

SENATE BILL No. 344

By Committee on Education

2-9

9 AN ACT concerning income taxation; relating to deductions; contribu-
10 tions to a family postsecondary education savings account or a qualified
11 tuition program; amending K.S.A. 2006 Supp. 79-32,117 and repealing
12 the existing section; also repealing K.S.A. 2006 Supp. 79-32,117L.
13

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

15 Section 1. K.S.A. 2006 Supp. 79-32,117 is hereby amended to read
16 as follows: 79-32,117. (a) The Kansas adjusted gross income of an indi-
17 vidual means such individual's federal adjusted gross income for the tax-
18 able year, with the modifications specified in this section.

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

20 (i) Interest income less any related expenses directly incurred in the
21 purchase of state or political subdivision obligations, to the extent that
22 the same is not included in federal adjusted gross income, on obligations
23 of any state or political subdivision thereof, but to the extent that interest
24 income on obligations of this state or a political subdivision thereof issued
25 prior to January 1, 1988, is specifically exempt from income tax under the
26 laws of this state authorizing the issuance of such obligations, it shall be
27 excluded from computation of Kansas adjusted gross income whether or
28 not included in federal adjusted gross income. Interest income on obli-
29 gations of this state or a political subdivision thereof issued after Decem-
30 ber 31, 1987, shall be excluded from computation of Kansas adjusted
31 gross income whether or not included in federal adjusted gross income.

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

38 (iii) The federal net operating loss deduction.

39 (iv) Federal income tax refunds received by the taxpayer if the de-
40 duction of the taxes being refunded resulted in a tax benefit for Kansas
41 income tax purposes during a prior taxable year. Such refunds shall be
42 included in income in the year actually received regardless of the method
43 of accounting used by the taxpayer. For purposes hereof, a tax benefit

1 shall be deemed to have resulted if the amount of the tax had been de-
2 ducted in determining income subject to a Kansas income tax for a prior
3 year regardless of the rate of taxation applied in such prior year to the
4 Kansas taxable income, but only that portion of the refund shall be in-
5 cluded as bears the same proportion to the total refund received as the
6 federal taxes deducted in the year to which such refund is attributable
7 bears to the total federal income taxes paid for such year. For purposes
8 of the foregoing sentence, federal taxes shall be considered to have been
9 deducted only to the extent such deduction does not reduce Kansas tax-
10 able income below zero.

11 (v) The amount of any depreciation deduction or business expense
12 deduction claimed on the taxpayer's federal income tax return for any
13 capital expenditure in making any building or facility accessible to the
14 handicapped, for which expenditure the taxpayer claimed the credit al-
15 lowed by K.S.A. 79-32,177, and amendments thereto.

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

19 (vii) The amount of any charitable contribution made to the extent
20 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
21 79-32,196, and amendments thereto.

22 (viii) The amount of any costs incurred for improvements to a swine
23 facility, claimed for deduction in determining federal adjusted gross in-
24 come, to the extent the same is claimed as the basis for any credit allowed
25 pursuant to K.S.A. 2006 Supp. 79-32,204 and amendments thereto.

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

32 (x) Amounts received as nonqualified withdrawals, as defined by
33 K.S.A. 2006 Supp. 75-643, and amendments thereto, if, at the time of
34 contribution to a family postsecondary education savings account, such
35 amounts were subtracted from the federal adjusted gross income pur-
36 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
37 ments thereto, or if such amounts are not already included in the federal
38 adjusted gross income.

39 (xi) The amount of any contribution made to the same extent the
40 same is claimed as the basis for the credit allowed pursuant to K.S.A.
41 2006 Supp. 74-50,154, and amendments thereto.

42 (xii) For taxable years commencing after December 31, 2004,
43 amounts received as withdrawals not in accordance with the provisions

- 1 of K.S.A. 2006 Supp. 74-50,204, and amendments thereto, if, at the time
2 of contribution to an individual development account, such amounts were
3 subtracted from the federal adjusted gross income pursuant to paragraph
4 (xiii) of subsection (c), or if such amounts are not already included in the
5 federal adjusted gross income.
- 6 (xiii) The amount of any expenditures claimed for deduction in deter-
7 termining federal adjusted gross income, to the extent the same is claimed
8 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
9 32,217 through 79-32,220 or 79-32,222, and amendments thereto.
- 10 (xiv) The amount of any amortization deduction claimed in deter-
11 mining federal adjusted gross income to the extent the same is claimed
12 for deduction pursuant to K.S.A. 2006 Supp. 79-32,221, and amendments
13 thereto.
- 14 (xv) The amount of any expenditures claimed for deduction in deter-
15 mining federal adjusted gross income, to the extent the same is claimed
16 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
17 32,223 through 79-32,226, and amendments thereto.
- 18 (xvi) The amount of any amortization deduction claimed in deter-
19 mining federal adjusted gross income to the extent the same is claimed
20 for deduction pursuant to K.S.A. 2006 Supp. 79-32,227, and amendments
21 thereto.
- 22 (xvii) The amount of any expenditures claimed for deduction in deter-
23 mining federal adjusted gross income, to the extent the same is claimed
24 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
25 32,228 through 79-32,231, and amendments thereto.
- 26 (xviii) The amount of any amortization deduction claimed in deter-
27 mining federal adjusted gross income to the extent the same is claimed
28 for deduction pursuant to K.S.A. 2006 Supp. 79-32,232, and amendments
29 thereto.
- 30 (xix) The amount of any expenditures claimed for deduction in deter-
31 mining federal adjusted gross income, to the extent the same is claimed
32 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
33 32,233 through 79-32,236, and amendments thereto.
- 34 (xx) The amount of any amortization deduction claimed in deter-
35 mining federal adjusted gross income to the extent the same is claimed for
36 deduction pursuant to K.S.A. 2006 Supp. 79-32,237, and amendments
37 thereto.
- 38 (xxi) The amount of any expenditures claimed for deduction in deter-
39 mining federal adjusted gross income, to the extent the same is claimed
40 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
41 32,238 through 79-32,241, and amendments thereto.
- 42 (c) There shall be subtracted from federal adjusted gross income:
- 43 (i) Interest or dividend income on obligations or securities of any

- 1 authority, commission or instrumentality of the United States and its pos-
2 sessions less any related expenses directly incurred in the purchase of
3 such obligations or securities, to the extent included in federal adjusted
4 gross income but exempt from state income taxes under the laws of the
5 United States.
- 6 (ii) Any amounts received which are included in federal adjusted
7 gross income but which are specifically exempt from Kansas income tax-
8 ation under the laws of the state of Kansas.
- 9 (iii) The portion of any gain or loss from the sale or other disposition
10 of property having a higher adjusted basis for Kansas income tax purposes
11 than for federal income tax purposes on the date such property was sold
12 or disposed of in a transaction in which gain or loss was recognized for
13 purposes of federal income tax that does not exceed such difference in
14 basis, but if a gain is considered a long-term capital gain for federal in-
15 come tax purposes, the modification shall be limited to that portion of
16 such gain which is included in federal adjusted gross income.
- 17 (iv) The amount necessary to prevent the taxation under this act of
18 any annuity or other amount of income or gain which was properly in-
19 cluded in income or gain and was taxed under the laws of this state for a
20 taxable year prior to the effective date of this act, as amended, to the
21 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
22 the right to receive the income or gain, or to a trust or estate from which
23 the taxpayer received the income or gain.
- 24 (v) The amount of any refund or credit for overpayment of taxes on
25 or measured by income or fees or payments in lieu of income taxes im-
26 posed by this state, or any taxing jurisdiction, to the extent included in
27 gross income for federal income tax purposes.
- 28 (vi) Accumulation distributions received by a taxpayer as a beneficiary
29 of a trust to the extent that the same are included in federal adjusted
30 gross income.
- 31 (vii) Amounts received as annuities under the federal civil service
32 retirement system from the civil service retirement and disability fund
33 and other amounts received as retirement benefits in whatever form
34 which were earned for being employed by the federal government or for
35 service in the armed forces of the United States.
- 36 (viii) Amounts received by retired railroad employees as a supple-
37 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
38 et seq.
- 39 (ix) Amounts received by retired employees of a city and by retired
40 employees of any board of such city as retirement allowances pursuant to
41 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
42 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
43 amendments thereto.

- 1 (x) For taxable years beginning after December 31, 1976, the amount
2 of the federal tentative jobs tax credit disallowance under the provisions
3 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
4 the amount of the targeted jobs tax credit and work incentive credit dis-
5 allowances under 26 U.S.C. 280 C.
- 6 (xi) For taxable years beginning after December 31, 1986, dividend
7 income on stock issued by Kansas Venture Capital, Inc.
- 8 (xii) For taxable years beginning after December 31, 1989, amounts
9 received by retired employees of a board of public utilities as pension and
10 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
11 and amendments thereto.
- 12 (xiii) For taxable years beginning after December 31, 2004, amounts
13 contributed to and the amount of income earned on contributions de-
14 posited to an individual development account under K.S.A. 2006 Supp.
15 74-50,201, et seq., and amendments thereto.
- 16 (xiv) For all taxable years commencing after December 31, 1996, that
17 portion of any income of a bank organized under the laws of this state or
18 any other state, a national banking association organized under the laws
19 of the United States, an association organized under the savings and loan
20 code of this state or any other state, or a federal savings association or-
21 ganized under the laws of the United States, for which an election as an
22 S corporation under subchapter S of the federal internal revenue code is
23 in effect, which accrues to the taxpayer who is a stockholder of such
24 corporation and which is not distributed to the stockholders as dividends
25 of the corporation.
- 26 ~~(xv) For all taxable years beginning after December 31, 1999,~~
27 ~~amounts not exceeding \$2,000, or \$4,000 for a married couple filing a~~
28 ~~joint return, for each designated beneficiary which are contributed to a~~
29 ~~family postsecondary education savings account established under the~~
30 ~~Kansas postsecondary education savings program for the purpose of pay-~~
31 ~~ing the qualified higher education expenses of a designated beneficiary~~
32 ~~at an institution of postsecondary education. For all the taxable years year~~
33 ~~beginning after December 31, 2004 2006, amounts not exceeding \$3,000,~~
34 ~~or \$6,000 for a married couple filing a joint return, for each designated~~
35 ~~beneficiary, which are contributed to a family postsecondary education~~
36 ~~savings account established under the Kansas postsecondary education~~
37 ~~savings program, or to any qualified tuition program established and~~
38 ~~maintained by another state or agency or instrumentality thereof, pur-~~
39 ~~suant to section 529 of the federal internal revenue code of 1986, as~~
40 ~~amended, to the extent that such contributions are not allowed as a credit~~
41 ~~or deduction from income taxation in any other state, for the purpose of~~
42 ~~paying the qualified higher education expenses of a designated beneficiary~~
43 ~~at an institution of postsecondary education. For all taxable years begin-~~

1 *ning after December 31, 2007, amounts not exceeding \$6,000, or \$12,000*
2 *for a married couple filing a joint return, for each designated beneficiary,*
3 *which are contributed during the taxable year or prior to April 15 of the*
4 *year succeeding the taxable year to a family postsecondary education sav-*
5 *ings account established under the Kansas postsecondary education sav-*
6 *ings program, or to any qualified tuition program established and main-*
7 *tained by another state or agency or instrumentality thereof, pursuant to*
8 *section 529 of the federal internal revenue code of 1986, as amended, to*
9 *the extent that such contributions are not allowed as a credit or deduction*
10 *from income taxation in any other state, for the purpose of paying the*
11 *qualified higher education expenses of a designated beneficiary at an in-*
12 *stitution of postsecondary education. The terms and phrases used in this*
13 *paragraph shall have the meaning respectively ascribed thereto by the*
14 *provisions of K.S.A. 2006 Supp. 75-643, and amendments thereto, and*
15 *the provisions of such section are hereby incorporated by reference for*
16 *all purposes thereof.*

17 (xvi) For the tax year beginning after December 31, 2004, an amount
18 not exceeding \$500; for the tax year beginning after December 31, 2005,
19 an amount not exceeding \$600; for the tax year beginning after December
20 31, 2006, an amount not exceeding \$700; for the tax year beginning after
21 December 31, 2007, an amount not exceeding \$800; for the tax year
22 beginning December 31, 2008, an amount not exceeding \$900; and for
23 all taxable years commencing after December 31, 2009, an amount not
24 exceeding \$1,000 of the premium costs for qualified long-term care in-
25 surance contracts, as defined by subsection (b) of section 7702B of public
26 law 104-191.

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

37 (xviii) For all taxable years beginning after December 31, 2004,
38 amounts received by taxpayers who are eligible members of the Kansas
39 army and air national guard as a reimbursement pursuant to K.S.A. 48-
40 281, and amendments thereto, and amounts received for death benefits
41 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-
42 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
43 amendments thereto, to the extent that such death benefits are included

1 in federal adjusted gross income of the taxpayer.

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

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

11 Sec. 2. K.S.A. 2006 Supp. 79-32,117 and 79-32,117l are hereby
12 repealed.

13 Sec. 3. This act shall take effect and be in force from and after its
14 publication in the statute book.