

HOUSE BILL No. 2550

By Committee on K-12 Education Budget

1-25

1 AN ACT concerning education; creating the student empowerment act;
2 authorizing the establishment of education savings accounts for certain
3 students to attend private schools of their choice; amending K.S.A. 72-
4 5134 and K.S.A. 2021 Supp. 79-32,117 and repealing the existing
5 sections; also repealing K.S.A. 2021 Supp. 79-32,117q.

6
7 *Be it enacted by the Legislature of the State of Kansas:*

8 New Section 1. Sections 1 through 17, and amendments thereto, shall
9 be known and may be cited as the student empowerment act.

10 New Sec. 2. The legislature hereby declares that the purpose and
11 intent of the student empowerment act is:

12 (a) To provide suitable provision for finance of the educational
13 interests of all students in the state through all manner of education that
14 suitably prepares our children to be productive members of our collective
15 workforce and society;

16 (b) to protect the people's common interest in providing intellectual,
17 educational, vocational and scientific improvement by establishing and
18 maintaining public schools and other forms of education and their related
19 activities that support the legislative goal established in K.S.A. 72-3218,
20 and amendments thereto, by acknowledging the unique individuality and
21 life experiences of each student and by recognizing each student's varied
22 educational, social, emotional and environmental needs;

23 (c) to highlight the diversity of acquired knowledge needed to
24 become productive members of society, while also recognizing the reality
25 that a policy of "one size fits all" does not ensure that all students will be
26 successful;

27 (d) to acknowledge that each student must be considered as a unique
28 individual, with different educational supports needed to best function in
29 the changing world; and

30 (e) to respect and invite parents to be their child's educational
31 opportunity steward from an academic, social, emotional and spiritual
32 perspective that aligns their child with the best educational delivery model
33 and environment.

34 New Sec. 3. As used in sections 1 through 17, and amendments
35 thereto:

36 (a) "Account" means a student empowerment account.

1 (b) "BASE aid" means the amount of base aid for student excellence
2 set forth in K.S.A. 72-5132, and amendments thereto, for the immediately
3 preceding school year.

4 (c) "Eligible student" means a resident of Kansas who has not
5 graduated from high school or obtained a general educational development
6 credential, and who on and after July 1, 2023:

7 (1) Is enrolled in any school of a school district and qualifies for free
8 or reduced-price meals under the national school lunch act;

9 (2) is enrolled in any school of a school district and has been
10 identified as eligible to receive at-risk educational program services
11 pursuant to K.S.A. 72-5153a, and amendments thereto; or

12 (3) has a student empowerment account established on their behalf
13 pursuant to section 7, and amendments thereto.

14 (d) "Parent" means a parent, legal guardian, custodian or other person
15 with authority to act on behalf of an eligible student.

16 (e) "Postsecondary educational institution" means any postsecondary
17 educational institution or any private or out-of-state postsecondary
18 educational institution as such terms are defined in K.S.A. 74-3201b, and
19 amendments thereto.

20 (f) "Program" means the student empowerment program established
21 under section 4, and amendments thereto.

22 (g) (1) "Qualified private school" means any accredited private
23 school and any nonaccredited private school that:

24 (A) Provides instruction in those subjects required by K.S.A. 72-
25 3214, 72-3217 and 72-3235, and amendments thereto; and

26 (B) is approved by the treasurer pursuant to section 12, and
27 amendments thereto.

28 (2) "Qualified private school" does not include any nonaccredited
29 private home school or home school organization, community, consortium
30 or group.

31 (h) "Resident school district" means the school district in which an
32 eligible student is currently or would be enrolled based on such eligible
33 student's residence.

34 (i) "Treasurer" means the state treasurer or the state treasurer's
35 designee.

36 New Sec. 4. (a) The student empowerment program is hereby
37 established and shall be administered by the treasurer. On and after July 1,
38 2023, the treasurer shall establish a student empowerment account for each
39 eligible student whose parent satisfies the requirements of this act.

40 (b) The treasurer shall maintain an explanation of the following
41 information on the treasurer's website and provide a hard copy of such
42 information to any person upon request:

43 (1) The options for participation in the program as provided in section

1 8, and amendments thereto;

2 (2) the allowable uses of moneys in a student empowerment account;

3 (3) the responsibilities of a parent of an eligible student participating
4 in the program;

5 (4) the effect of participation in the program by eligible students with
6 an individualized education program (IEP) or an education plan under
7 section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504
8 plan);

9 (5) the duties of the treasurer;

10 (6) the procedure for appealing a decision of the treasurer;

11 (7) the name and telephone number of the treasurer's employee who
12 may be contacted if a parent has questions about the program; and

13 (8) a list of qualified private schools.

14 New Sec. 5. (a) Whenever a student becomes eligible for the student
15 empowerment program, such student's resident school district shall notify
16 the parent of such student. Such notice shall include an explanation of the
17 basis for such child's eligibility for the program, a copy of the results of the
18 most recently administered state assessment for English language arts and
19 state assessment for mathematics for such child, the name and telephone
20 number of the school district employee who may be contacted if the parent
21 has questions about the program and the name and telephone number of an
22 employee of both the department of education and the state treasurer's
23 office who may be contacted regarding the program. Such notice shall also
24 include either a written description of the program, including the
25 information described in section 4(b), and amendments thereto, or the
26 website address where such description may be found on the treasurer's
27 website. The school district shall continue to provide such notice each year
28 that the student remains enrolled in the school district and remains eligible
29 for the program.

30 (b) This section shall take effect and be in force from and after July 1,
31 2023.

32 New Sec. 6. (a) For an eligible student to participate in the program,
33 the parent of such eligible student shall enter into a written agreement with
34 the treasurer, in such manner and form as prescribed by the treasurer.

35 (b) The agreement between the parent of an eligible student and the
36 treasurer shall provide that:

37 (1) The eligible student shall participate in the program in accordance
38 with section 8, and amendments thereto;

39 (2) the treasurer shall establish an account for the eligible student in
40 the student empowerment fund established by section 7, and amendments
41 thereto;

42 (3) the parent shall comply with all requirements and rules and
43 regulations of the program; and

1 (4) the moneys in the eligible student's account shall only be
2 expended as authorized by the program.

3 (c) Only one account may be established for each eligible student. A
4 parent acting on behalf of more than one eligible student shall have a
5 separate written agreement for each eligible student.

6 (d) A written agreement entered pursuant to this act shall expire on
7 July 31 immediately following the date the agreement becomes effective
8 but may be terminated prior to such date pursuant to subsection (e). Each
9 written agreement may be renewed by August 1 upon the written consent
10 of the parent and the treasurer in a manner determined by the treasurer,
11 except that the parent may submit a request to the treasurer for an
12 extension of time for renewal not to exceed 30 days. Failure to renew a
13 written agreement does not preclude renewal of such written agreement in
14 a subsequent year. A written agreement that has been terminated pursuant
15 to subsection (e) shall not be renewed.

16 (e) (1) A written agreement may be terminated by the treasurer upon a
17 determination that:

18 (A) Moneys in an account have been used for purposes other than
19 those allowed by the program;

20 (B) the eligible student no longer satisfies the qualifications of an
21 eligible student; or

22 (C) the eligible student no longer participates in the program in
23 accordance with section 8, and amendments thereto.

24 (2) A written agreement may be terminated by a parent at any time.
25 To terminate a written agreement, such parent shall notify the treasurer in
26 writing of such termination.

27 (3) When a written agreement is terminated, the account associated
28 with such agreement shall be deemed inactive, and the treasurer shall close
29 the account in accordance with section 7, and amendments thereto.

30 (f) This section shall take effect and be in force from and after July 1,
31 2023.

32 New Sec. 7. (a) (1) There is hereby established in the state treasury
33 the student empowerment fund to be administered by the treasurer.
34 Moneys in the student empowerment fund shall be expended only for the
35 purposes established in this act. All moneys received pursuant to section 9,
36 and amendments thereto, shall be deposited in the state treasury in
37 accordance with the provisions of K.S.A. 75-4215, and amendments
38 thereto, and shall be credited to the student empowerment fund.

39 (2) The director of accounts and reports shall create a procedure for
40 the student empowerment fund to have individual student accounts therein.
41 Each student's accumulated moneys in the student's account shall earn
42 interest based on: (A) The average daily balance of moneys in each
43 student's account for the preceding month; and (B) the net earnings rate of

1 the pooled money investment portfolio for the preceding month. The
2 amount of interest earned shall be added monthly to each student's account
3 in the student empowerment fund.

4 (b) Upon execution of an agreement in accordance with section 6, and
5 amendments thereto, the treasurer shall establish an account in the student
6 empowerment fund in the state treasury in the name of the eligible student.
7 Upon establishment of such account, the treasurer shall notify the resident
8 school district of the establishment of such account for the eligible student.

9 (c) (1) If the eligible student is enrolled in a qualified private school,
10 the treasurer shall transfer to such eligible student's account in the student
11 empowerment fund an aggregate annual amount equal to the BASE aid.

12 (2) If the eligible student continues to be enrolled in such student's
13 resident school district part-time, the treasurer shall transfer to such
14 eligible student's account in the student empowerment fund an aggregate
15 annual amount equal to that portion of the BASE aid that is inversely
16 proportional to the amount of time such student is enrolled in such
17 student's resident school district.

18 (d) The treasurer shall make transfers required under subsection (c) in
19 quarterly installments pursuant to a schedule determined by the treasurer.

20 (e) The treasurer may deduct a percentage of the aggregate annual
21 amount to be transferred into an eligible student's account as
22 reimbursement for the administrative costs of implementing the provisions
23 of this act as follows:

24 (1) Up to 5% each year for the first two years moneys are transferred
25 to an eligible student's account; and

26 (2) up to 2.5% for the third year and for each subsequent year moneys
27 are transferred to an eligible student's account.

28 (f) No transfers shall be made to an eligible student's account after
29 such student has graduated from high school.

30 (g) (1) Each account shall remain active until:

31 (A) A written agreement is terminated pursuant to section 6, and
32 amendments thereto;

33 (B) July 31 following the date on which the eligible student graduates
34 from high school; or

35 (C) there are two consecutive years of nonrenewal of an agreement.

36 (2) If the treasurer determines an account is inactive, the treasurer
37 shall close the account and certify the amount of moneys remaining in the
38 account to the director of accounts and reports. Such certified amount shall
39 remain in the student empowerment fund.

40 (h) The treasurer shall contract with a third party pursuant to
41 competitive bids for a system for payment of services by participating
42 parents by electronic funds transfer. Such system shall not require parents
43 to be reimbursed for allowable expenses. All electronic funds transfers

1 shall only be for expenditures approved by the treasurer.

2 (i) This section shall take effect and be in force from and after July 1,
3 2023.

4 New Sec. 8. (a) An eligible student whose parent has entered into an
5 agreement with the treasurer in accordance with section 6, and
6 amendments thereto, shall participate in the program by:

7 (1) Continuing part-time enrollment in such student's resident school
8 district and receiving additional educational services as allowed under the
9 program; or

10 (2) enrolling in a qualified private school.

11 (b) Each year, the parent of a student participating in the program
12 shall report to the treasurer whether such student is enrolled in such
13 student's resident school district and, if so, the number of hours such
14 student is attending.

15 (c) This section shall take effect and be in force from and after July 1,
16 2023.

17 New Sec. 9. (a) On or before August 1 of each year, the treasurer
18 shall determine the amount to be transferred to the student empowerment
19 fund by:

20 (1) Multiplying an amount equal to the BASE aid by the total number
21 of eligible students participating in the program, who are enrolled in a
22 qualified private school;

23 (2) for each eligible student participating in the program who is
24 enrolled part-time in a school district, multiplying an amount equal to the
25 BASE aid by a ratio that is the inverse proportion of the amount of time
26 each such student is enrolled and attending public school;

27 (3) adding together the amounts determined under paragraph (2) for
28 all such students; and

29 (4) adding the total amounts determined under paragraphs (1) and (3).
30 The resulting sum is the amount to be transferred to the student
31 empowerment fund.

32 (b) The treasurer shall certify the resulting amounts to the director of
33 accounts and reports. Upon receipt of such certification, the director shall
34 transfer such certified amount from the state general fund to the student
35 empowerment fund established in section 7, and amendments thereto.

36 (c) This section shall take effect and be in force from and after July 1,
37 2023.

38 New Sec. 10. (a) Moneys in the eligible student's account may be
39 accessed by such eligible student's parent but shall only be expended by
40 such parent for the following purposes:

41 (1) Tuition and fees charged by a qualified private school;

42 (2) textbooks and other supplies required by a qualified private
43 school;

- 1 (3) fees for transportation provided by a qualified private school that
2 is required for the eligible student to travel to and from such qualified
3 private school;
- 4 (4) educational therapies or services provided by a licensed or
5 accredited education provider;
- 6 (5) tutoring services provided by a certified tutor;
- 7 (6) curriculum materials;
- 8 (7) tuition or fees charged by an accredited private online learning
9 program;
- 10 (8) fees for any nationally standardized norm-referenced achievement
11 test, advanced placement examination or other examination related to
12 admission to a postsecondary educational institution;
- 13 (9) services, programs, activities, classes or any other resources or
14 programs provided or contracted by a school district;
- 15 (10) tuition and fees charged by a postsecondary educational
16 institution; and
- 17 (11) any other education expenses approved by the treasurer.
- 18 (b) The treasurer shall notify the parent of any expenditures from an
19 eligible student's account that do not meet the requirements of subsection
20 (a). Such parent shall repay the cost of any such expenditures within 30
21 days of notification by the treasurer.
- 22 (c) Except as provided in section 7, and amendments thereto, funds
23 remaining in an account at the end of a school year shall roll over to the
24 next succeeding school year.
- 25 (d) A qualified private school providing education services purchased
26 with funds from an account shall not share, refund or rebate any portion of
27 such funds to the parent or eligible student. Any such refund or rebate shall
28 be made directly into the eligible student's account.
- 29 (e) No personal deposits may be made into an account.
- 30 (f) The treasurer shall conduct or contract to conduct annual audits of
31 eligible student accounts to ensure compliance with the provisions of this
32 act and may conduct or contract to conduct additional audits of eligible
33 student accounts, as needed.
- 34 (g) If the treasurer determines moneys in an account have been used
35 for purposes other than those allowed by subsection (a), the treasurer may:
36 (1) Prohibit expenditures from the account until such time as
37 determined by the treasurer;
- 38 (2) prorate amounts to be deposited in such account under section 7,
39 and amendments thereto, by an amount equal to the total amount used for
40 purposes other than those allowed by subsection (a); or
- 41 (3) terminate the account.
- 42 (h) This section shall take effect and be in force from and after July 1,
43 2023.

1 New Sec. 11. (a) On or before September 1, 2023, and each year
2 thereafter, the treasurer shall certify to the state board of education the
3 names of the students participating in the student empowerment program,
4 the resident school district of each such student and the qualified private
5 school, if any, each such student is attending in the current school year.

6 (b) (1) On or before October 1, 2023, and each year thereafter, the
7 state board shall determine the adjusted weightings funding amount in
8 accordance with paragraph (2) and shall certify the amount so determined
9 to the director of accounts and reports. At the same time as such
10 certification is transmitted to the director of accounts and reports, the state
11 board shall transmit a copy of such certification to the director of the
12 budget and the director of legislative research. Upon receipt of each such
13 certification, the director of accounts and reports shall transfer the amount
14 certified, and such amount is appropriated for such fiscal year, from the
15 state general fund to the state foundation aid account of the state general
16 fund of the department of education.

17 (2) For each eligible student participating in the program who has
18 participated for less than three years, the state board shall determine the
19 amount of such student's resident school district's state foundation aid for
20 the last school year during which such student was enrolled full-time in
21 such district that is attributable to that portion of the following weightings
22 that is directly attributable to such student's enrollment in the district: The
23 low enrollment weighting, high enrollment weighting, bilingual weighting,
24 at-risk student weighting and career technical education weighting. The
25 state board shall then determine the aggregate of such amounts for each
26 resident school district and the resulting sum is the adjusted weightings
27 funding amount.

28 (c) This section shall take effect and be in force from and after July 1,
29 2023.

30 New Sec. 12. (a) To become a qualified private school, an applicant
31 shall submit an application to the treasurer on a form and in a manner
32 prescribed by the treasurer. Such application shall include proof that the
33 applicant is an accredited private school or a nonaccredited private school
34 registered with the state board of education pursuant to K.S.A. 72-4346,
35 and amendments thereto, and provides instruction in those subjects
36 required by K.S.A. 72-3214, 72-3217 and 72-3235, and amendments
37 thereto.

38 (b) The treasurer shall approve an application or request additional
39 information, as necessary, to prove an applicant meets the criteria to be
40 deemed a qualified private school within 45 days of receiving the
41 application. If the applicant is unable to provide such additional
42 information, the treasurer may deny the application.

43 (c) The treasurer shall conduct or contract to conduct an audit of a

1 qualified private school, selected at random each year, to determine
2 whether the qualified private school is compliant with the requirements of
3 subsection (a).

4 (d) (1) The treasurer may revoke a qualified private school's approval,
5 if the treasurer determines the qualified private school:

6 (A) Has routinely failed to comply with the provisions of this act or
7 applicable rules and regulations; or

8 (B) has failed to provide any educational services required by law to
9 an eligible student receiving instruction from the school, if the school is
10 accepting payments made from such eligible student's account.

11 (2) Prior to revoking a qualified private school's approval, the
12 treasurer shall notify such school of an impending revocation and the
13 reason for such revocation. The qualified private school shall have 30 days
14 from the time it was notified to cure the matter identified in the notice. If
15 the qualified private school fails to cure such matter within 30 days, such
16 school's approval shall be revoked. A qualified private school whose
17 approval has been revoked shall not be allowed to participate in the
18 program until such time the treasurer determines such school is in
19 compliance with the requirements of this act.

20 (3) If the treasurer revokes a qualified private school's approval, the
21 treasurer shall immediately notify each parent of an eligible student
22 participating in the program and receiving instruction from such school.

23 (e) The treasurer may notify the attorney general or the county or
24 district attorney of the county where the qualified private school is located,
25 if a qualified private school's approval was revoked because of misuse of
26 moneys paid from an account.

27 (f) This section shall take effect and be in force from and after July 1,
28 2023.

29 New Sec. 13. (a) Enrollment of an eligible student in a qualified
30 private school shall be considered a parental placement of such student
31 under the individuals with disabilities education act, 20 U.S.C. § 1400 et
32 seq.

33 (b) This section shall take effect and be in force from and after July 1,
34 2023.

35 New Sec. 14. (a) On or before December 31, 2023, and each
36 December 31 thereafter, the treasurer shall prepare and submit a report on
37 the student empowerment program to the state board of education. The
38 report shall include, but is not limited to, the following information for the
39 immediately preceding school year:

40 (1) The total number of students participating in the program;

41 (2) the number of participating students enrolled on a part-time basis
42 in a school district and the average number of hours such students attended
43 public school;

1 (3) the number of participating students enrolled in a qualified private
2 school;

3 (4) the number of qualified private schools;

4 (5) the results of any audits conducted or contracted for by the
5 treasurer; and

6 (6) the total cost to administer the program.

7 (b) On or before January 15, 2024, and each January 15 thereafter, the
8 state board of education shall prepare and submit a report on the student
9 empowerment program to the governor and the legislature. The report
10 shall include, but is not limited to, the treasurer's report submitted pursuant
11 to subsection (a) and the state foundation aid adjustments determined by
12 the state board pursuant to section 11, and amendments thereto, for each
13 school district for the immediately preceding school year.

14 (c) This section shall take effect and be in force from and after July 1,
15 2023.

16 New Sec. 15. The treasurer's actions under this act shall be subject to
17 the Kansas administrative procedure act and reviewable under the Kansas
18 judicial review act. Any parent of a participating student or qualified
19 private school aggrieved by a decision of the treasurer may appeal such
20 decision in accordance with such acts.

21 New Sec. 16. (a) On or before January 1, 2023, the treasurer shall
22 adopt rules and regulations necessary to carry out the provisions of this
23 act.

24 New Sec. 17. (a) Nothing in this act shall be deemed to limit the
25 independence or autonomy of a qualified private school or to make the
26 actions of a qualified private school the actions of the state government.

27 (b) This section shall take effect and be in force from and after July 1,
28 2023.

29 Sec. 18. K.S.A. 72-5134 is hereby amended to read as follows: 72-
30 5134. (a) In each school year, the state board shall determine the amount
31 of state foundation aid for each school district for such school year. The
32 state board shall determine the amount of the school district's local
33 foundation aid for the school year. If the amount of the school district's
34 local foundation aid is greater than the amount of total foundation aid
35 determined for the school district for the school year, the school district
36 shall not receive state foundation aid in any amount. If the amount of the
37 school district's local foundation aid is less than the amount of total
38 foundation aid determined for the school district for the school year, the
39 state board shall subtract the amount of the school district's local
40 foundation aid from the amount of total foundation aid. *Subject to the*
41 *provisions of subsection (b)*, the remainder is the amount of state
42 foundation aid the school district shall receive for the school year.

43 (b) *For school year 2023-2024 and each school year thereafter, the*

1 *state board shall adjust the amount of state foundation aid for each school*
2 *district in accordance with section 11, and amendments thereto.*

3 Sec. 19. K.S.A. 2021 Supp. 79-32,117 is hereby amended to read as
4 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
5 means such individual's federal adjusted gross income for the taxable year,
6 with the modifications specified in this section.

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

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

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

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

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

1 the extent such deduction does not reduce Kansas taxable income below
2 zero.

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

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

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

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

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

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

30 (xi) The amount of any contribution made to the same extent the
31 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
32 50,154, and amendments thereto.

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

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

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

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

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

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

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

29 (xix) For taxable years beginning after December 31, 2012, and
30 ending before January 1, 2017, the amount of any: (1) Loss from business
31 as determined under the federal internal revenue code and reported from
32 schedule C and on line 12 of the taxpayer's form 1040 federal individual
33 income tax return; (2) loss from rental real estate, royalties, partnerships, S
34 corporations, except those with wholly owned subsidiaries subject to the
35 Kansas privilege tax, estates, trusts, residual interest in real estate
36 mortgage investment conduits and net farm rental as determined under the
37 federal internal revenue code and reported from schedule E and on line 17
38 of the taxpayer's form 1040 federal individual income tax return; and (3)
39 farm loss as determined under the federal internal revenue code and
40 reported from schedule F and on line 18 of the taxpayer's form 1040
41 federal income tax return; all to the extent deducted or subtracted in
42 determining the taxpayer's federal adjusted gross income. For purposes of
43 this subsection, references to the federal form 1040 and federal schedule

1 C, schedule E, and schedule F, shall be to such form and schedules as they
2 existed for tax year 2011, and as revised thereafter by the internal revenue
3 service.

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

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

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

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

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

38 (xxv) For taxable years commencing after December 31, 2013, that
39 portion of the amount of any expenditure deduction claimed in
40 determining federal adjusted gross income for expenses paid by a taxpayer
41 for health care when such expenses were paid or incurred for abortion
42 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
43 amendments thereto, when such expenses were paid or incurred for

1 abortion coverage or amounts contributed to health savings accounts for
2 such taxpayer's employees for the purchase of an optional rider for
3 coverage of abortion in accordance with K.S.A. 40-2,190, and
4 amendments thereto, to the extent that such taxes and assessments are
5 claimed as a deduction for federal income tax purposes.

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

11 (xxvii) For all taxable years commencing after December 31, 2020,
12 the amount deducted by reason of a carryforward of disallowed business
13 interest pursuant to section 163(j) of the federal internal revenue code of
14 1986, as in effect on January 1, 2018.

15 *(xxviii) For all taxable years beginning after December 31, 2021, the*
16 *amount of any contributions to, or earnings from, a first-time home buyers*
17 *savings account if distributions from the account were not used to pay for*
18 *expenses or transactions authorized pursuant to K.S.A. 2021 Supp. 58-*
19 *4904, and amendments thereto, or were not held for the minimum length of*
20 *time required pursuant to K.S.A. 2021 Supp. 58-4904, and amendments*
21 *thereto. Contributions to, or earnings from, such account shall also*
22 *include any amount resulting from the account holder not designating a*
23 *surviving transfer on death beneficiary pursuant to K.S.A. 2021 Supp. 58-*
24 *4904(e), and amendments thereto.*

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

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

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

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

43 (iv) The amount necessary to prevent the taxation under this act of

1 any annuity or other amount of income or gain—~~which~~ *that* was properly
2 included in income or gain and was taxed under the laws of this state for a
3 taxable year prior to the effective date of this act, as amended, to the
4 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
5 the right to receive the income or gain, or to a trust or estate from which
6 the taxpayer received the income or gain.

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

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

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

19 (viii) Amounts received by retired railroad employees as a
20 supplemental annuity under the provisions of 45 U.S.C. §§ 228b(a) and
21 228c(a)(1) et seq.

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

27 (x) For taxable years beginning after December 31, 1976, the amount
28 of the federal tentative jobs tax credit disallowance under the provisions of
29 26 U.S.C. § 280C. For taxable years ending after December 31, 1978, the
30 amount of the targeted jobs tax credit and work incentive credit
31 disallowances under 26 U.S.C. § 280C.

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

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

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

42 (xiv) For all taxable years commencing after December 31, 1996, that
43 portion of any income of a bank organized under the laws of this state or

1 any other state, a national banking association organized under the laws of
2 the United States, an association organized under the savings and loan
3 code of this state or any other state, or a federal savings association
4 organized under the laws of the United States, for which an election as an
5 S corporation under subchapter S of the federal internal revenue code is in
6 effect, ~~which~~ *that* accrues to the taxpayer who is a stockholder of such
7 corporation and ~~which~~ *that* is not distributed to the stockholders as
8 dividends of the corporation. For taxable years beginning after December
9 31, 2012, and ending before January 1, 2017, the amount of modification
10 under this subsection shall exclude the portion of income or loss reported
11 on schedule E and included on line 17 of the taxpayer's form 1040 federal
12 individual income tax return.

13 (xv) For all taxable years beginning after December 31, 2017, the
14 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple
15 filing a joint return, for each designated beneficiary that are contributed to:
16 (1) A family postsecondary education savings account established under
17 the Kansas postsecondary education savings program or a qualified tuition
18 program established and maintained by another state or agency or
19 instrumentality thereof pursuant to section 529 of the internal revenue
20 code of 1986, as amended, for the purpose of paying the qualified higher
21 education expenses of a designated beneficiary; or (2) an achieving a
22 better life experience (ABLE) account established under the Kansas ABLE
23 savings program or a qualified ABLE program established and maintained
24 by another state or agency or instrumentality thereof pursuant to section
25 529A of the internal revenue code of 1986, as amended, for the purpose of
26 saving private funds to support an individual with a disability. The terms
27 and phrases used in this paragraph shall have the meaning respectively
28 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and
29 amendments thereto, and the provisions of such sections are hereby
30 incorporated by reference for all purposes thereof.

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

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

1 281, and amendments thereto, and amounts received for death benefits
2 pursuant to K.S.A. 48-282, and amendments thereto, to the extent that
3 such death benefits are included in federal adjusted gross income of the
4 taxpayer.

5 (xviii) For the taxable year beginning after December 31, 2006,
6 amounts received as benefits under the federal social security act ~~which~~
7 *that* are included in federal adjusted gross income of a taxpayer with
8 federal adjusted gross income of \$50,000 or less, whether such taxpayer's
9 filing status is single, head of household, married filing separate or married
10 filing jointly; and for all taxable years beginning after December 31, 2007,
11 amounts received as benefits under the federal social security act ~~which~~
12 *that* are included in federal adjusted gross income of a taxpayer with
13 federal adjusted gross income of \$75,000 or less, whether such taxpayer's
14 filing status is single, head of household, married filing separate or married
15 filing jointly.

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

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

38 (xxi) For all taxable years beginning after December 31, 2013,
39 amounts equal to the unreimbursed travel, lodging and medical
40 expenditures directly incurred by a taxpayer while living, or a dependent
41 of the taxpayer while living, for the donation of one or more human organs
42 of the taxpayer, or a dependent of the taxpayer, to another person for
43 human organ transplantation. The expenses may be claimed as a

1 subtraction modification provided for in this section to the extent the
2 expenses are not already subtracted from the taxpayer's federal adjusted
3 gross income. In no circumstances shall the subtraction modification
4 provided for in this section for any individual, or a dependent, exceed
5 \$5,000. As used in this section, "human organ" means all or part of a liver,
6 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
7 paragraph shall take effect on the day the secretary of revenue certifies to
8 the director of the budget that the cost for the department of revenue of
9 modifications to the automated tax system for the purpose of
10 implementing this paragraph will not exceed \$20,000.

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

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

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

31 (xxv) For all taxable years commencing after December 31, 2020,
32 100% of global intangible low-taxed income under section 951A of the
33 federal internal revenue code of 1986, before any deductions allowed
34 under section 250(a)(1)(B) of such code.

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

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

43 (xxviii) *For all taxable years beginning after December 31, 2021: (1)*

1 *The amount contributed to a first-time home buyer savings account*
 2 *pursuant to K.S.A. 2021 Supp. 58-4903, and amendments thereto, in an*
 3 *amount not to exceed \$3,000 for an individual or \$6,000 for a married*
 4 *couple filing a joint return; or (2) amounts received as income earned*
 5 *from assets in a first-time home buyer savings account.*

6 *(xxix) For all taxable years beginning after December 31, 2022,*
 7 *amounts deposited in a student empowerment account established by an*
 8 *agreement between the taxpayer and the state treasurer pursuant to*
 9 *section 6, and amendments thereto.*

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

14 (e) The amount of modifications required to be made under this
 15 section by a partner ~~which~~ *that* relates to items of income, gain, loss,
 16 deduction or credit of a partnership shall be determined under K.S.A. 79-
 17 32,131, and amendments thereto, to the extent that such items affect
 18 federal adjusted gross income of the partner.

19 (f) No taxpayer shall be assessed penalties and interest from the
 20 underpayment of taxes due to changes to this section that became law on
 21 July 1, 2017, so long as such underpayment is rectified on or before April
 22 17, 2018.

23 Sec. 20. K.S.A. 72-5134 and K.S.A. 2021 Supp. 79-32,117 and 79-
 24 32,117q are hereby repealed.

25 Sec. 21. This act shall take effect and be in force from and after its
 26 publication in the statute book.