

HOUSE BILL No. 2751

By Committee on Taxation

2-4

9 AN ACT concerning income taxation; relating to deductions; expensing
10 of investment expenditures; amending K.S.A. 2007 Supp. 79-32,117
11 and 79-32,138 and repealing the existing sections.
12

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

14 New Section 1. (a) For purposes of this section, the following terms
15 shall have the following meanings, unless a different meaning clearly ap-
16 pears from the context:

17 (1) “ADS” means an alternative depreciation system using the
18 straight-line method;

19 (2) “Aggregate expenditure” means the cost, including construction,
20 fabrication and installation, for acquisition of the property.

21 (3) “GDS” means a general depreciation system using the straight-
22 line method;

23 (4) “Method A” means a general depreciation system using the 200%
24 declining balance method with the half-year and mid-quarter conven-
25 tions, including elections pursuant to section 179 of the federal internal
26 revenue code for property classes of 10 years or less, non-farm 3-, 5-, 7-
27 and 10-year property other than residential and nonresidential real
28 property;

29 (5) “Method B” means a general depreciation system or alternative
30 depreciation system using the 150% declining balance method with the
31 half-year and mid-quarter conventions, including elections pursuant to
32 section 179 of the federal internal revenue code for property classes of
33 more than 10 years and all classes of property other than residential and
34 nonresidential real property; and

35 (6) “Method C” means a general depreciation system or alternative
36 depreciation system using the straight-line method with the half-year and
37 mid-quarter conventions, including all classes of property other than res-
38 idential and nonresidential real property.

39 (b) For taxable years beginning after December 31, 2008, an individ-
40 ual may elect to expense those expenditures made in any investment in
41 real or tangible personal property for which the individual would other-
42 wise be entitled to take a depreciation deduction. If such election is taken
43 the amount to be expensed for such investment shall be an amount equal

1 to the aggregate expenditure on the investment multiplied by the appli-
2 cable factor, which is derived from the following tables based on the
3 method of depreciation and the classification of the property reported on
4 the individual's federal income tax return:
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Tangible Personal Property

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Property Class	Factors		
	Method A	Method B	Method C
2.5-Year	*	0.118	0.140
3-Year	0.114	0.138	0.160
3.5-Year	*	0.154	0.175
4-Year	*	0.172	0.193
5-Year	0.174	0.201	0.224
6-Year	*	0.228	0.252
6.5-Year	*	0.241	0.265
7-Year	0.223	0.254	0.278
7.5-Year	*	0.266	0.291
8-Year	*	0.278	0.304
8.5-Year	*	0.290	0.315
9-Year	*	0.301	0.327
9.5-Year	*	0.312	0.339
10-Year	0.287	0.323	0.350
10.5-Year	*	0.333	0.361
11-Year	*	0.344	0.372
11.5-Year	*	0.353	0.382
12-Year	*	0.363	0.392
12.5-Year	*	0.372	0.402
13-Year	*	0.382	0.412
13.5-Year	*	0.391	0.421
14-Year	*	0.400	0.430
15-Year	*	0.417	0.448
16-Year	*	0.433	0.465
16.5-Year	*	0.441	0.473
17-Year	*	0.448	0.481
18-Year	*	0.463	0.497
19-Year	*	0.477	0.511
20-Year	*	0.491	0.525
22-Year	*	0.516	0.552
24-Year	*	0.540	0.576
25-Year	*	0.551	0.587
26.5-Year	*	0.566	0.603
28-Year	*	0.581	0.619
30-Year	*	0.599	0.637
35-Year	*	0.639	0.678
40-Year	*	0.673	0.712
45-Year	*	0.701	0.740
50-Year	*	0.724	0.764

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Real Property

	GDS Residential 27.5- Year Property	GDS Non-Residential 31.5- Year Property	GDS Non-Residential 39- Year Property	ADS Residential & Non-Residential 40- Year Property
Month Placed in Service				
January-March	0.602	0.640	0.697	0.703
April-June	0.610	0.647	0.703	0.709
July-September	0.618	0.654	0.709	0.715
October-December	0.626	0.661	0.715	0.721

1 This election may be taken only in the taxable year in which the invest-
2 ment expenditure is incurred by the individual and must be taken in
3 lieu of any other depreciation deduction the individual may be entitled
4 to for that investment expenditure for the taxable year in which the invest-
5 ment expenditure is incurred and all future years for which the individual
6 may have been entitled to take a depreciation deduction.

7 (c) If an individual elects to expense expenditures made in an invest-
8 ment pursuant to subsection (b), such individual shall not receive any tax
9 credit for such investment allowed pursuant to K.S.A. 79-32,153, 79-
10 32,160a, 79-32,175, 79-32,182b and 79-32,201 and K.S.A. 2007 Supp. 79-
11 32,204, 79-32,217 et. seq., 79-32,322, 79-32,223 et. seq., 79-32,228 et.
12 seq., 79-32,233 et. seq., 79-32,238 et. seq., 79-32,245 et. seq., 79-32,250,
13 79-32,251 et. seq. and 79-32,256, and amendments thereto.

14 (d) If the amount calculated pursuant to subsection (b) exceeds the
15 tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated
16 on the taxpayer's Kansas taxable income for the taxable year, the amount
17 thereof which exceeds such tax liability may be carried forward for de-
18 duction in the succeeding taxable year or years until the total amount of
19 the tax deduction is used.

20 (e) If the property for which an expensing deduction is taken pur-
21 suant to subsection (b) is subsequently sold to an unrelated third party,
22 the provisions of K.S.A. 79-3276, and amendments thereto, shall apply to
23 such sale. If the situs of such property is otherwise changed such that the
24 property is relocated outside the state of Kansas, then the expensing
25 amount calculated pursuant to subsection (b) shall be subject to recapt-
26 ture. The amount of recapture shall be the lesser of: (1) The federal
27 adjusted tax basis; or (2) the Kansas expensing amount calculated pur-
28 suant to subsection (b). For income tax purposes, the recaptured amount
29 shall be directly allocated income to Kansas. The recaptured amount shall
30 not be subject to apportionment, and shall not be treated as a deemed
31 sale. The recaptured amount shall be added to the property's basis for
32 Kansas income tax purposes. Any subsequent sale of the property to an
33 unrelated third party after recapture shall be subject to the capital gains
34 provisions of K.S.A. 79-3276, and amendments thereto.

35 (f) For purposes of calculating a gain or loss on the sale of property
36 for which an expensing deduction is taken pursuant to K.S.A. 79-32,117,
37 and amendments thereto, the taxpayer shall reduce the tax basis in the
38 property by the amount of the allowable expensing deduction. For income
39 tax purposes, the difference between federal and Kansas gains or losses
40 shall be directly allocable as Kansas income.

41 New Sec. 2. (a) For purposes of this section, the following terms shall
42 have the following meanings, unless a different meaning clearly appears
43 from the context:

- 1 (1) “ADS” means an alternative depreciation system using the
2 straight-line method;
- 3 (2) “Aggregate expenditure” means the cost, including construction,
4 fabrication and installation, for acquisition of the property.
- 5 (3) “GDS” means a general depreciation system using the straight-
6 line method;
- 7 (4) “Method A” means a general depreciation system using the 200%
8 declining balance method with the half-year and mid-quarter conven-
9 tions, including elections pursuant to section 179 of the federal internal
10 revenue code for property classes of 10 years or less, non-farm 3-, 5-, 7-
11 and 10-year property other than residential and nonresidential real
12 property;
- 13 (5) “Method B” means a general depreciation system or alternative
14 depreciation system using the 150% declining balance method with the
15 half-year and mid-quarter conventions, including elections pursuant to
16 section 179 of the federal internal revenue code for property classes of
17 more than 10 years and all classes of property other than residential and
18 nonresidential real property; and
- 19 (6) “Method C” means a general depreciation system or alternative
20 depreciation system using the straight-line method with the half-year and
21 mid-quarter conventions, including all classes of property other than res-
22 idential and nonresidential real property.
- 23 (b) For taxable years beginning after December 31, 2008, a corpo-
24 ration may elect to expense those expenditures made in any investment
25 in real or tangible personal property for which the corporation would
26 otherwise be entitled to take a depreciation deduction. If such election
27 is taken the amount to be expensed for such investment shall be an
28 amount equal to the aggregate expenditure on the investment multiplied
29 by the applicable factor, which is derived from the following tables based
30 on the method of depreciation and the classification of the property re-
31 ported on the corporation’s federal income tax return:
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Tangible Personal Property

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22-Year	*	0.516	0.552
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26.5-Year	*	0.566	0.603
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July-September	0.618	0.654	0.709	0.715
October-December	0.626	0.661	0.715	0.721

1 This election may be taken only in the taxable year in which the invest-
2 ment expenditure is incurred by the corporation and must be taken
3 in lieu of any other depreciation deduction the corporation may be en-
4 titled to for that investment expenditure for the taxable year in which the
5 investment expenditure is incurred and all future years for which the
6 corporation may have been entitled to take a depreciation deduction.

7 (c) If a corporation elects to expense expenditures made in an invest-
8 ment pursuant to subsection (b), such corporation shall not receive
9 any tax credit for such investment allowed pursuant to K.S.A. 79-32,153,
10 79-32,160a, 79-32,175, 79-32,182b and 79-32,201 and K.S.A. 2007 Supp.
11 79-32,204, 79-32,217 et. seq., 79-32,222, 79-32,223 et. seq., 79-32,228 et.
12 seq., 79-32,233 et. seq., 79-32,238 et. seq., 79-32,245 et. seq., 79-32,250,
13 79-32,251 et. seq. and 79-32,256, and amendments thereto.

14 (d) If the amount calculated pursuant to subsection (b) exceeds the
15 tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated
16 on the taxpayer's Kansas taxable income for the taxable year, the amount
17 thereof which exceeds such tax liability may be carried forward for de-
18 duction in the succeeding taxable year or years until the total amount of
19 the tax deduction is used.

20 (e) The amount calculated pursuant to subsection (b) may only be
21 deducted from Kansas taxable income. There shall be no apportionment
22 of such amount to the taxable income of the taxpayer that is not Kansas
23 taxable income.

24 (f) A member of a unitary group filing a combined report may elect
25 to take an expensing deduction pursuant to K.S.A. 79-32,138, and amend-
26 ments thereto, for an investment in property made by any member of
27 the combined group, provided that the amount calculated pursuant to
28 subsection (b) may only be deducted from the Kansas taxable income of
29 the member making the election.

30 (g) If the property for which an expensing deduction is taken pur-
31 suant to subsection (b) is subsequently sold to an unrelated third party,
32 the provisions of K.S.A. 79-3276, and amendments thereto, shall apply to
33 such sale. If the situs of such property is otherwise changed such that the
34 property is relocated outside the state of Kansas, then the expensing
35 amount calculated pursuant to subsection (b) shall be subject to recap-
36 ture. The amount of recapture shall be the lesser of: (1) The federal
37 adjusted tax basis; or (2) the Kansas expensing amount calculated pur-
38 suant to subsection (b). For income tax purposes, the recaptured amount
39 shall be directly allocated income to Kansas. The recaptured amount shall
40 not be subject to apportionment, and shall not be treated as a deemed
41 sale. The recaptured amount shall be added to the property's basis for
42 Kansas income tax purposes. Any subsequent sale of the property to an
43 unrelated third party after recapture shall be subject to the capital gains

1 provisions of K.S.A. 79-3276, and amendments thereto.

2 (h) For purposes of calculating a gain or loss on the sale of property
3 for which an expensing deduction is taken pursuant to K.S.A. 79-32,138,
4 and amendments thereto, the taxpayer shall reduce the tax basis in the
5 property by the amount of the allowable expensing deduction. For income
6 tax purposes, the difference between federal and Kansas gains or losses
7 shall be directly allocable as Kansas income.

8 Sec. 3. K.S.A. 2007 Supp. 79-32,117 is hereby amended to read as
9 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
10 means such individual's federal adjusted gross income for the taxable year,
11 with the modifications specified in this section.

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

13 (i) Interest income less any related expenses directly incurred in the
14 purchase of state or political subdivision obligations, to the extent that
15 the same is not included in federal adjusted gross income, on obligations
16 of any state or political subdivision thereof, but to the extent that interest
17 income on obligations of this state or a political subdivision thereof issued
18 prior to January 1, 1988, is specifically exempt from income tax under the
19 laws of this state authorizing the issuance of such obligations, it shall be
20 excluded from computation of Kansas adjusted gross income whether or
21 not included in federal adjusted gross income. Interest income on obli-
22 gations of this state or a political subdivision thereof issued after Decem-
23 ber 31, 1987, shall be excluded from computation of Kansas adjusted
24 gross income whether or not included in federal adjusted gross 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 amend-
30 ments thereto, for privilege tax year 1995, and all such years thereafter.

31 (iii) The federal net operating loss deduction.

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

- 1 of the foregoing sentence, federal taxes shall be considered to have been
2 deducted only to the extent such deduction does not reduce Kansas tax-
3 able income below zero.
- 4 (v) The amount of any depreciation deduction or business expense
5 deduction claimed on the taxpayer's federal income tax return for any
6 capital expenditure in making any building or facility accessible to the
7 handicapped, for which expenditure the taxpayer claimed the credit al-
8 lowed by K.S.A. 79-32,177, and amendments thereto.
- 9 (vi) Any amount of designated employee contributions picked up by
10 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
11 and amendments to such sections.
- 12 (vii) The amount of any charitable contribution made to the extent
13 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
14 79-32,196, and amendments thereto.
- 15 (viii) The amount of any costs incurred for improvements to a swine
16 facility, claimed for deduction in determining federal adjusted gross in-
17 come, to the extent the same is claimed as the basis for any credit allowed
18 pursuant to K.S.A. 2007 Supp. 79-32,204 and amendments thereto.
- 19 (ix) The amount of any ad valorem taxes and assessments paid and
20 the amount of any costs incurred for habitat management or construction
21 and maintenance of improvements on real property, claimed for deduc-
22 tion in determining federal adjusted gross income, to the extent the same
23 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203
24 and amendments thereto.
- 25 (x) Amounts received as nonqualified withdrawals, as defined by
26 K.S.A. 2007 Supp. 75-643, and amendments thereto, if, at the time of
27 contribution to a family postsecondary education savings account, such
28 amounts were subtracted from the federal adjusted gross income pur-
29 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
30 ments thereto, or if such amounts are not already included in the federal
31 adjusted gross income.
- 32 (xi) The amount of any contribution made to the same extent the
33 same is claimed as the basis for the credit allowed pursuant to K.S.A.
34 2007 Supp. 74-50,154, and amendments thereto.
- 35 (xii) For taxable years commencing after December 31, 2004,
36 amounts received as withdrawals not in accordance with the provisions
37 of K.S.A. 2007 Supp. 74-50,204, and amendments thereto, if, at the time
38 of contribution to an individual development account, such amounts were
39 subtracted from the federal adjusted gross income pursuant to paragraph
40 (xiii) of subsection (c), or if such amounts are not already included in the
41 federal adjusted gross income.
- 42 (xiii) The amount of any expenditures claimed for deduction in de-
43 termining federal adjusted gross income, to the extent the same is claimed

1 as the basis for any credit allowed pursuant to K.S.A. 2007 Supp. 79-
2 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

3 (xiv) The amount of any amortization deduction claimed in deter-
4 mining federal adjusted gross income to the extent the same is claimed
5 for deduction pursuant to K.S.A. 2007 Supp. 79-32,221, and amendments
6 thereto.

7 (xv) The amount of any expenditures claimed for deduction in deter-
8 mining federal adjusted gross income, to the extent the same is claimed
9 as the basis for any credit allowed pursuant to K.S.A. 2007 Supp. 79-
10 32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
11 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
12 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

13 (xvi) The amount of any amortization deduction claimed in deter-
14 mining federal adjusted gross income to the extent the same is claimed
15 for deduction pursuant to K.S.A. 2007 Supp. 79-32,227, 79-32,232, 79-
16 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

17 (xvii) The amount of any amortization deduction claimed in deter-
18 mining federal adjusted gross income to the extent the same is claimed
19 for deduction pursuant to K.S.A. 2007 Supp. 79-32,256, and amendments
20 thereto.

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

22 (i) Interest or dividend income on obligations or securities of any
23 authority, commission or instrumentality of the United States and its pos-
24 sessions less any related expenses directly incurred in the purchase of
25 such obligations or securities, to the extent included in federal adjusted
26 gross income but exempt from state income taxes under the laws of the
27 United States.

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

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

39 (iv) The amount necessary to prevent the taxation under this act of
40 any annuity or other amount of income or gain which was properly in-
41 cluded in income or gain and was taxed under the laws of this state for a
42 taxable year prior to the effective date of this act, as amended, to the
43 taxpayer, or to a decedent by reason of whose death the taxpayer acquired

- 1 the right to receive the income or gain, or to a trust or estate from which
2 the taxpayer received the income or gain.
- 3 (v) The amount of any refund or credit for overpayment of taxes on
4 or measured by income or fees or payments in lieu of income taxes im-
5 posed by this state, or any taxing jurisdiction, to the extent included in
6 gross income for federal income tax purposes.
- 7 (vi) Accumulation distributions received by a taxpayer as a beneficiary
8 of a trust to the extent that the same are included in federal adjusted
9 gross income.
- 10 (vii) Amounts received as annuities under the federal civil service
11 retirement system from the civil service retirement and disability fund
12 and other amounts received as retirement benefits in whatever form
13 which were earned for being employed by the federal government or for
14 service in the armed forces of the United States.
- 15 (viii) Amounts received by retired railroad employees as a supple-
16 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
17 et seq.
- 18 (ix) Amounts received by retired employees of a city and by retired
19 employees of any board of such city as retirement allowances pursuant to
20 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
21 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
22 amendments thereto.
- 23 (x) For taxable years beginning after December 31, 1976, the amount
24 of the federal tentative jobs tax credit disallowance under the provisions
25 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
26 the amount of the targeted jobs tax credit and work incentive credit dis-
27 allowances under 26 U.S.C. 280 C.
- 28 (xi) For taxable years beginning after December 31, 1986, dividend
29 income on stock issued by Kansas Venture Capital, Inc.
- 30 (xii) For taxable years beginning after December 31, 1989, amounts
31 received by retired employees of a board of public utilities as pension and
32 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
33 and amendments thereto.
- 34 (xiii) For taxable years beginning after December 31, 2004, amounts
35 contributed to and the amount of income earned on contributions de-
36 posited to an individual development account under K.S.A. 2007 Supp.
37 74-50,201, et seq., and amendments thereto.
- 38 (xiv) For all taxable years commencing after December 31, 1996, that
39 portion of any income of a bank organized under the laws of this state or
40 any other state, a national banking association organized under the laws
41 of the United States, an association organized under the savings and loan
42 code of this state or any other state, or a federal savings association or-
43 ganized under the laws of the United States, for which an election as an

1 S corporation under subchapter S of the federal internal revenue code is
2 in effect, which accrues to the taxpayer who is a stockholder of such
3 corporation and which is not distributed to the stockholders as dividends
4 of the corporation.

5 (xv) For all taxable years beginning after December 31, 2006,
6 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
7 joint return, for each designated beneficiary which are contributed to a
8 family postsecondary education savings account established under the
9 Kansas postsecondary education savings program or a qualified tuition
10 program established and maintained by another state or agency or instru-
11 mentality thereof pursuant to section 529 of the internal revenue code of
12 1986, as amended, for the purpose of paying the qualified higher edu-
13 cation expenses of a designated beneficiary at an institution of postsecon-
14 dary education. The terms and phrases used in this paragraph shall have
15 the meaning respectively ascribed thereto by the provisions of K.S.A.
16 2007 Supp. 75-643, and amendments thereto, and the provisions of such
17 section are hereby incorporated by reference for all purposes thereof.

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

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

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

1 amendments thereto, to the extent that such death benefits are included
2 in federal adjusted gross income of the taxpayer.

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

14 (xx) *For taxable years beginning after December 31, 2008, the amount*
15 *calculated pursuant to subsection (b) of section 1, and amendments*
16 *thereto, if the individual elects to expense expenditures made in an in-*
17 *vestment in real or tangible personal property pursuant to section 1, and*
18 *amendments thereto.*

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

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

28 Sec. 4. K.S.A. 2007 Supp. 79-32,138 is hereby amended to read as
29 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
30 under this act shall be the corporation's federal taxable income for the
31 taxable year with the modifications specified in this section.

32 (b) There shall be added to federal taxable income: (i) The same
33 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and
34 amendments thereto, with respect to resident individuals.

35 (ii) The amount of all depreciation deductions claimed for any prop-
36 erty upon which the deduction allowed by K.S.A. 2007 Supp. 79-32,221,
37 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-
38 32,256, and amendments thereto, is claimed.

39 (iii) The amount of any charitable contribution deduction claimed for
40 any contribution or gift to or for the use of any racially segregated edu-
41 cational institution.

42 (c) There shall be subtracted from federal taxable income: (i) The
43 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,

- 1 and amendments thereto, with respect to resident individuals.
- 2 (ii) The federal income tax liability for any taxable year commencing
3 prior to December 31, 1971, for which a Kansas return was filed after
4 reduction for all credits thereon, except credits for payments on estimates
5 of federal income tax, credits for gasoline and lubricating oil tax, and for
6 foreign tax credits if, on the Kansas income tax return for such prior year,
7 the federal income tax deduction was computed on the basis of the federal
8 income tax paid in such prior year, rather than as accrued. Notwithstand-
9 ing the foregoing, the deduction for federal income tax liability for any
10 year shall not exceed that portion of the total federal income tax liability
11 for such year which bears the same ratio to the total federal income tax
12 liability for such year as the Kansas taxable income, as computed before
13 any deductions for federal income taxes and after application of subsec-
14 tions (d) and (e) of this section as existing for such year, bears to the
15 federal taxable income for the same year.
- 16 (iii) An amount for the amortization deduction allowed pursuant to
17 K.S.A. 2007 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
18 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.
- 19 (iv) For all taxable years commencing after December 31, 1987, the
20 amount included in federal taxable income pursuant to the provisions of
21 section 78 of the internal revenue code.
- 22 (v) For all taxable years commencing after December 31, 1987, 80%
23 of dividends from corporations incorporated outside of the United States
24 or the District of Columbia which are included in federal taxable income.
- 25 (vi) *For taxable years beginning after December 31, 2008, the amount*
26 *calculated pursuant to subsection (b) of section 2, and amendments*
27 *thereto, if the corporation elects to expense expenditures made in an in-*
28 *vestment in real or tangible personal property pursuant to section 2, and*
29 *amendments thereto.*
- 30 (d) If any corporation derives all of its income from sources within
31 Kansas in any taxable year commencing after December 31, 1979, its
32 Kansas taxable income shall be the sum resulting after application of
33 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
34 taxable income in any such taxable year, after excluding any refunds of
35 federal income tax and before the deduction of federal income taxes pro-
36 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271
37 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund
38 of federal income tax as determined under paragraph (iv) of subsection
39 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-
40 tion for federal income taxes as provided by subsection (c)(ii) shall be
41 such corporation's Kansas taxable income.
- 42 (e) A corporation may make an election with respect to its first taxable
43 year commencing after December 31, 1982, whereby no addition modi-

1 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and
2 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.
3 79-32,138, as those subsections existed prior to their amendment by this
4 act, shall be required to be made for such taxable year.

5 Sec. 5. K.S.A. 2007 Supp. 79-32,117 and 79-32,138 are hereby
6 repealed.

7 Sec. 6. This act shall take effect and be in force from and after its
8 publication in the statute book.