

## HOUSE BILL No. 2286

By Committee on Taxation

2-11

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1 AN ACT concerning income taxation; relating to deductions;  
2 modifications; net operating losses; amending K.S.A. 2012 Supp. 79-  
3 32,117, 79-32,138, 79-32,143 and 79-32,266 and repealing the existing  
4 sections.  
5

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

7 Section 1. K.S.A. 2012 Supp. 79-32,117 is hereby amended to read as  
8 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
9 means such individual's federal adjusted gross income for the taxable year,  
10 with the modifications specified in this section.

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

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

32 (iii) The federal net operating loss deduction.

33 (iv) Federal income tax refunds received by the taxpayer if the  
34 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
35 income tax purposes during a prior taxable year. Such refunds shall be  
36 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 shall  
2 be deemed to have resulted if the amount of the tax had been deducted in  
3 determining income subject to a Kansas income tax for a prior year  
4 regardless of the rate of taxation applied in such prior year to the Kansas  
5 taxable income, but only that portion of the refund shall be included as  
6 bears the same proportion to the total refund received as the federal taxes  
7 deducted in the year to which such refund is attributable bears to the total  
8 federal income taxes paid for such year. For purposes of the foregoing  
9 sentence, federal taxes shall be considered to have been deducted only to  
10 the extent such deduction does not reduce Kansas taxable income below  
11 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  
16 allowed 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 thereto.

20 (vii) The amount of any charitable contribution made to the extent the  
21 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
22 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  
25 income, to the extent the same is claimed as the basis for any credit  
26 allowed pursuant to K.S.A. 2012 Supp. 79-32,204, and amendments  
27 thereto.

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

34 (x) Amounts received as nonqualified withdrawals, as defined by  
35 K.S.A. 2012 Supp. 75-643, and amendments thereto, if, at the time of  
36 contribution to a family postsecondary education savings account, such  
37 amounts were subtracted from the federal adjusted gross income pursuant  
38 to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments  
39 thereto, or if such amounts are not already included in the federal adjusted  
40 gross income.

41 (xi) The amount of any contribution made to the same extent the  
42 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2012  
43 Supp. 74-50,154, and amendments thereto.

1 (xii) For taxable years commencing after December 31, 2004,  
2 amounts received as withdrawals not in accordance with the provisions of  
3 K.S.A. 2012 Supp. 74-50,204, and amendments thereto, if, at the time of  
4 contribution to an individual development account, such amounts were  
5 subtracted from the federal adjusted gross income pursuant to paragraph  
6 (xiii) of subsection (c), or if such amounts are not already included in the  
7 federal adjusted gross income.

8 (xiii) The amount of any expenditures claimed for deduction in  
9 determining federal adjusted gross income, to the extent the same is  
10 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.  
11 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

12 (xiv) The amount of any amortization deduction claimed in  
13 determining federal adjusted gross income to the extent the same is  
14 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,221, and  
15 amendments thereto.

16 (xv) The amount of any expenditures claimed for deduction in  
17 determining federal adjusted gross income, to the extent the same is  
18 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.  
19 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
20 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
21 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

22 (xvi) The amount of any amortization deduction claimed in  
23 determining federal adjusted gross income to the extent the same is  
24 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,227, 79-  
25 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
26 thereto.

27 (xvii) The amount of any amortization deduction claimed in  
28 determining federal adjusted gross income to the extent the same is  
29 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,256, and  
30 amendments thereto.

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

41 ~~(xix) For all taxable years beginning after December 31, 2012, the~~  
42 ~~amount of any: (1) Loss from business as determined under the federal~~  
43 ~~internal revenue code and reported from schedule C and on line 12 of the~~

1 taxpayer's form 1040 federal individual income tax return; (2) loss from  
2 rental real estate, royalties, partnerships, S corporations, estates, trusts,  
3 residual interest in real estate mortgage investment conduits and net farm  
4 rental as determined under the federal internal revenue code and reported  
5 from schedule E and on line 17 of the taxpayer's form 1040 federal  
6 individual income tax return; and (3) farm loss as determined under the  
7 federal internal revenue code and reported from schedule F and on line 18  
8 of the taxpayer's form 1040 federal income tax return; all to the extent  
9 deducted or subtracted in determining the taxpayer's federal adjusted gross  
10 income. For purposes of this subsection, references to the federal form  
11 1040 and federal schedule C, schedule E, and schedule F, shall be to such  
12 form and schedules as they existed for tax year 2011, and as revised  
13 thereafter by the internal revenue service.

14 ~~(xx)~~—For all taxable years beginning after December 31, 2012, the  
15 amount of any deduction for self-employment taxes under section 164(f)  
16 of the federal internal revenue code as in effect on January 1, 2012, and  
17 amendments thereto, in determining the federal adjusted gross income of  
18 an individual taxpayer.

19 ~~(xxi)~~~~(xx)~~ For all taxable years beginning after December 31, 2012,  
20 the amount of any deduction for pension, profit sharing, and annuity plans  
21 of self-employed individuals under section 62(a)(6) of the federal internal  
22 revenue code as in effect on January 1, 2012, and amendments thereto, in  
23 determining the federal adjusted gross income of an individual taxpayer.

24 ~~(xxii)~~~~(xxi)~~ For all taxable years beginning after December 31, 2012,  
25 the amount of any deduction for health insurance under section 162(l) of  
26 the federal internal revenue code as in effect on January 1, 2012, and  
27 amendments thereto, in determining the federal adjusted gross income of  
28 an individual taxpayer.

29 ~~(xxiii)~~~~(xxii)~~ For all taxable years beginning after December 31, 2012,  
30 the amount of any deduction for domestic production activities under  
31 section 199 of the federal internal revenue code as in effect on January 1,  
32 2012, and amendments thereto, in determining the federal adjusted gross  
33 income of an individual taxpayer.

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

35 (i) Interest or dividend income on obligations or securities of any  
36 authority, commission or instrumentality of the United States and its  
37 possessions less any related expenses directly incurred in the purchase of  
38 such obligations or securities, to the extent included in federal adjusted  
39 gross income but exempt from state income taxes under the laws of the  
40 United States.

41 (ii) Any amounts received which are included in federal adjusted  
42 gross income but which are specifically exempt from Kansas income  
43 taxation under the laws of the state of Kansas.

1 (iii) The portion of any gain or loss from the sale or other disposition  
2 of property having a higher adjusted basis for Kansas income tax purposes  
3 than for federal income tax purposes on the date such property was sold or  
4 disposed of in a transaction in which gain or loss was recognized for  
5 purposes of federal income tax that does not exceed such difference in  
6 basis, but if a gain is considered a long-term capital gain for federal  
7 income tax purposes, the modification shall be limited to that portion of  
8 such gain which is included in federal adjusted gross income.

9 (iv) The amount necessary to prevent the taxation under this act of  
10 any annuity or other amount of income or gain which was properly  
11 included in income or gain and was taxed under the laws of this state for a  
12 taxable year prior to the effective date of this act, as amended, to the  
13 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
14 the right to receive the income or gain, or to a trust or estate from which  
15 the taxpayer received the income or gain.

16 (v) The amount of any refund or credit for overpayment of taxes on  
17 or measured by income or fees or payments in lieu of income taxes  
18 imposed by this state, or any taxing jurisdiction, to the extent included in  
19 gross income for federal income tax purposes.

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

23 (vii) Amounts received as annuities under the federal civil service  
24 retirement system from the civil service retirement and disability fund and  
25 other amounts received as retirement benefits in whatever form which  
26 were earned for being employed by the federal government or for service  
27 in the armed forces of the United States.

28 (viii) Amounts received by retired railroad employees as a  
29 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
30 228c (a)(1) et seq.

31 (ix) Amounts received by retired employees of a city and by retired  
32 employees of any board of such city as retirement allowances pursuant to  
33 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
34 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
35 amendments thereto.

36 (x) For taxable years beginning after December 31, 1976, the amount  
37 of the federal tentative jobs tax credit disallowance under the provisions of  
38 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
39 amount of the targeted jobs tax credit and work incentive credit  
40 disallowances under 26 U.S.C. § 280 C.

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

43 (xii) For taxable years beginning after December 31, 1989, amounts

1 received by retired employees of a board of public utilities as pension and  
2 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,  
3 and amendments thereto.

4 (xiii) For taxable years beginning after December 31, 2004, amounts  
5 contributed to and the amount of income earned on contributions deposited  
6 to an individual development account under K.S.A. 2012 Supp. 74-50,201  
7 et seq., and amendments thereto.

8 (xiv) For all taxable years commencing after December 31, 1996, that  
9 portion of any income of a bank organized under the laws of this state or  
10 any other state, a national banking association organized under the laws of  
11 the United States, an association organized under the savings and loan  
12 code of this state or any other state, or a federal savings association  
13 organized under the laws of the United States, for which an election as an  
14 S corporation under subchapter S of the federal internal revenue code is in  
15 effect, which accrues to the taxpayer who is a stockholder of such  
16 corporation and which is not distributed to the stockholders as dividends of  
17 the corporation. For all taxable years beginning after December 31, 2012,  
18 the amount of modification under this subsection shall exclude the portion  
19 of income or loss reported on schedule E and included on line 17 of the  
20 taxpayer's form 1040 federal individual income tax return.

21 (xv) For all taxable years beginning after December 31, 2006,  
22 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
23 joint return, for each designated beneficiary which are contributed to a  
24 family postsecondary education savings account established under the  
25 Kansas postsecondary education savings program or a qualified tuition  
26 program established and maintained by another state or agency or  
27 instrumentality thereof pursuant to section 529 of the internal revenue  
28 code of 1986, as amended, for the purpose of paying the qualified higher  
29 education expenses of a designated beneficiary at an institution of  
30 postsecondary education. The terms and phrases used in this paragraph  
31 shall have the meaning respectively ascribed thereto by the provisions of  
32 K.S.A. 2012 Supp. 75-643, and amendments thereto, and the provisions of  
33 such section are hereby incorporated by reference for all purposes thereof.

34 (xvi) 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 loans  
41 incurred by or obligated to such taxpayer and received by such taxpayer as  
42 a result of such taxpayer's service in the armed forces of the United States,  
43 including service in the Kansas army and air national guard.

1 (xvii) 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 section  
6 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 in  
8 federal adjusted gross income of the taxpayer.

9 (xviii) 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 filing  
14 jointly; and for all taxable years beginning after December 31, 2007,  
15 amounts received as benefits under the federal social security act which  
16 are included in federal adjusted gross income of a taxpayer with federal  
17 adjusted gross income of \$75,000 or less, whether such taxpayer's filing  
18 status is single, head of household, married filing separate or married filing  
19 jointly.

20 (xix) Amounts received by retired employees of Washburn university  
21 as retirement and pension benefits under the university's retirement plan.

22 (xx) For all taxable years beginning after December 31, 2012, the  
23 amount of any: (1) Net profit from business as determined under the  
24 federal internal revenue code and reported from schedule C and on line 12  
25 of the taxpayer's form 1040 federal individual income tax return; (2) net  
26 income from rental real estate, royalties, partnerships, S corporations,  
27 estates, trusts, residual interest in real estate mortgage investment conduits  
28 and net farm rental as determined under the federal internal revenue code  
29 and reported from schedule E and on line 17 of the taxpayer's form 1040  
30 federal individual income tax return; and (3) net farm profit as determined  
31 under the federal internal revenue code and reported from schedule F and  
32 on line 18 of the taxpayer's form 1040 federal income tax return; all to the  
33 extent included in the taxpayer's federal adjusted gross income. For  
34 purposes of this subsection, references to the federal form 1040 and  
35 federal schedule C, schedule E, and schedule F, shall be to such form and  
36 schedules as they existed for tax year 2011 and as revised thereafter by the  
37 internal revenue service.

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

42 (e) The amount of modifications required to be made under this  
43 section by a partner which relates to items of income, gain, loss, deduction

1 or credit of a partnership shall be determined under K.S.A. 79-32,131, and  
2 amendments thereto, to the extent that such items affect federal adjusted  
3 gross income of the partner.

4 Sec. 2. K.S.A. 2012 Supp. 79-32,138 is hereby amended to read as  
5 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable  
6 under this act shall be the corporation's federal taxable income for the  
7 taxable year with the modifications specified in this section.

8 (b) There shall be added to federal taxable income: (i) The same  
9 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and  
10 amendments thereto, with respect to resident individuals, except  
11 subsections (b)(xix), (b)(xx), (b)(xxi); ~~and (b)(xxii) and (b)(xxiii).~~

12 (ii) The amount of all depreciation deductions claimed for any  
13 property upon which the deduction allowed by K.S.A. 2012 Supp. 79-  
14 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-  
15 32,255 or 79-32,256, and amendments thereto, is claimed.

16 (iii) The amount of any charitable contribution deduction claimed for  
17 any contribution or gift to or for the use of any racially segregated  
18 educational institution.

19 (c) There shall be subtracted from federal taxable income: (i) The  
20 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,  
21 and amendments thereto, with respect to resident individuals, except  
22 subsection (c)(xx).

23 (ii) The federal income tax liability for any taxable year commencing  
24 prior to December 31, 1971, for which a Kansas return was filed after  
25 reduction for all credits thereon, except credits for payments on estimates  
26 of federal income tax, credits for gasoline and lubricating oil tax, and for  
27 foreign tax credits if, on the Kansas income tax return for such prior year,  
28 the federal income tax deduction was computed on the basis of the federal  
29 income tax paid in such prior year, rather than as accrued. Notwithstanding  
30 the foregoing, the deduction for federal income tax liability for any year  
31 shall not exceed that portion of the total federal income tax liability for  
32 such year which bears the same ratio to the total federal income tax  
33 liability for such year as the Kansas taxable income, as computed before  
34 any deductions for federal income taxes and after application of  
35 subsections (d) and (e) of this section as existing for such year, bears to the  
36 federal taxable income for the same year.

37 (iii) An amount for the amortization deduction allowed pursuant to  
38 K.S.A. 2012 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-  
39 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.

40 (iv) For all taxable years commencing after December 31, 1987, the  
41 amount included in federal taxable income pursuant to the provisions of  
42 section 78 of the internal revenue code.

43 (v) For all taxable years commencing after December 31, 1987, 80%



1 of dividends from corporations incorporated outside of the United States  
2 or the District of Columbia which are included in federal taxable income.

3 (d) If any corporation derives all of its income from sources within  
4 Kansas in any taxable year commencing after December 31, 1979, its  
5 Kansas taxable income shall be the sum resulting after application of  
6 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas  
7 taxable income in any such taxable year, after excluding any refunds of  
8 federal income tax and before the deduction of federal income taxes  
9 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-  
10 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any  
11 refund of federal income tax as determined under paragraph (iv) of  
12 subsection (b) of K.S.A. 79-32,117, and amendments thereto, and minus  
13 the deduction for federal income taxes as provided by subsection (c)(ii)  
14 shall be such corporation's Kansas taxable income.

15 (e) A corporation may make an election with respect to its first  
16 taxable year commencing after December 31, 1982, whereby no addition  
17 modifications as provided for in subsection (b)(ii) of K.S.A. 79-32,138,  
18 and amendments thereto, and subtraction modifications as provided for in  
19 subsection (c)(iii) of K.S.A. 79-32,138, and amendments thereto, as those  
20 subsections existed prior to their amendment by this act, shall be required  
21 to be made for such taxable year.

22 Sec. 3. K.S.A. 2012 Supp. 79-32,143 is hereby amended to read as  
23 follows: 79-32,143. (a) For net operating losses incurred in taxable years  
24 beginning after December 31, 1987, a net operating loss deduction shall be  
25 allowed in the same manner that it is allowed under the federal internal  
26 revenue code except that such net operating loss may only be carried  
27 forward to each of the 10 taxable years following the taxable year of the  
28 net operating loss. For net operating farm losses, as defined by subsection  
29 (i) of section 172 of the federal internal revenue code, incurred in taxable  
30 years beginning after December 31, 1999, a net operating loss deduction  
31 shall be allowed in the same manner that it is allowed under the federal  
32 internal revenue code except that such net operating loss may be carried  
33 forward to each of the 10 taxable years following the taxable year of the  
34 net operating loss. The amount of the net operating loss that may be  
35 carried back or forward for Kansas income tax purposes shall be that  
36 portion of the federal net operating loss allocated to Kansas under this act  
37 in the taxable year that the net operating loss is sustained.

38 (b) The amount of the loss to be carried back or forward will be the  
39 federal net operating loss after: (1) All modifications required under this  
40 act applicable to the net loss in the year the loss was incurred; and (2) after  
41 apportionment as to source in the case of corporations, nonresident  
42 individuals for losses incurred in taxable years beginning prior to January  
43 1, 1978, and nonresident estates and trusts in the same manner that income

1 for such corporations, nonresident individuals, estates and trusts is  
2 required to be apportioned.

3 (c) If a net operating loss was incurred in a taxable year beginning  
4 prior to January 1, 1988, the amount of the net operating loss that may be  
5 carried back and carried forward and the period for which it may be  
6 carried back and carried forward shall be determined under the provisions  
7 of the Kansas income tax laws which were in effect during the year that  
8 such net operating loss was incurred.

9 (d) If any portion of a net operating loss described in subsections (a)  
10 and (b) is not utilized prior to the final year of the carryforward period  
11 provided in subsection (a), a refund shall be allowable in such final year in  
12 an amount equal to the refund which would have been allowable in the  
13 taxable year the loss was incurred by utilizing the three year carryback  
14 provided under K.S.A. 79-32,143, as in effect on December 31, 1987,  
15 multiplied by a fraction, the numerator of which is the unused portion of  
16 such net operating loss in the final year, and the denominator of which is  
17 the amount of such net operating loss which could have been carried back  
18 to the three years immediately preceding the year in which the loss was  
19 incurred. In no event may such fraction exceed 1.

20 (e) Notwithstanding any other provisions of the Kansas income tax  
21 act, the net operating loss as computed under subsections (a), (b) and (c) of  
22 this section shall be allowed in full in determining Kansas taxable income  
23 or at the option of the taxpayer allowed in full in determining Kansas  
24 adjusted gross income.

25 (f) No refund of income tax which results from a net operating farm  
26 loss carry back shall be allowed in an amount exceeding \$1,500 in any  
27 year. Any overpayment in excess of \$1,500 may be carried forward to any  
28 year or years after the year of the loss and may be claimed as a credit  
29 against the tax. The refundable portion of such credit shall not exceed  
30 \$1,500 in any year.

31 ~~(g) For tax year 2013, and all tax years thereafter, a net operating loss~~  
32 ~~allowed by this section shall only be available to taxpayers subject to the~~  
33 ~~income tax on corporations imposed pursuant to subsection (e) of K.S.A.~~  
34 ~~79-32,110, and amendments thereto, and used only to determine such~~  
35 ~~taxpayer's corporate income tax liability.~~

36 Sec. 4. K.S.A. 2012 Supp. 79-32,266 is hereby amended to read as  
37 follows: 79-32,266. (a) For taxable years commencing after December 31,  
38 2010, there shall be allowed as a credit against the tax liability of a  
39 resident individual taxpayer an amount equal to 95% of the resident  
40 individual's income tax liability under the provisions of the Kansas income  
41 tax act for Kansas source income received from a qualified company that  
42 is business income attributable to business activities conducted at the  
43 business facility, office, department or other operation relocated to Kansas

1 when the taxpayer owns such qualified company and materially  
2 participates in such business activities conducted at such relocated  
3 business facility, office, department or other operation of such qualified  
4 company which qualified for benefits under the provisions of subsection  
5 (a)(1) of K.S.A. 74-50,212, and amendments thereto. A taxpayer shall be  
6 treated as materially participating in such qualified company's business  
7 activities conducted at such business facility, office, department or other  
8 operation relocated to Kansas only if the taxpayer is involved in such  
9 business activities of such qualified company on a basis which is regular,  
10 continuous and substantial. A taxpayer may claim the credit authorized by  
11 this section during any tax year in which the qualified company owned by  
12 the taxpayer qualifies for benefits under provisions of K.S.A. 74-50,212,  
13 and amendments thereto.

14 (b) Business income attributable to the business activities conducted  
15 at the business facility, office, department or other operation relocated to  
16 Kansas of a qualified company which qualified for benefits under the  
17 provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments  
18 thereto, shall be determined by multiplying the business income of the  
19 company apportioned to this state by a fraction, the numerator of which is  
20 the property factor plus the payroll factor plus the sales factor, and the  
21 denominator of which is three. For purposes of this subsection, the  
22 property factor is a fraction, the numerator of which is the average value of  
23 the company's real and tangible personal property owned or rented and  
24 used during the tax period at such relocated facility, office, department or  
25 other relocated operation in Kansas, and the denominator of which is the  
26 average value of the company's real and tangible personal property owned  
27 or rented and used within this state during the tax period. The payroll  
28 factor is a fraction, the numerator of which is the total amount paid during  
29 the tax period by the company for compensation at such relocated facility,  
30 office, department or other relocated operation in Kansas, and the  
31 denominator of which is the total compensation paid by the company in  
32 this state during the tax period. The sales factor is a fraction, the numerator  
33 of which is the total sales of the relocated facility, office, department or  
34 other relocated operation in this state during the tax period, and the  
35 denominator of which is the total sales of the company in this state during  
36 the tax period.

37 (c) This credit shall not be available to any taxpayer making a  
38 modification under ~~(b)(xix) or~~ (c)(xxi) of K.S.A. 79-32,117, and  
39 amendments thereto.

40 (d) The secretary of revenue shall adopt rules and regulations  
41 regarding the filing of documents that support the qualifications of the  
42 taxpayer for the credit claimed pursuant to this section.

43 Sec. 5. K.S.A. 2012 Supp. 79-32,117, 79-32,138, 79-32,143 and 79-

1 32,266 are hereby repealed.

2 Sec. 6. This act shall take effect and be in force from and after its  
3 publication in the Kansas register.