

## HOUSE BILL No. 2294

By Committee on Federal and State Affairs

2-10

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1 AN ACT concerning immigration; requiring the use of e-verify by certain  
2 employers; amending K.S.A. 2014 Supp. 79-32,117 and 79-32,138 and  
3 repealing the existing sections.  
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5 *Be it enacted by the Legislature of the State of Kansas:*

6 New Section 1. As used in sections 1 through 6, and amendments  
7 thereto:

8 (a) "Business entity" means any person or group of persons  
9 performing or engaging in any activity, enterprise, profession or  
10 occupation for gain, benefit, advantage or livelihood, whether for profit or  
11 not-for-profit. The term "business entity" shall include, but is not limited  
12 to:

13 (1) Self-employed individuals, business entities filing articles of  
14 incorporation, partnerships, limited partnerships, limited liability  
15 companies, foreign corporations, foreign limited partnerships, foreign  
16 limited liability companies authorized to transact business in this state,  
17 business trusts and any business entity that registers with the secretary of  
18 state; and

19 (2) any business entity that possesses a business license, permit,  
20 certificate, approval, registration, charter or similar form of authorization  
21 issued by the state, any business entity that is exempt by law from  
22 obtaining such form of authorization and any business entity that is  
23 operating unlawfully without such form of authorization.

24 (b) "E-verify program" means the electronic verification of  
25 employment authorization program operated by the United States  
26 department of homeland security pursuant to the illegal immigration  
27 reform and immigrant responsibility act of 1996, 8 U.S.C. § 1324(a), or a  
28 successor electronic federal work authorization program, with respect to  
29 all employees eligible for verification under e-verify, or a successor federal  
30 work authorization program, working in connection with the contracted  
31 services.

32 (c) "Employee" has the same meaning as that term is defined in  
33 K.S.A. 44-313, and amendments thereto.

34 (d) "Municipality" shall have the same meaning as that term is  
35 defined in K.S.A. 75-6102, and amendments thereto.

36 (e) "Public employers" means any office, department, board,

1 commission, institution, bureau or agency of the state or any municipality,  
2 or any agency, division or unit within any office, department, board,  
3 commission, institution, bureau or other state authority of the state or any  
4 municipality.

5 (f) "State" shall have the same meaning as that term is defined in  
6 K.S.A. 75-6102, and amendments thereto.

7 New Sec. 2. (a) As a condition for the award of any contract or grant  
8 in excess of \$5,000 by the state or by any municipality to a business entity  
9 that employs one or more employees, the business entity shall, by sworn  
10 affidavit signed before a notary and under penalty of perjury, and by  
11 provision of documentation, affirm its registration and good faith  
12 participation in the e-verify program.

13 (b) A general contractor or subcontractor of any tier shall not be liable  
14 under this section when such general contractor or subcontractor contracts  
15 with its direct subcontractor who violates subsection (a), if the contract  
16 binding the contractor and subcontractor affirmatively states that the direct  
17 subcontractor is not knowingly in violation of subsection (a) and shall not  
18 henceforth be in such violation and the contractor or subcontractor  
19 receives a sworn affidavit signed before a notary and under the penalty of  
20 perjury attesting to the fact that the direct subcontractor is enrolled and  
21 participates in good faith in the e-verify program.

22 (c) In addition to such penalties as may apply pursuant to K.S.A.  
23 2014 Supp. 21-5903, and amendments thereto, or any other provision of  
24 law:

25 (1) Upon the first violation of the requirements of subsection (a), the  
26 business entity shall be deemed in breach of contract and the state or  
27 municipality may terminate the contract and, upon notice and opportunity  
28 to be heard, suspend or debar the business entity from doing business with  
29 the state or municipality for a period of three years. Upon such  
30 termination, the state or municipality may, in addition to such other  
31 remedies as may be provided by law, withhold from amounts due or  
32 recover as liquidated damages up to 25% of the total amount of the  
33 contract with the business entity;

34 (2) upon a second or subsequent violation of the requirements of  
35 subsection (a), the business entity shall be deemed in breach of contract  
36 and the state or municipality may terminate the contract and, upon notice  
37 and opportunity to be heard, permanently suspend or debar the business  
38 entity from doing business with the state or municipality. Upon such  
39 termination, the state or municipality may, in addition to such other  
40 remedies as may be provided by law, withhold from amounts due or  
41 recover as liquidated damages up to 25% of the total amount due to the  
42 business entity.

43 (d) In any civil action undertaken by the state or any municipality, or

1 by any business entity to enforce rights and remedies under this section,  
2 the state or municipality shall, if the prevailing party, be awarded court  
3 costs and reasonable attorney fees associated with such action.

4 New Sec. 3. (a) All public employers shall register with and  
5 participate in good faith in the e-verify program.

6 (b) A person who is a legal resident of this state may bring an action  
7 in district court against any public employer that adopts or implements a  
8 policy or practice that is in violation of subsection (a). If there is a judicial  
9 finding that such public employer has violated subsection (a), the court  
10 shall order that such public employer pay a civil penalty of not less than  
11 \$1,000 and not more than \$5,000 for each day that the policy has remained  
12 in effect after the filing of an action pursuant to this subsection. If a public  
13 employer is found by a court of competent jurisdiction to have committed  
14 subsequent violations of subsection (a), the civil penalty imposed on such  
15 public employer shall be greater than that imposed for the immediately  
16 preceding violation.

17 (c) Any civil penalties ordered pursuant to subsection (b) shall be  
18 collected by the court and remitted to the state treasurer in accordance  
19 with the provisions of K.S.A. 75-4215, and amendments thereto. Upon  
20 receipt of such remittance, the state treasurer shall deposit the entire  
21 amount in the state treasury to the credit of the state general fund.

22 (d) The court may award court costs and reasonable attorney fees to  
23 the prevailing party in a proceeding brought pursuant to subsection (b).

24 New Sec. 4. (a) Every business entity within the state of Kansas that  
25 employs five or more employees shall register with and participate in good  
26 faith in the e-verify program to verify the employment authorization of all  
27 new employees.

28 (b) All business entities shall be in compliance with this section on  
29 and after January 1, 2016. The business entity shall retain all  
30 documentation, which is received in connection with its participation in  
31 the e-verify program, that verifies the employment authorization of every  
32 employee verified through the e-verify program for at least three years  
33 after the termination of the employment of the employee. This  
34 documentation shall be provided to the department of revenue upon  
35 request.

36 (c) The provisions of this section may be enforced in any court of  
37 competent jurisdiction by the attorney general or any district or county  
38 attorney.

39 (d) (1) On a finding of a first violation of this section by a business  
40 entity, the court shall order the suspension of all licenses that are held by  
41 such business entity for not less than 10 days and not more than 30 days.

42 (2) On a finding of a second violation of this section by a business  
43 entity, the court shall order the suspension of all licenses that are held by

1 such business entity for not less than 90 days and not more than one year.

2 (3) On a finding of a third violation of this section by a business  
3 entity, the court shall order the permanent suspension of all licenses that  
4 are held by such business entity as well as the revocation of the business  
5 entity's registration with the secretary of state, if applicable.

6 (e) For the purposes of this section, where a business entity has  
7 contracted for the services of an independent contractor, no employment  
8 relationship exists between the business entity and the independent  
9 contractor or its employees.

10 New Sec. 5. (a) No payment or compensation or other remuneration,  
11 including, but not limited to, wages, salaries, bonuses, benefits, in-kind  
12 exchanges, expenses or any other economic benefit, paid to an employee,  
13 whose employment authorization has not been verified through the e-  
14 verify program, may be claimed and allowed as a deductible business  
15 expense for state income tax purposes. This section shall apply whether or  
16 not an internal revenue service form 1099 or form W-2 is issued in  
17 conjunction with such payments, compensation or other remuneration.

18 (b) No payment or compensation or other remuneration, including,  
19 but not limited to, wages, salaries, bonuses, benefits, in-kind exchanges,  
20 expenses or any other economic benefit, paid to an independent contractor  
21 may be claimed and allowed as a deductible business expense for state  
22 income tax purposes if such independent contractor is not registered with  
23 and participating in good faith in the e-verify program to verify the  
24 employment authorization of all new employees under such contractor's  
25 employment.

26 (c) This section shall not apply to:

27 (1) Any employer that is exempt from compliance with federal  
28 employment verification procedures under federal law;

29 (2) any employer that is exempt from the provisions of sections 2  
30 through 4, and amendments thereto; or

31 (3) any individual hired by the employer prior to January 1, 2016.

32 (d) All employers shall submit an affidavit to the department of  
33 revenue accompanying the annual tax return required under state law. This  
34 affidavit shall be signed by the employer under penalty of perjury and  
35 shall specifically state the following:

36 (1) Whether the employer utilized a business expense or business loss  
37 deduction in determining federal adjusted gross income;

38 (2) whether the employer employed any employees or independent  
39 contractors for the tax year in question and the number of such employees  
40 or independent contractors;

41 (3) whether the employer is registered with and participating in good  
42 faith in the e-verify program;

43 (4) whether the employer has utilized the e-verify program to confirm

1 the employment eligibility of every employee hired on or after January 1,  
2 2016;

3 (5) whether the employer has confirmed that any independent  
4 contractor employed by the employer is an independent contractor who is  
5 registered with and participating in good faith in the e-verify program to  
6 verify the employment authorization of all new employees; and

7 (6) the employer's identification number signifying the employer's  
8 registration with the e-verify program.

9 (e) The department of revenue may audit any employer who:

10 (1) Fails to timely submit the affidavit required under this section;  
11 and

12 (2) the department has probable cause to believe is not complying  
13 with this section.

14 (f) If the department of revenue determines that the employer has  
15 knowingly made material misrepresentations of fact regarding information  
16 contained in the affidavit required under this section, the employer shall be  
17 required to add back business deductions taken in determining such  
18 employer's adjusted gross income used to calculate the employer's state tax  
19 liability, to the extent such deductions constitute wages or remuneration  
20 paid to employees whose employment authorization was not verified using  
21 e-verify.

22 New Sec. 6. (a) For the purposes of this section, a business entity or  
23 public employer that has complied in good faith with the provisions of  
24 sections 1 through 5, and amendments thereto, through registration and  
25 participation in good faith in the e-verify program to confirm the  
26 employment authorization of any employee in question shall create a  
27 rebuttable presumption that the business entity or public employer did not  
28 knowingly employ an unauthorized alien.

29 (b) Any business entity or public employer that terminates an  
30 employee pursuant to a notification that such employee is not authorized to  
31 work in the United States that is provided as a result of such employer's  
32 participation in the e-verify program shall not be liable for any claims  
33 alleging that such termination was wrongful that are made against the  
34 employer under the laws of this state.

35 Sec. 7. K.S.A. 2014 Supp. 79-32,117 is hereby amended to read as  
36 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
37 means such individual's federal adjusted gross income for the taxable year,  
38 with the modifications specified in this section.

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

40 (i) Interest income less any related expenses directly incurred in the  
41 purchase of state or political subdivision obligations, to the extent that the  
42 same is not included in federal adjusted gross income, on obligations of  
43 any state or political subdivision thereof, but to the extent that interest

1 income on obligations of this state or a political subdivision thereof issued  
2 prior to January 1, 1988, is specifically exempt from income tax under the  
3 laws of this state authorizing the issuance of such obligations, it shall be  
4 excluded from computation of Kansas adjusted gross income whether or  
5 not included in federal adjusted gross income. Interest income on  
6 obligations of this state or a political subdivision thereof issued after  
7 December 31, 1987, shall be excluded from computation of Kansas  
8 adjusted gross income whether or not included in federal adjusted gross  
9 income.

10 (ii) Taxes on or measured by income or fees or payments in lieu of  
11 income taxes imposed by this state or any other taxing jurisdiction to the  
12 extent deductible in determining federal adjusted gross income and not  
13 credited against federal income tax. This paragraph shall not apply to taxes  
14 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and  
15 amendments thereto, for privilege tax year 1995, and all such years  
16 thereafter.

17 (iii) The federal net operating loss deduction.

18 (iv) Federal income tax refunds received by the taxpayer if the  
19 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
20 income tax purposes during a prior taxable year. Such refunds shall be  
21 included in income in the year actually received regardless of the method  
22 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall  
23 be deemed to have resulted if the amount of the tax had been deducted in  
24 determining income subject to a Kansas income tax for a prior year  
25 regardless of the rate of taxation applied in such prior year to the Kansas  
26 taxable income, but only that portion of the refund shall be included as  
27 bears the same proportion to the total refund received as the federal taxes  
28 deducted in the year to which such refund is attributable bears to the total  
29 federal income taxes paid for such year. For purposes of the foregoing  
30 sentence, federal taxes shall be considered to have been deducted only to  
31 the extent such deduction does not reduce Kansas taxable income below  
32 zero.

33 (v) The amount of any depreciation deduction or business expense  
34 deduction claimed on the taxpayer's federal income tax return for any  
35 capital expenditure in making any building or facility accessible to the  
36 handicapped, for which expenditure the taxpayer claimed the credit  
37 allowed by K.S.A. 79-32,177, and amendments thereto.

38 (vi) Any amount of designated employee contributions picked up by  
39 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
40 and amendments thereto.

41 (vii) The amount of any charitable contribution made to the extent the  
42 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
43 32,196, and amendments thereto.

1 (viii) The amount of any costs incurred for improvements to a swine  
2 facility, claimed for deduction in determining federal adjusted gross  
3 income, to the extent the same is claimed as the basis for any credit  
4 allowed pursuant to K.S.A. 2014 Supp. 79-32,204, and amendments  
5 thereto.

6 (ix) The amount of any ad valorem taxes and assessments paid and  
7 the amount of any costs incurred for habitat management or construction  
8 and maintenance of improvements on real property, claimed for deduction  
9 in 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. 79-32,203,  
11 and amendments thereto.

12 (x) Amounts received as nonqualified withdrawals, as defined by  
13 K.S.A. 2014 Supp. 75-643, and amendments thereto, if, at the time of  
14 contribution to a family postsecondary education savings account, such  
15 amounts were subtracted from the federal adjusted gross income pursuant  
16 to ~~paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments~~  
17 ~~thereto, subsection (c)(xv)~~, or if such amounts are not already included in  
18 the federal adjusted gross income.

19 (xi) The amount of any contribution made to the same extent the  
20 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2014  
21 Supp. 74-50,154, and amendments thereto.

22 (xii) For taxable years commencing after December 31, 2004,  
23 amounts received as withdrawals not in accordance with the provisions of  
24 K.S.A. 2014 Supp. 74-50,204, and amendments thereto, if, at the time of  
25 contribution to an individual development account, such amounts were  
26 subtracted from the federal adjusted gross income pursuant to ~~paragraph~~  
27 ~~(xiii) of subsection (c)(xiii)~~, or if such amounts are not already included in  
28 the federal adjusted gross income.

29 (xiii) The amount of any expenditures claimed for deduction in  
30 determining federal adjusted gross income, to the extent the same is  
31 claimed as the basis for any credit allowed pursuant to K.S.A. 2014 Supp.  
32 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

33 (xiv) The amount of any amortization deduction claimed in  
34 determining federal adjusted gross income to the extent the same is  
35 claimed for deduction pursuant to K.S.A. 2014 Supp. 79-32,221, and  
36 amendments thereto.

37 (xv) The amount of any expenditures claimed for deduction in  
38 determining federal adjusted gross income, to the extent the same is  
39 claimed as the basis for any credit allowed pursuant to K.S.A. 2014 Supp.  
40 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
41 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
42 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

43 (xvi) The amount of any amortization deduction claimed in

1 determining federal adjusted gross income to the extent the same is  
2 claimed for deduction pursuant to K.S.A. 2014 Supp. 79-32,227, 79-  
3 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
4 thereto.

5 (xvii) The amount of any amortization deduction claimed in  
6 determining federal adjusted gross income to the extent the same is  
7 claimed for deduction pursuant to K.S.A. 2014 Supp. 79-32,256, and  
8 amendments thereto.

9 (xviii) For taxable years commencing after December 31, 2006, the  
10 amount of any ad valorem or property taxes and assessments paid to a state  
11 other than Kansas or local government located in a state other than Kansas  
12 by a taxpayer who resides in a state other than Kansas, when the law of  
13 such state does not allow a resident of Kansas who earns income in such  
14 other state to claim a deduction for ad valorem or property taxes or  
15 assessments paid to a political subdivision of the state of Kansas in  
16 determining taxable income for income tax purposes in such other state, to  
17 the extent that such taxes and assessments are claimed as an itemized  
18 deduction for federal income tax purposes.

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

36 (xx) For all taxable years beginning after December 31, 2012, the  
37 amount of any deduction for self-employment taxes under section 164(f)  
38 of the federal internal revenue code as in effect on January 1, 2012, and  
39 amendments thereto, in determining the federal adjusted gross income of  
40 an individual taxpayer, to the extent the deduction is attributable to income  
41 reported on schedule C, E or F and on line 12, 17 or 18 of the taxpayer's  
42 form 1040 federal income tax return.

43 (xxi) For all taxable years beginning after December 31, 2012, the



1 amount of any deduction for pension, profit sharing, and annuity plans of  
2 self-employed individuals under section 62(a)(6) of the federal internal  
3 revenue code as in effect on January 1, 2012, and amendments thereto, in  
4 determining the federal adjusted gross income of an individual taxpayer.

5 (xxii) For all taxable years beginning after December 31, 2012, the  
6 amount of any deduction for health insurance under section 162(l) of the  
7 federal internal revenue code as in effect on January 1, 2012, and  
8 amendments thereto, in determining the federal adjusted gross income of  
9 an individual taxpayer.

10 (xxiii) For all taxable years beginning after December 31, 2012, the  
11 amount of any deduction for domestic production activities under section  
12 199 of the federal internal revenue code as in effect on January 1, 2012,  
13 and amendments thereto, in determining the federal adjusted gross income  
14 of an individual taxpayer.

15 (xxiv) For taxable years commencing after December 31, 2013, that  
16 portion of the amount of any expenditure deduction claimed in  
17 determining federal adjusted gross income for expenses paid for medical  
18 care of the taxpayer or the taxpayer's spouse or dependents when such  
19 expenses were paid or incurred for an abortion, or for a health benefit plan,  
20 as defined in K.S.A. 2014 Supp. 65-6731, and amendments thereto, for the  
21 purchase of an optional rider for coverage of abortion in accordance with  
22 K.S.A. 2014 Supp. 40-2,190, and amendments thereto, to the extent that  
23 such taxes and assessments are claimed as an itemized deduction for  
24 federal income tax purposes.

25 (xxv) For taxable years commencing after December 31, 2013, that  
26 portion of the amount of any expenditure deduction claimed in  
27 determining federal adjusted gross income for expenses paid by a taxpayer  
28 for health care when such expenses were paid or incurred for abortion  
29 coverage, a health benefit plan, as defined in K.S.A. 2014 Supp. 65-6731,  
30 and amendments thereto, when such expenses were paid or incurred for  
31 abortion coverage or amounts contributed to health savings accounts for  
32 such taxpayer's employees for the purchase of an optional rider for  
33 coverage of abortion in accordance with K.S.A. 2014 Supp. 40-2,190, and  
34 amendments thereto, to the extent that such taxes and assessments are  
35 claimed as a deduction for federal income tax purposes.

36 (xxvi) *For taxable years commencing after December 31, 2015, that*  
37 *portion of the amount of any expenditure deduction claimed in*  
38 *determining federal adjusted gross income for expenses paid by a*  
39 *taxpayer as payment, compensation or other economic benefit that is*  
40 *disallowed by section 5, and amendments thereto.*

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

42 (i) Interest or dividend income on obligations or securities of any  
43 authority, commission or instrumentality of the United States and its

1 possessions less any related expenses directly incurred in the purchase of  
2 such obligations or securities, to the extent included in federal adjusted  
3 gross income but exempt from state income taxes under the laws of the  
4 United States.

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

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

16 (iv) The amount necessary to prevent the taxation under this act of  
17 any annuity or other amount of income or gain which was properly  
18 included in income or gain and was taxed under the laws of this state for a  
19 taxable year prior to the effective date of this act, as amended, to the  
20 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
21 the right to receive the income or gain, or to a trust or estate from which  
22 the taxpayer received the income or gain.

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

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

30 (vii) Amounts received as annuities under the federal civil service  
31 retirement system from the civil service retirement and disability fund and  
32 other amounts received as retirement benefits in whatever form which  
33 were earned for being employed by the federal government or for service  
34 in the armed forces of the United States.

35 (viii) Amounts received by retired railroad employees as a  
36 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
37 228c (a)(1) et seq.

38 (ix) Amounts received by retired employees of a city and by retired  
39 employees of any board of such city as retirement allowances pursuant to  
40 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
41 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
42 amendments thereto.

43 (x) For taxable years beginning after December 31, 1976, the amount

1 of the federal tentative jobs tax credit disallowance under the provisions of  
2 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
3 amount of the targeted jobs tax credit and work incentive credit  
4 disallowances under 26 U.S.C. § 280 C.

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

7 (xii) For taxable years beginning after December 31, 1989, amounts  
8 received by retired employees of a board of public utilities as pension and  
9 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,  
10 and amendments thereto.

11 (xiii) For taxable years beginning after December 31, 2004, amounts  
12 contributed to and the amount of income earned on contributions deposited  
13 to an individual development account under K.S.A. 2014 Supp. 74-50,201  
14 et seq., and amendments thereto.

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

28 (xv) For all taxable years beginning after December 31, 2006,  
29 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
30 joint return, for each designated beneficiary which are contributed to a  
31 family postsecondary education savings account established under the  
32 Kansas postsecondary education savings program or a qualified tuition  
33 program established and maintained by another state or agency or  
34 instrumentality thereof pursuant to section 529 of the internal revenue  
35 code of 1986, as amended, for the purpose of paying the qualified higher  
36 education expenses of a designated beneficiary at an institution of  
37 postsecondary education. The terms and phrases used in this paragraph  
38 shall have the meaning respectively ascribed thereto by the provisions of  
39 K.S.A. 2014 Supp. 75-643, and amendments thereto, and the provisions of  
40 such section are hereby incorporated by reference for all purposes thereof.

41 (xvi) For all taxable years beginning after December 31, 2004,  
42 amounts received by taxpayers who are or were members of the armed  
43 forces of the United States, including service in the Kansas army and air

1 national guard, as a recruitment, sign up or retention bonus received by  
2 such taxpayer as an incentive to join, enlist or remain in the armed services  
3 of the United States, including service in the Kansas army and air national  
4 guard, and amounts received for repayment of educational or student loans  
5 incurred by or obligated to such taxpayer and received by such taxpayer as  
6 a result of such taxpayer's service in the armed forces of the United States,  
7 including service in the Kansas army and air national guard.

8 (xvii) For all taxable years beginning after December 31, 2004,  
9 amounts received by taxpayers who are eligible members of the Kansas  
10 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
11 281, and amendments thereto, and amounts received for death benefits  
12 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
13 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and  
14 amendments thereto, to the extent that such death benefits are included in  
15 federal adjusted gross income of the taxpayer.

16 (xviii) For the taxable year beginning after December 31, 2006,  
17 amounts received as benefits under the federal social security act which  
18 are included in federal adjusted gross income of a taxpayer with federal  
19 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
20 status is single, head of household, married filing separate or married filing  
21 jointly; and for all taxable years beginning after December 31, 2007,  
22 amounts received as benefits under the federal social security act which  
23 are included in federal adjusted gross income of a taxpayer with federal  
24 adjusted gross income of \$75,000 or less, whether such taxpayer's filing  
25 status is single, head of household, married filing separate or married filing  
26 jointly.

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

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

1 internal revenue service.

2 (xxi) For all taxable years beginning after December 31, 2013,  
3 amounts equal to the unreimbursed travel, lodging and medical  
4 expenditures directly incurred by a taxpayer while living, or a dependent  
5 of the taxpayer while living, for the donation of one or more human organs  
6 of the taxpayer, or a dependent of the taxpayer, to another person for  
7 human organ transplantation. The expenses may be claimed as a  
8 subtraction modification provided for in this section to the extent the  
9 expenses are not already subtracted from the taxpayer's federal adjusted  
10 gross income. In no circumstances shall the subtraction modification  
11 provided for in this section for any individual, or a dependent, exceed  
12 \$5,000. As used in this section, "human organ" means all or part of a liver,  
13 pancreas, kidney, intestine, lung or bone marrow. The provisions of this  
14 paragraph shall take effect on the day the secretary of revenue certifies to  
15 the director of the budget that the cost for the department of revenue of  
16 modifications to the automated tax system for the purpose of  
17 implementing this paragraph will not exceed \$20,000.

18 (xxii) For all taxable years beginning after December 31, 2012, the  
19 amount of net gain from the sale of: (1) Cattle and horses, regardless of  
20 age, held by the taxpayer for draft, breeding, dairy or sporting purposes,  
21 and held by such taxpayer for 24 months or more from the date of  
22 acquisition; and (2) other livestock, regardless of age, held by the taxpayer  
23 for draft, breeding, dairy or sporting purposes, and held by such taxpayer  
24 for 12 months or more from the date of acquisition. The subtraction from  
25 federal adjusted gross income shall be limited to the amount of the  
26 additions recognized under the provisions of paragraph (xix) of subsection  
27 (b) attributable to the business in which the livestock sold had been used.  
28 As used in this paragraph, the term "livestock" shall not include poultry.

29 (xxiii) For all taxable years beginning after December 31, 2012,  
30 amounts received under either the Overland Park, Kansas police  
31 department retirement plan or the Overland Park, Kansas fire department  
32 retirement plan, both as established by the city of Overland Park, pursuant  
33 to the city's home rule authority.

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

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

43 Sec. 8. K.S.A. 2014 Supp. 79-32,138 is hereby amended to read as

1 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable  
2 under this act shall be the corporation's federal taxable income for the  
3 taxable year with the modifications specified in this section.

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

8 (ii) The amount of all depreciation deductions claimed for any  
9 property upon which the deduction allowed by K.S.A. 2014 Supp. 79-  
10 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-  
11 32,255 or 79-32,256, and amendments thereto, is claimed.

12 (iii) The amount of any charitable contribution deduction claimed for  
13 any contribution or gift to or for the use of any racially segregated  
14 educational institution.

15 (iv) For taxable years commencing December 31, 2013, that portion  
16 of the amount of any expenditure deduction claimed in determining federal  
17 adjusted gross income for expenses paid by a taxpayer for health care  
18 when such expenses were paid or incurred for abortion coverage, a health  
19 benefit plan, as defined in K.S.A. 2014 Supp. 65-6731, and amendments  
20 thereto, when such expenses were paid or incurred for abortion coverage  
21 or amounts contributed to health savings accounts for such taxpayer's  
22 employees for the purchase of an optional rider for coverage of abortion in  
23 accordance with K.S.A. 2014 Supp. 40-2,190, and amendments thereto.

24 (v) The amount of any charitable contribution deduction claimed for  
25 any contribution or gift made to a scholarship granting organization to the  
26 extent the same is claimed as the basis for the credit allowed pursuant to  
27 K.S.A. 2014 Supp. 72-99a07, and amendments thereto.

28 (vi) *For taxable years commencing after December 31, 2015, the*  
29 *amount of any payments, compensation or other economic benefit*  
30 *disallowed by section 5, and amendments thereto.*

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

35 (ii) The federal income tax liability for any taxable year commencing  
36 prior to December 31, 1971, for which a Kansas return was filed after  
37 reduction for all credits thereon, except credits for payments on estimates  
38 of federal income tax, credits for gasoline and lubricating oil tax, and for  
39 foreign tax credits if, on the Kansas income tax return for such prior year,  
40 the federal income tax deduction was computed on the basis of the federal  
41 income tax paid in such prior year, rather than as accrued. Notwithstanding  
42 the foregoing, the deduction for federal income tax liability for any year  
43 shall not exceed that portion of the total federal income tax liability for

1 such year which bears the same ratio to the total federal income tax  
2 liability for such year as the Kansas taxable income, as computed before  
3 any deductions for federal income taxes and after application of  
4 subsections (d) and (e) of this section as existing for such year, bears to the  
5 federal taxable income for the same year.

6 (iii) An amount for the amortization deduction allowed pursuant to  
7 K.S.A. 2014 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-  
8 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.

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

12 (v) For all taxable years commencing after December 31, 1987, 80%  
13 of dividends from corporations incorporated outside of the United States  
14 or the District of Columbia which are included in federal taxable income.

15 (d) If any corporation derives all of its income from sources within  
16 Kansas in any taxable year commencing after December 31, 1979, its  
17 Kansas taxable income shall be the sum resulting after application of  
18 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas  
19 taxable income in any such taxable year, after excluding any refunds of  
20 federal income tax and before the deduction of federal income taxes  
21 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-  
22 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any  
23 refund of federal income tax as determined under ~~paragraph (iv) of~~  
24 ~~subsection (b) of K.S.A. 79-32,117(b)(iv)~~, and amendments thereto, and  
25 minus the deduction for federal income taxes as provided by subsection (c)  
26 (ii) shall be such corporation's Kansas taxable income.

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

34 Sec. 9. K.S.A. 2014 Supp. 79-32,117 and 79-32,138 are hereby  
35 repealed.

36 Sec. 10. This act shall take effect and be in force from and after its  
37 publication in the statute book.