

HOUSE BILL No. 2394

By Representatives Landwehr and Huebert, Aurand, Boston, Compton, Cook, Dahl, DeCastro, Freeborn, Hayzlett, Howell, Huy, Kauffman, Lightner, P. Long, Mason, Mays, McCreary, McLeland, Merrick, Jim Morrison, Judy Morrison, Myers, Novascone, Osborne, Ostmeyer, Patterson, J. Peterson, T. Powell, Powers, Shultz, Tafanelli, Tanner, Toplikar, Vickrey and D. Williams

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AN ACT relating to income taxation; providing credits therefrom for dependent education expenses and teaching aid contributions; amending K.S.A. 2000 Supp. 79-32,117 and repealing the existing section.

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

New Section 1. For all taxable years commencing after December 31, 2000, there shall be allowed as a credit against the tax liability imposed under the Kansas income tax act upon an individual who is certificated to instruct and educate students of grades kindergarten through 12 in an accredited school, whether public or otherwise, an amount, not to exceed \$100, equal to the purchase costs in excess of \$50 of equipment, materials or other teaching aids for use in the classroom to assist in the education of the students of such individual. If the amount of such tax credit exceeds the individual's income tax liability for the appropriate taxable year, such excess amount shall be refunded.

New Sec. 2. For all taxable years commencing after December 31, 2000, there shall be allowed as a credit against the tax liability imposed under the Kansas income tax act upon an individual amounts incurred during the taxable year for education expenses for all dependents of such individual attending an elementary or secondary school which is located in Kansas which adheres to the provisions of the federal civil rights act of 1964 and the Kansas act against discrimination, and attendance at which satisfies the requirements of K.S.A. 72-1111, and amendments thereto. As used in this section: "Education expenses" means fees, textbooks and other instructional materials. The amount of such credit shall be 12.5% of the amounts paid for education expenses in excess of \$250, but shall not exceed \$500 expended for all dependents in any taxable year. If the amount of such tax credit exceeds the individual's income tax liability for the appropriate taxable year, such excess amount shall be refunded.

1 Sec. 3. K.S.A. 2000 Supp. 79-32,117 is hereby amended to read as
2 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
3 means such individual's federal adjusted gross income for the taxable year,
4 with the modifications specified in this section.

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

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

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

24 (iii) The federal net operating loss deduction.

25 (iv) Federal income tax refunds received by the taxpayer if the de-
26 duction of the taxes being refunded resulted in a tax benefit for Kansas
27 income tax purposes during a prior taxable year. Such refunds shall be
28 included in income in the year actually received regardless of the method
29 of accounting used by the taxpayer. For purposes hereof, a tax benefit
30 shall be deemed to have resulted if the amount of the tax had been de-
31 ducted in determining income subject to a Kansas income tax for a prior
32 year regardless of the rate of taxation applied in such prior year to the
33 Kansas taxable income, but only that portion of the refund shall be in-
34 cluded as bears the same proportion to the total refund received as the
35 federal taxes deducted in the year to which such refund is attributable
36 bears to the total federal income taxes paid for such year. For purposes
37 of the foregoing sentence, federal taxes shall be considered to have been
38 deducted only to the extent such deduction does not reduce Kansas tax-
39 able income below zero.

40 (v) The amount of any depreciation deduction or business expense
41 deduction claimed on the taxpayer's federal income tax return for any
42 capital expenditure in making any building or facility accessible to the
43 handicapped, for which expenditure the taxpayer claimed the credit al-

1 lowed by K.S.A. 79-32,177, and amendments thereto.

2 (vi) Any amount of designated employee contributions picked up by
3 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
4 and amendments to such sections.

5 (vii) The amount of any charitable contribution made to the extent
6 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
7 79-32,196, and amendments thereto.

8 (viii) The amount of any costs incurred for improvements to a swine
9 facility, claimed for deduction in determining federal adjusted gross in-
10 come, to the extent the same is claimed as the basis for any credit allowed
11 pursuant to K.S.A. 2000 Supp. 79-32,204 and amendments thereto.

12 (ix) The amount of any ad valorem taxes and assessments paid and
13 the amount of any costs incurred for habitat management or construction
14 and maintenance of improvements on real property, claimed for deduc-
15 tion in determining federal adjusted gross income, to the extent the same
16 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203
17 and amendments thereto.

18 (x) Amounts received as nonqualified withdrawals, as defined by
19 K.S.A. 2000 Supp. 75-643, and amendments thereto, if, at the time of
20 contribution to a family postsecondary education savings account, such
21 amounts were subtracted from the federal adjusted gross income pur-
22 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
23 ments thereto, or if such amounts are not already included in the federal
24 adjusted gross income.

25 (xi) *The amount of any contributions made to an elementary or sec-*
26 *ondary school to the extent the same is claimed as the basis for the credit*
27 *allowed pursuant to section 1.*

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

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

35 (ii) Any amounts received which are included in federal adjusted
36 gross income but which are specifically exempt from Kansas income tax-
37 ation under the laws of the state of Kansas.

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

1 come tax purposes, the modification shall be limited to that portion of
2 such gain which is included in federal adjusted gross income.

3 (iv) The amount necessary to prevent the taxation under this act of
4 any annuity or other amount of income or gain which was properly in-
5 cluded in income or gain and was taxed under the laws of this state for a
6 taxable year prior to the effective date of this act, as amended, to the
7 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
8 the right to receive the income or gain, or to a trust or estate from which
9 the taxpayer received the income or gain.

10 (v) The amount of any refund or credit for overpayment of taxes on
11 or measured by income or fees or payments in lieu of income taxes im-
12 posed by this state, or any taxing jurisdiction, to the extent included in
13 gross income for federal income tax purposes.

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

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

22 (viii) Amounts received by retired railroad employees as a supple-
23 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
24 *et seq.*

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

30 (x) For taxable years beginning after December 31, 1976, the amount
31 of the federal tentative jobs tax credit disallowance under the provisions
32 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
33 the amount of the targeted jobs tax credit and work incentive credit dis-
34 allowances under 26 U.S.C. 280 C.

35 (xi) For taxable years beginning after December 31, 1986, dividend
36 income on stock issued by Kansas Venture Capital, Inc.

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

41 (xiii) For taxable years beginning after December 31, 1993, the
42 amount of income earned on contributions deposited to an individual
43 development account under K.S.A. 79-32,117h, and amendments thereto.

1 (xiv) For all taxable years commencing after December 31, 1996, that
2 portion of any income of a bank organized under the laws of this state or
3 any other state, a national banking association organized under the laws
4 of the United States, an association organized under the savings and loan
5 code of this state or any other state, or a federal savings association or-
6 ganized under the laws of the United States, for which an election as an
7 S corporation under subchapter S of the federal internal revenue code is
8 in effect, which accrues to the taxpayer who is a stockholder of such
9 corporation and which is not distributed to the stockholders as dividends
10 of the corporation.

11 (xv) For all taxable years beginning after December 31, 1999,
12 amounts not exceeding \$2,000, or \$4,000 for a married couple filing a
13 joint return, for each designated beneficiary which are contributed to a
14 family postsecondary education savings account established under the
15 Kansas postsecondary education savings program for the purpose of pay-
16 ing the qualified higher education expenses of a designated beneficiary
17 at an institution of postsecondary education. The terms and phrases used
18 in this paragraph shall have the meaning respectively ascribed thereto by
19 the provisions of K.S.A. 2000 Supp. 75-643, and amendments thereto,
20 and the provisions of such section are hereby incorporated by reference
21 for all purposes thereof.

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

26 (e) The amount of modifications required to be made under this sec-
27 tion by a partner which relates to items of income, gain, loss, deduction
28 or credit of a partnership shall be determined under K.S.A. 79-32,131,
29 and amendments thereto, to the extent that such items affect federal
30 adjusted gross income of the partner.

31 Sec. 4. K.S.A. 2000 Supp. 79-32,117 is hereby repealed.

32 Sec. 5. This act shall take effect and be in force from and after its
33 publication in the statute book.

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