city or
12 county jail facility in the state of Kansas.

13 (c) During the entire tax year a taxpayer filing single, head of
14 household, or married filing separate, or the taxpayer or the taxpayer's
15 spouse if married filing jointly, must be either: (1) A person having a
16 disability, regardless of age; (2) a person without a disability who is 55
17 years of age or older; or (3) a person without a disability who is younger
18 than 55 years of age who claims an exemption for one or more dependent
19 children under 18 years of age.

20 (d) The amount of the credit shall be \$125 for every exemption
21 claimed on the taxpayer's federal income tax return, except that no
22 exemption shall be counted for a dependent unless the dependent is a child
23 under 18 years of age.

24 (e) The credit allowed under this provision shall be applied against
25 the taxpayer's income tax liability after all other credits allowed under the
26 income tax act. It shall not be refundable and may not be carried forward.

27 (f) (1) Every taxpayer claiming the credit shall supply the division in
28 support of a claim, reasonable proof of domicile, age and disability.

29 (2) A claim alleging disability shall be supported by a report of the
30 examining physician of the claimant with a statement or certificate that the
31 applicant has a disability as defined in subsection (g).

32 (g) "Disability" means: (1) Inability to engage in any substantial
33 gainful activity by reason of any medically determinable physical or
34 mental impairment which can be expected to result in death or has lasted
35 or can be expected to last for a continuous period of not less than 12
36 months, and an individual shall be determined to be under a disability only
37 if the physical or mental impairment or impairments are of such severity
38 that the individual is not only unable to do the individual's previous work
39 but cannot, considering age, education and work experience, engage in any
40 other kind of substantial gainful work which exists in the national
41 economy, regardless of whether such work exists in the immediate area in
42 which the individual lives or whether a specific job vacancy exists for the
43 individual, or whether the individual would be hired if application was

1 made for work. For purposes of this paragraph, with respect to any
2 individual, "work which exists in the national economy" means work
3 which exists in significant numbers either in the region where the
4 individual lives or in several regions of the country; and "physical or
5 mental impairment" means an impairment that results from anatomical,
6 physiological or psychological abnormalities which are demonstrable by
7 medically acceptable clinical and laboratory diagnostic techniques; or

8 (2) blindness and inability by reason of blindness to engage in
9 substantial gainful activity requiring skills or abilities comparable to those
10 of any gainful activity in which the individual has previously engaged with
11 some regularity and over a substantial period of time. For purposes of this
12 paragraph, "blindness" means central visual acuity of ²⁰/₂₀₀ or less in the
13 better eye with the use of a correcting lens. An eye which is accompanied
14 by a limitation in the fields of vision such that the widest diameter of the
15 visual field subtends an angle no greater than 20 degrees shall be
16 considered for the purpose of this paragraph as having a central visual
17 acuity of ²⁰/₂₀₀ or less.

18 (h) The secretary of revenue is hereby authorized to adopt such rules
19 and regulations as may be necessary for the administration of the
20 provisions of this section.

21 Sec. 36. K.S.A. 2016 Supp. 79-4501 is hereby amended to read as
22 follows: 79-4501. The title of this act shall be the homestead property tax
23 refund act. The purpose of this act shall be to provide ad valorem tax
24 refunds to: (a) Certain persons who are of qualifying age who own *or rent*
25 their homestead; (b) certain persons who have a disability, who own *or*
26 *rent* their homestead; and (c) certain persons other than persons included
27 under the provisions of (a) or (b) who have low incomes and dependent
28 children and own *or rent* their homestead.

29 Sec. 37. K.S.A. 2016 Supp. 79-4502 is hereby amended to read as
30 follows: 79-4502. As used in this act, unless the context clearly indicates
31 otherwise:

32 (a) "Income" means the sum of adjusted gross income under the
33 Kansas income tax act effective for tax year 2013 and thereafter without
34 regard to any modifications pursuant to K.S.A. 79-32,117(b)(xx) through
35 (xxiii) and (c)(xx), and amendments thereto, maintenance, support money,
36 cash public assistance and relief, not including any refund granted under
37 this act, the gross amount of any pension or annuity, including all
38 monetary retirement benefits from whatever source derived, including, but
39 not limited to, all payments received under the railroad retirement act,
40 except disability payments, payments received under the federal social
41 security act, except that for determination of what constitutes income such
42 amount shall not exceed 50% of any such social security payments and
43 shall not include any social security payments to a claimant who prior to

1 attaining full retirement age had been receiving disability payments under
2 the federal social security act in an amount not to exceed the amount of
3 such disability payments or 50% of any such social security payments,
4 whichever is greater, all dividends and interest from whatever source
5 derived not included in adjusted gross income, workers compensation and
6 the gross amount of "loss of time" insurance. Income does not include gifts
7 from nongovernmental sources or surplus food or other relief in kind
8 supplied by a governmental agency, nor shall net operating losses and net
9 capital losses be considered in the determination of income. Income does
10 not include veterans disability pensions. Income does not include disability
11 payments received under the federal social security act.

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

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

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

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

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

1 whose decision shall be final.

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

27 (g) "Disability" means:

28 (1) Inability to engage in any substantial gainful activity by reason of
29 any medically determinable physical or mental impairment which can be
30 expected to result in death or has lasted or can be expected to last for a
31 continuous period of not less than 12 months, and an individual shall be
32 determined to be under a disability only if the physical or mental
33 impairment or impairments are of such severity that the individual is not
34 only unable to do the individual's previous work but cannot, considering
35 age, education and work experience, engage in any other kind of
36 substantial gainful work which exists in the national economy, regardless
37 of whether such work exists in the immediate area in which the individual
38 lives or whether a specific job vacancy exists for the individual, or whether
39 the individual would be hired if application was made for work. *With*
40 *respect to any individual*, for purposes of the preceding sentence ~~(with~~
41 ~~respect to any individual)~~, "work which exists in the national economy"
42 means work which exists in significant numbers either in the region where
43 the individual lives or in several regions of the country; for purposes of

1 this subsection, a "physical or mental impairment" is an impairment that
2 results from anatomical, physiological or psychological abnormalities
3 which are demonstrable by medically acceptable clinical and laboratory
4 diagnostic techniques; or

5 (2) blindness and inability by reason of blindness to engage in
6 substantial gainful activity requiring skills or abilities comparable to those
7 of any gainful activity in which the individual has previously engaged with
8 some regularity and over a substantial period of time.

9 (h) "Blindness" means central visual acuity of $20/200$ or less in the
10 better eye with the use of a correcting lens. An eye which is accompanied
11 by a limitation in the fields of vision such that the widest diameter of the
12 visual field subtends an angle no greater than 20 degrees shall be
13 considered for the purpose of this paragraph as having a central visual
14 acuity of $20/200$ or less.

15 (i) "Disabled veteran" means a person who is a resident of Kansas
16 and has been honorably discharged from active service in any branch of
17 the armed forces of the United States or Kansas national guard and who
18 has been certified by the United States department of veterans affairs or its
19 successor to have a 50% permanent disability sustained through military
20 action or accident or resulting from disease contracted while in such active
21 service.

22 (j) *"Gross rent" means the rental paid at arm's length solely for the*
23 *right of occupancy of a homestead or space rental paid to a landlord for*
24 *the parking of a mobile home, exclusive of charges for any utilities,*
25 *services, furniture and furnishings or personal property appliances*
26 *furnished by the landlord as a part of the rental agreement, whether or not*
27 *expressly set out in the rental agreement. Whenever the director of*
28 *taxation finds that the landlord and tenant have not dealt with each other*
29 *at arm's length and that the gross rent charge was excessive, the director*
30 *may adjust the gross rent to a reasonable amount for the purpose of the*
31 *claim.*

32 (k) *"Rent constituting property taxes accrued" means 15% of the*
33 *gross rent actually paid in cash or its equivalent in 2017 or any taxable*
34 *year thereafter by a claimant and claimant's household solely for the right*
35 *of occupancy of a Kansas homestead on which ad valorem property taxes*
36 *were levied in full for that year. When a household occupies two or more*
37 *different homesteads in the same calendar year, rent constituting property*
38 *taxes accrued shall be computed by adding the rent constituting property*
39 *taxes accrued for each property rented by the household while occupied*
40 *by the household as its homestead during the year.*

41 Sec. 38. K.S.A. 2016 Supp. 79-4508 is hereby amended to read as
42 follows: 79-4508. (a) Commencing in the tax year beginning after
43 December 31, ~~2005~~ 2016, the amount of any claim pursuant to this act

1 shall be computed by deducting the amount computed under column (2)
2 from the amount of claimant's property tax accrued *or rent constituting*
3 *property tax accrued, or both.*

| (1) | | (2) |
|-------------------------------|----------------------|--|
| Claimants household income | | Deduction from property tax accrued <i>or rent constituting property tax accrued, or both</i> |
| At least | But not more than | |
| \$0 | \$6,000 | \$0 |
| 6,001 | 7,000 | 4% |
| 7,001 | 16,000 | 4% plus 4% of every \$1,000, or fraction thereof, of income in excess of \$7,001 |
| 16,001 | 27,000 | 40% plus 5% of every \$1,000, or fraction thereof, of income in excess of \$16,001 |
| 27,001 | 27,600 | 95% |

19
20 (b) The director of taxation shall prepare a table under which claims
21 under this act shall be determined. The amount of claim for each bracket
22 shall be computed only to the nearest \$1.

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

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

33 Sec. 39. K.S.A. 2016 Supp. 79-4509 is hereby amended to read as
34 follows: 79-4509. In the event property taxes accrued *or rent constituting*
35 *property tax accrued, or the sum of both*, exceeds \$700 for a household in
36 any one year, the amount thereof shall, for purposes of this act, be deemed
37 to have been \$700.

38 Sec. 40. K.S.A. 2016 Supp. 79-4511 is hereby amended to read as
39 follows: 79-4511. (a) Every claimant under this act shall supply to the
40 division, in support of a claim, reasonable proof of age or disability, and
41 changes of homestead, household membership, household income, and
42 size and nature of property claimed as the homestead. A claim alleging
43 disability shall be supported by a report of the examining physician of the

1 claimant with a statement or certificate that the applicant has a disability
2 within the meaning of ~~subsection (g)~~ of K.S.A. 79-4502(g), and
3 amendments thereto.

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

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

28 Sec. 41. K.S.A. 2016 Supp. 79-4522 is hereby amended to read as
29 follows: 79-4522. A person owning or occupying a homestead *that is not*
30 *rental property and* for which the appraised valuation for property tax
31 purposes exceeds \$350,000 in any year shall not be entitled to claim a
32 refund of property taxes under the homestead property tax refund act for
33 any such year. The provisions of this section shall be part of and
34 supplemental to the homestead property tax refund act.

35 Sec. 42. K.S.A. 2016 Supp. 32-1438, 39-7,132, 40-2246, 65-7107,
36 74-8206, 74-8304, 74-8316, 74-8401, 79-32,110, 79-32,117, 79-32,119,
37 79-32,120, 79-32,143, 79-32,143a, 79-32,182b, 79-32,190, 79-32,200, 79-
38 32,201, 79-32,204, 79-32,207, 79-32,210, 79-32,212, 79-32,222, 79-
39 32,269, 79-32,271, 79-4501, 79-4502, 79-4508, 79-4509, 79-4511 and 79-
40 4522 are hereby repealed.

41 Sec. 43. This act shall take effect and be in force from and after its
42 publication in the statute book.