

## HOUSE BILL No. 2948

By Committee on Taxation

2-27

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9 AN ACT concerning income taxation; relating to social security benefits;  
10 amending K.S.A. 2007 Supp. 79-32,117 and repealing the existing  
11 section.  
12

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

14 Section 1. K.S.A. 2007 Supp. 79-32,117 is hereby amended to read  
15 as follows: 79-32,117. (a) The Kansas adjusted gross income of an indi-  
16 vidual means such individual's federal adjusted gross income for the tax-  
17 able year, with the modifications specified in this section.

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

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

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

37 (iii) The federal net operating loss deduction.

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

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

1 of contribution to an individual development account, such amounts were  
2 subtracted from the federal adjusted gross income pursuant to paragraph  
3 (xiii) of subsection (c), or if such amounts are not already included in the  
4 federal adjusted gross income.

5 (xiii) The amount of any expenditures claimed for deduction in de-  
6 termining federal adjusted gross income, to the extent the same is claimed  
7 as the basis for any credit allowed pursuant to K.S.A. 2007 Supp. 79-  
8 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

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

13 (xv) The amount of any expenditures claimed for deduction in deter-  
14 mining federal adjusted gross income, to the extent the same is claimed  
15 as the basis for any credit allowed pursuant to K.S.A. 2007 Supp. 79-  
16 32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
17 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
18 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

19 (xvi) The amount of any amortization deduction claimed in deter-  
20 mining federal adjusted gross income to the extent the same is claimed  
21 for deduction pursuant to K.S.A. 2007 Supp. 79-32,227, 79-32,232, 79-  
22 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

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

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

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

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

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

- 1 such gain which is included in federal adjusted gross income.
- 2 (iv) The amount necessary to prevent the taxation under this act of  
3 any annuity or other amount of income or gain which was properly in-  
4 cluded in income or gain and was taxed under the laws of this state for a  
5 taxable year prior to the effective date of this act, as amended, to the  
6 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
7 the right to receive the income or gain, or to a trust or estate from which  
8 the taxpayer received the income or gain.
- 9 (v) The amount of any refund or credit for overpayment of taxes on  
10 or measured by income or fees or payments in lieu of income taxes im-  
11 posed by this state, or any taxing jurisdiction, to the extent included in  
12 gross income for federal income tax purposes.
- 13 (vi) Accumulation distributions received by a taxpayer as a beneficiary  
14 of a trust to the extent that the same are included in federal adjusted  
15 gross income.
- 16 (vii) Amounts received as annuities under the federal civil service  
17 retirement system from the civil service retirement and disability fund  
18 and other amounts received as retirement benefits in whatever form  
19 which were earned for being employed by the federal government or for  
20 service in the armed forces of the United States.
- 21 (viii) Amounts received by retired railroad employees as a supple-  
22 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)  
23 et seq.
- 24 (ix) Amounts received by retired employees of a city and by retired  
25 employees of any board of such city as retirement allowances pursuant to  
26 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
27 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
28 amendments thereto.
- 29 (x) For taxable years beginning after December 31, 1976, the amount  
30 of the federal tentative jobs tax credit disallowance under the provisions  
31 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,  
32 the amount of the targeted jobs tax credit and work incentive credit dis-  
33 allowances under 26 U.S.C. 280 C.
- 34 (xi) For taxable years beginning after December 31, 1986, dividend  
35 income on stock issued by Kansas Venture Capital, Inc.
- 36 (xii) For taxable years beginning after December 31, 1989, amounts  
37 received by retired employees of a board of public utilities as pension and  
38 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249  
39 and amendments thereto.
- 40 (xiii) For taxable years beginning after December 31, 2004, amounts  
41 contributed to and the amount of income earned on contributions de-  
42 posited to an individual development account under K.S.A. 2007 Supp.  
43 74-50,201, et seq., 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, 2006,  
12 amounts not exceeding \$3,000, or \$6,000 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 or a qualified tuition  
16 program established and maintained by another state or agency or instru-  
17 mentality thereof pursuant to section 529 of the internal revenue code of  
18 1986, as amended, for the purpose of paying the qualified higher edu-  
19 cation expenses of a designated beneficiary at an institution of postsec-  
20 ondary education. The terms and phrases used in this paragraph shall have  
21 the meaning respectively ascribed thereto by the provisions of K.S.A.  
22 2007 Supp. 75-643, and amendments thereto, and the provisions of such  
23 section are hereby incorporated by reference for all purposes thereof.

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

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

1 (xviii) For all taxable years beginning after December 31, 2004,  
2 amounts received by taxpayers who are eligible members of the Kansas  
3 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
4 281, and amendments thereto, and amounts received for death benefits  
5 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-  
6 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and  
7 amendments thereto, to the extent that such death benefits are included  
8 in federal adjusted gross income of the taxpayer.

9 (xix) For the taxable year beginning after December 31, 2006,  
10 amounts received as benefits under the federal social security act which  
11 are included in federal adjusted gross income of a taxpayer with federal  
12 adjusted gross income of \$50,000 or less, ~~whether such taxpayer's filing~~  
13 ~~status is single, head of household, married filing separate or married~~  
14 ~~filing jointly or \$100,000 or less for a married couple filing a joint return~~  
15 ~~or for a married couple filing separate returns;~~ and for all taxable years  
16 beginning after December 31, 2007, amounts received as benefits under  
17 the federal social security act which are included in federal adjusted gross  
18 income of a taxpayer with federal adjusted gross income of \$75,000 or  
19 less, ~~whether such taxpayer's filing status is single, head of household,~~  
20 ~~married filing separate or married filing jointly or \$150,000 or less for a~~  
21 ~~married couple filing a joint return or for a married couple filing separate~~  
22 ~~returns.~~

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

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

32 Sec. 2. K.S.A. 2007 Supp. 79-32,117 is hereby repealed.

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