

HOUSE BILL No. 2404

By Committee on Appropriations

5-1

9 AN ACT concerning taxation; relating to income taxation; deductions;
10 determination of Kansas adjusted gross income; credits; amending
11 K.S.A. 2008 Supp. 79-32,117, 79-32,120, 79-32,138 and 79-32,205 and
12 repealing the existing sections; also repealing K.S.A. 2008 Supp. 79-
13 32,117m.

14

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

16 Section 1. K.S.A. 2008 Supp. 79-32,117 is hereby amended to read
17 as follows: 79-32,117. (a) The Kansas adjusted gross income of an indi-
18 vidual means such individual's federal adjusted gross income for the tax-
19 able year, with the modifications specified in this section.

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

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

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

39 (iii) The federal net operating loss deduction.

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

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

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

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

20 (vii) The amount of any charitable contribution made to the extent
21 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
22 79-32,196, and amendments thereto.

23 (viii) The amount of any costs incurred for improvements to a swine
24 facility, claimed for deduction in determining federal adjusted gross in-
25 come, to the extent the same is claimed as the basis for any credit allowed
26 pursuant to K.S.A. 2008 Supp. 79-32,204 and amendments thereto.

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

33 (x) Amounts received as nonqualified withdrawals, as defined by
34 K.S.A. 2008 Supp. 75-643, and amendments thereto, if, at the time of
35 contribution to a family postsecondary education savings account, such
36 amounts were subtracted from the federal adjusted gross income pur-
37 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
38 ments thereto, or if such amounts are not already included in the federal
39 adjusted gross income.

40 (xi) The amount of any contribution made to the same extent the
41 same is claimed as the basis for the credit allowed pursuant to K.S.A.
42 2008 Supp. 74-50,154, and amendments thereto.

43 (xii) For taxable years commencing after December 31, 2004,

1 amounts received as withdrawals not in accordance with the provisions
2 of K.S.A. 2008 Supp. 74-50,204, and amendments thereto, if, at the time
3 of contribution to an individual development account, such amounts were
4 subtracted from the federal adjusted gross income pursuant to paragraph
5 (xiii) of subsection (c), or if such amounts are not already included in the
6 federal adjusted gross income.

7 (xiii) The amount of any expenditures claimed for deduction in deter-
8 termining federal adjusted gross income, to the extent the same is claimed
9 as the basis for any credit allowed pursuant to K.S.A. 2008 Supp. 79-
10 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

11 (xiv) The amount of any amortization deduction claimed in deter-
12 mining federal adjusted gross income to the extent the same is claimed
13 for deduction pursuant to K.S.A. 2008 Supp. 79-32,221, and amendments
14 thereto.

15 (xv) The amount of any expenditures claimed for deduction in deter-
16 mining federal adjusted gross income, to the extent the same is claimed
17 as the basis for any credit allowed pursuant to K.S.A. 2008 Supp. 79-
18 32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
19 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
20 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

21 (xvi) The amount of any amortization deduction claimed in deter-
22 mining federal adjusted gross income to the extent the same is claimed
23 for deduction pursuant to K.S.A. 2008 Supp. 79-32,227, 79-32,232, 79-
24 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

25 (xvii) The amount of any amortization deduction claimed in deter-
26 mining federal adjusted gross income to the extent the same is claimed
27 for deduction pursuant to K.S.A. 2008 Supp. 79-32,256, and amendments
28 thereto.

29 (xviii) For taxable years commencing after December 31, 2006, the
30 amount of any ad valorem or property taxes and assessments paid to a
31 state other than Kansas or local government located in a state other than
32 Kansas by a taxpayer who resides in a state other than Kansas, when the
33 law of such state does not allow a resident of Kansas who earns income
34 in such other state to claim a deduction for ad valorem or property taxes
35 or assessments paid to a political subdivision of the state of Kansas in
36 determining taxable income for income tax purposes in such other state,
37 to the extent that such taxes and assessments are claimed as an itemized
38 deduction for federal income tax purposes.

39 (xix) *For tax year 2009, the amount of any unemployment compen-*
40 *sation not included in federal adjusted gross income pursuant to section*
41 *85(c) of the federal internal revenue code.*

42 (xx) *For property acquired after December 31, 2008, but before Jan-*
43 *uary 1, 2010, the amount of any depreciation deduction claimed and al-*

1 *lowed pursuant to section 168(k) of the federal internal revenue code.*

2 *(xxi) The amount of any expense deduction claimed and allowed for*
3 *property placed in service after December 31, 2008, but before January*
4 *1, 2010, pursuant to the election in section 179 of the federal internal*
5 *revenue code, to the extent such amount exceeds the deduction allowed*
6 *pursuant to section 179 of the federal internal revenue code without re-*
7 *gard to section 179(b)(7) of the federal internal revenue code.*

8 *(xxii) The amount of deferred income from discharge of indebtedness*
9 *not included in federal adjusted gross income pursuant to section 108(i)*
10 *of the federal internal revenue code.*

11 *(xxiii) For the taxable year in which any deduction for original issue*
12 *discount with respect to a debt instrument issued as part of reacquisition*
13 *of a debt instrument pursuant to subsection 108(i) of the federal internal*
14 *revenue code deferred from a prior taxable year is claimed and allowed*
15 *on the taxpayer's federal income tax return and which amount has also*
16 *been claimed and allowed as a subtraction modification pursuant to sub-*
17 *section (c)(xxiv) on the taxpayer's Kansas income tax return for such prior*
18 *taxable year, such claimed and allowed amount of deduction.*

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

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

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

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

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

- 1 (v) The amount of any refund or credit for overpayment of taxes on
2 or measured by income or fees or payments in lieu of income taxes im-
3 posed by this state, or any taxing jurisdiction, to the extent included in
4 gross income for federal income tax purposes.
- 5 (vi) Accumulation distributions received by a taxpayer as a beneficiary
6 of a trust to the extent that the same are included in federal adjusted
7 gross income.
- 8 (vii) Amounts received as annuities under the federal civil service
9 retirement system from the civil service retirement and disability fund
10 and other amounts received as retirement benefits in whatever form
11 which were earned for being employed by the federal government or for
12 service in the armed forces of the United States.
- 13 (viii) Amounts received by retired railroad employees as a supple-
14 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
15 et seq.
- 16 (ix) Amounts received by retired employees of a city and by retired
17 employees of any board of such city as retirement allowances pursuant to
18 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
19 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
20 amendments thereto.
- 21 (x) For taxable years beginning after December 31, 1976, the amount
22 of the federal tentative jobs tax credit disallowance under the provisions
23 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
24 the amount of the targeted jobs tax credit and work incentive credit dis-
25 allowances under 26 U.S.C. 280 C.
- 26 (xi) For taxable years beginning after December 31, 1986, dividend
27 income on stock issued by Kansas Venture Capital, Inc.
- 28 (xii) For taxable years beginning after December 31, 1989, amounts
29 received by retired employees of a board of public utilities as pension and
30 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
31 and amendments thereto.
- 32 (xiii) For taxable years beginning after December 31, 2004, amounts
33 contributed to and the amount of income earned on contributions de-
34 posited to an individual development account under K.S.A. 2008 Supp.
35 74-50,201, et seq., and amendments thereto.
- 36 (xiv) For all taxable years commencing after December 31, 1996, that
37 portion of any income of a bank organized under the laws of this state or
38 any other state, a national banking association organized under the laws
39 of the United States, an association organized under the savings and loan
40 code of this state or any other state, or a federal savings association or-
41 ganized under the laws of the United States, for which an election as an
42 S corporation under subchapter S of the federal internal revenue code is
43 in effect, which accrues to the taxpayer who is a stockholder of such

1 corporation and which is not distributed to the stockholders as dividends
2 of the corporation.

3 (xv) For all taxable years beginning after December 31, 2006,
4 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
5 joint return, for each designated beneficiary which are contributed to a
6 family postsecondary education savings account established under the
7 Kansas postsecondary education savings program or a qualified tuition
8 program established and maintained by another state or agency or instru-
9 mentality thereof pursuant to section 529 of the internal revenue code of
10 1986, as amended, for the purpose of paying the qualified higher edu-
11 cation expenses of a designated beneficiary at an institution of postsecon-
12 dary education. The terms and phrases used in this paragraph shall have
13 the meaning respectively ascribed thereto by the provisions of K.S.A.
14 2008 Supp. 75-643, and amendments thereto, and the provisions of such
15 section are hereby incorporated by reference for all purposes thereof.

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

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

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

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

12 (xx) *Amounts received by retired employees of Washburn university*
13 *as retirement and pension benefits under the university's retirement plan.*

14 (xxi) *That portion of any depreciation deduction included in Kansas*
15 *adjusted gross income pursuant to subsection (b)(xx), that could have been*
16 *claimed as a depreciation deduction on the taxpayer's federal income tax*
17 *return in the applicable tax year pursuant to section 168 of the federal*
18 *internal revenue code without regard to section 168(k) of the federal in-*
19 *ternal revenue code.*

20 (xxii) *That portion of any amount included in Kansas adjusted gross*
21 *income pursuant to subsection (b)(xxi) that would have been allowed as*
22 *a depreciation deduction on such property for the taxable year using the*
23 *accelerated cost recovery system depreciation method applicable under*
24 *section 168 of the federal internal revenue code without regard to section*
25 *168(k) of the federal internal revenue code.*

26 (xxiii) *The amount of any deferred deduction for original issue dis-*
27 *count with respect to a debt instrument issued as part of reacquisition of*
28 *a debt instrument pursuant to section 108(i) of the federal internal reve-*
29 *nuue code that would be allowed as a deduction for the applicable tax year*
30 *without regard to section 108(i) of the federal internal revenue code.*

31 (xxiv) *Income from discharge of indebtedness included in federal ad-*
32 *justed gross income and deferred from a prior taxable year pursuant to*
33 *section 108(i) of the federal internal revenue code and included in Kansas*
34 *adjusted gross income for such prior taxable year pursuant to subsection*
35 *(b)(xxiii).*

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

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

1 adjusted gross income of the partner.

2 (f) *In addition to any authority already authorized by law, the sec-*
3 *retary of revenue may promulgate rules and regulations necessary to ad-*
4 *minister the provisions of subsections (b)(xix), (xx), (xxi), (xxii), (xxiii) and*
5 *(c)(xxi), (xxii), (xxiii), and (xxiv) including determination of the adjusted*
6 *basis of property or other adjustments to gains and losses in connection*
7 *with the sale or other disposition of such property, in order to carry out*
8 *the intent of this provision not to conform to the amendments to sections*
9 *108, 168(k) and 179(b)(7) of the federal internal revenue code enacted in*
10 *sections 1201, 1202(a) and 1231(a) of the American recovery and rein-*
11 *vestment act of 2009, Pub. L. No. 111-5.*

12 Sec. 2. K.S.A. 2008 Supp. 79-32,120 is hereby amended to read as
13 follows: 79-32,120. (a) If federal taxable income of an individual is deter-
14 mined by itemizing deductions from such individual's federal adjusted
15 gross income, such individual may elect to deduct the Kansas itemized
16 deduction in lieu of the Kansas standard deduction. The Kansas itemized
17 deduction of an individual means the total amount of deductions from
18 federal adjusted gross income, other than federal deductions for personal
19 exemptions, as provided in the federal internal revenue code with the
20 modifications specified in this section.

21 (b) The total amount of deductions from federal adjusted gross in-
22 come shall be reduced by:

23 (1) The total amount of income taxes imposed by or paid to this state
24 or any other taxing jurisdiction to the extent that the same are deducted
25 in determining the federal itemized deductions ~~and by;~~

26 (2) the amount of all depreciation deductions claimed for any real or
27 tangible personal property upon which the deduction allowed by K.S.A.
28 2008 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-
29 32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been
30 claimed; *and*

31 (3) *for tax year 2009, the amount allowed as a deduction pursuant to*
32 *section 164(a)(6) of the federal internal revenue code.*

33 Sec. 3. K.S.A. 2008 Supp. 79-32,138 is hereby amended to read as
34 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
35 under this act shall be the corporation's federal taxable income for the
36 taxable year with the modifications specified in this section.

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

40 (ii) The amount of all depreciation deductions claimed for any prop-
41 erty upon which the deduction allowed by K.S.A. 2008 Supp. 79-32,221,
42 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-
43 32,256, and amendments thereto, is claimed.

- 1 (iii) The amount of any charitable contribution deduction claimed for
2 any contribution or gift to or for the use of any racially segregated edu-
3 cational institution.
- 4 (iv) *For property acquired after December 31, 2008, but before Jan-*
5 *uary 1, 2010, the amount of any depreciation deduction claimed and al-*
6 *lowed pursuant to section 168(k) of the federal internal revenue code.*
- 7 (v) *The amount of any expense deduction claimed and allowed for*
8 *property placed in service after December 31, 2008, but before January*
9 *1, 2010, pursuant to the election in section 179 of the federal internal*
10 *revenue code, to the extent such amount exceeds the deduction allowed*
11 *pursuant to section 179 of the federal internal revenue code without re-*
12 *gard to section 179(b)(7) of the federal internal revenue code.*
- 13 (vi) *The amount of deferred income from discharge of indebtedness*
14 *not included in federal adjusted gross income pursuant to section 108(i)*
15 *of the federal internal revenue code.*
- 16 (vii) *For the taxable year in which any deduction for original issue*
17 *discount with respect to a debt instrument issued as part of reacquisition*
18 *of a debt instrument pursuant to subsection 108(i) of the federal internal*
19 *revenue code deferred from a prior taxable year is claimed and allowed*
20 *on the taxpayer's federal income tax return and which amount has also*
21 *been claimed and allowed as a subtraction modification pursuant to sub-*
22 *section (c)(ix) on the taxpayer's Kansas income tax return for such prior*
23 *taxable year, such claimed and allowed amount of deduction.*
- 24 (c) There shall be subtracted from federal taxable income: (i) The
25 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,
26 and amendments thereto, with respect to resident individuals.
- 27 (ii) The federal income tax liability for any taxable year commencing
28 prior to December 31, 1971, for which a Kansas return was filed after
29 reduction for all credits thereon, except credits for payments on estimates
30 of federal income tax, credits for gasoline and lubricating oil tax, and for
31 foreign tax credits if, on the Kansas income tax return for such prior year,
32 the federal income tax deduction was computed on the basis of the federal
33 income tax paid in such prior year, rather than as accrued. Notwithstand-
34 ing the foregoing, the deduction for federal income tax liability for any
35 year shall not exceed that portion of the total federal income tax liability
36 for such year which bears the same ratio to the total federal income tax
37 liability for such year as the Kansas taxable income, as computed before
38 any deductions for federal income taxes and after application of subsec-
39 tions (d) and (e) of this section as existing for such year, bears to the
40 federal taxable income for the same year.
- 41 (iii) An amount for the amortization deduction allowed pursuant to
42 K.S.A. 2008 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
43 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.

- 1 (iv) For all taxable years commencing after December 31, 1987, the
2 amount included in federal taxable income pursuant to the provisions of
3 section 78 of the internal revenue code.
- 4 (v) For all taxable years commencing after December 31, 1987, 80%
5 of dividends from corporations incorporated outside of the United States
6 or the District of Columbia which are included in federal taxable income.
- 7 (vi) *For tax year 2010 and tax years thereafter, that portion of any*
8 *depreciation deduction included in Kansas adjusted gross income for tax*
9 *year 2009 pursuant to subsection (b)(iv), that could have been claimed as*
10 *a depreciation deduction on the taxpayer's federal income tax return in*
11 *the applicable tax year pursuant to section 168 of the federal internal*
12 *revenue code without regard to section 168(k) of the federal internal rev-*
13 *enue code.*
- 14 (vii) *That portion of any amount included in Kansas adjusted gross*
15 *income pursuant to subsection (b)(vi) that would have been allowed as a*
16 *depreciation deduction on such property for the taxable year using the*
17 *accelerated cost recovery system depreciation method applicable under*
18 *section 168 of the federal internal revenue code without regard to section*
19 *168(k) of the federal internal revenue code.*
- 20 (viii) *The amount of any deferred deduction for original issue dis-*
21 *count with respect to a debt instrument issued as part of reacquisition of*
22 *a debt instrument pursuant to section 108(i) of the federal internal reve-*
23 *nue code that would be allowed as a deduction for the applicable tax year*
24 *without regard to section 108(i) of the federal internal revenue code.*
- 25 (ix) *Income from discharge of indebtedness included in federal ad-*
26 *justed gross income and deferred from a prior taxable year pursuant to*
27 *section 108(i) of the federal internal revenue code and included in Kansas*
28 *adjusted gross income for such prior taxable year pursuant to subsection*
29 *(b)(vii).*
- 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 (f) *In addition to any authority already authorized by law, the sec-*
6 *retary of revenue may promulgate rules and regulations necessary to ad-*
7 *minister the provisions of subsections (b)(iv), (v), (vi), (vii) and (c)(vi),*
8 *(vii), (viii) and (ix) including determination of the adjusted basis of prop-*
9 *erty or other adjustments to gains and losses in connection with the sale*
10 *or other disposition of such property, in order to carry out the intent of*
11 *this provision not to conform to the amendments to sections 108, 168(k)*
12 *and 179(b)(7) of the federal internal revenue code enacted in sections*
13 *1201, 1202(a) and 1231(a) of the American recovery and reinvestment*
14 *act of 2009, Pub. L. No. 111-5.*

15 Sec. 4. K.S.A. 2008 Supp. 79-32,205 is hereby amended to read as
16 follows: 79-32,205. (a) There shall be allowed as a credit against the tax
17 liability of a resident individual imposed under the Kansas income tax act
18 an amount equal to *15.5% for tax years 2009 and 2010, and 17% for tax*
19 *year ~~2007~~ 2011*, and all tax years thereafter, of the amount of the earned
20 income credit allowed against such taxpayer's federal income tax liability
21 pursuant to section 32 of the federal internal revenue code for the taxable
22 year in which such credit was claimed against the taxpayer's federal in-
23 come tax liability.

24 (b) If the amount of the credit allowed by subsection (a) exceeds the
25 taxpayer's income tax liability imposed under the Kansas income tax act,
26 such excess amount shall be refunded to the taxpayer.

27 Sec. 5. K.S.A. 2008 Supp. 79-32,117, 79-32,117m, 79-32,120, 79-
28 32,138 and 79-32,205 are hereby repealed.

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