

## SENATE BILL No. 244

By Senator Haley

2-6

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AN ACT enacting the harnessing opportunity, performance and excellence act; amending K.S.A. 79-1109 and K.S.A. 2000 Supp. 74-5093, 74-5097, 74-5098 and 79-32,117 and repealing the existing sections; also repealing K.S.A. 2000 Supp. 74-50,100 and 74-50,101.

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

New Section 1. The purpose of this act is to promote and encourage the improvement of the quality of life in challenged neighborhoods by allowing local resources to be invested in implementing a locally developed and supported neighborhood revitalization plan. This legislation, allowing pilot programs, is intended to focus on neighborhoods, not commercial or industrial development. It is vitally important that communities are empowered to apply local solutions to local problems and that state government exercise greater faith in its citizenry by allowing citizens in these communities to apply their talents, energy and creativity to building a better future for their families and neighbors. For this reason, this legislation allows what otherwise would be state resources, to be applied locally for plans developed by the citizens who will be directly affected by the use of these funds.

New Sec. 2. (a) Any business firm as defined by K.S.A. 74-5093 and amendments thereto which contributes to a neighborhood revitalization organization, shall be allowed a credit, as provided in subsection (b), against the tax imposed by the Kansas income tax act, the tax on net income of national banking associations, state banks, trust companies or savings and loan associations imposed under article 11 of chapter 79 of the Kansas Statutes Annotated, or the premium tax on insurance companies imposed under K.S.A. 40-252, and amendments thereto, if the board has been approved to receive a grant pursuant to K.S.A. 74-5097 and amendments thereto.

(b) The amount of credit allowed pursuant to this section shall not exceed 50% of the total amount contributed during the taxable year by the business firm to a board which has been approved to receive a grant pursuant to K.S.A. 74-5097 and amendments thereto. Any tax credit not used for the taxable year the contribution was made may be carried over for two succeeding taxable years or until the total amount of credit is

1 used. Any portion of the credit remaining unclaimed after two years shall  
2 be refunded to the taxpayer. In no event shall the total amount of credits  
3 allowed under this section exceed \$5,000,000 for any one fiscal year.

4 (c) The provisions of this section shall be applicable to all taxable  
5 years beginning after December 31, 2002.

6 New Sec. 3. On and after July 1, 2001, there is hereby created, in  
7 the state treasury, the urban revitalization fund. All moneys in the urban  
8 revitalization plan fund shall be expended in accordance with appropri-  
9 ation acts for the payment of grant money awarded pursuant to K.S.A.  
10 74-5097 and amendments thereto. Such moneys shall be used only for  
11 the implementation of the revitalization plan.

12 New Sec. 4. (a) Subject to subsection (b), in each fiscal year, the  
13 director of accounts and reports shall transfer moneys, other than moneys  
14 specifically dedicated to another source, derived from the following  
15 sources which are attributable to the blighted areas subject to a revitali-  
16 zation plan approved pursuant to K.S.A. 74-5097 and amendments  
17 thereto:

18 (1) State sales tax under K.S.A. 79-3601 *et seq.*, and amendments  
19 thereto;

20 (2) state income tax under K.S.A. 79-3201 *et seq.*, and amendments  
21 thereto; and

22 (3) state property taxes under K.S.A. 72-6431, 76-6601 *et seq.*, 79-  
23 2917 and 79-2918, and amendments thereto.

24 Such money shall be transferred from the state general fund and cred-  
25 ited to the urban revitalization fund created pursuant to section 2 and  
26 amendments thereto. All transfers under this section shall be considered  
27 to be demand transfers from the state general fund.

28 (b) Subject to the provisions of subsection (d) on January 1, 2002,  
29 and each year thereafter, the secretary of revenue shall certify to the  
30 director of accounts and reports the amount of revenue attributable to  
31 the blighted areas from the sources listed in subsection (a).

32 (c) On January 1, 2002, and each year thereafter, an amount equal to  
33 the moneys transferred pursuant to subsection (a) shall be transferred  
34 from the state economic initiatives development fund and credited to the  
35 state general fund.

36 (d) The amount of money transferred pursuant to subsection (a) shall  
37 not exceed \$2,000,000 from the revenue sources listed in subsection (a)  
38 which are generated from a blighted area.

39 (e) The provisions of this section shall expire June 30, 2006.

40 Sec. 5. K.S.A. 2000 Supp. 74-5093 is hereby amended to read as  
41 follows: 74-5093. As used in this act:

42 (a) ~~“Blighted area” has the meaning ascribed to it in K.S.A. 12-1771~~  
43 ~~and amendments thereto;~~

1 (a) “Business firm” means any business entity authorized to do busi-  
2 ness in the state of Kansas which is subject to the state income tax imposed  
3 by the provisions of the Kansas income tax act, any national banking  
4 association, state bank, trust company or savings and loan association  
5 paying an annual tax on its net income pursuant to article 11 of chapter  
6 79 of the Kansas Statutes Annotated, or any insurance company paying  
7 a premium tax pursuant to K.S.A. 40-252, and amendments thereto;

8 (b) “challenged neighborhood” means:

9 (1) An area in which there is a predominance of buildings or im-  
10 provements which by reason of dilapidation, deterioration, obsolescence,  
11 inadequate provision for ventilation, light, air, sanitation, or open spaces,  
12 high density of population and overcrowding, the existence of conditions  
13 which endanger life or property by fire and other causes or a combination  
14 of such factors, is conducive to ill health, transmission of disease, infant  
15 mortality, juvenile delinquency or crime and which is detrimental to the  
16 public health, safety or welfare;

17 (2) an area which by reason of the presence of a substantial number  
18 of deteriorated or deteriorating structures, defective or inadequate streets,  
19 incompatible land use relationships, faulty lot layout in relation to size,  
20 adequacy, accessibility or usefulness, unsanitary or unsafe conditions, de-  
21 terioration of site or other improvements, diversity of ownership, tax or  
22 special assessment delinquency exceeding the actual value of the land,  
23 defective or unusual conditions of title, or the existence of conditions  
24 which endanger life or property by fire and other causes, or a combination  
25 of such factors, substantially impairs or arrests the sound growth of a  
26 municipality, retards the provision of housing accommodations or con-  
27 stitutes an economic or social liability and is detrimental to the public  
28 health, safety or welfare in its present condition and use; or

29 (3) an area in which there is a predominance of buildings or improve-  
30 ments which by reason of age, history, architecture or significance should  
31 be preserved or restored to productive use; and

32 (4) an area which contains not less than 80% of land that is zoned  
33 for residential use.

34 ~~(b)~~ (c) “committee” means the community strategic planning grant  
35 committee established by K.S.A. 74-5095 and amendments thereto;

36 ~~(c)~~ (d) “metropolitan county” means the county of Douglas, Johnson,  
37 Leavenworth, Sedgwick, Shawnee or Wyandotte;

38 ~~(d)~~ (e) “neighborhood revitalization organization” means any group  
39 organized for the purpose of encouraging economic development or per-  
40 forming community services in a ~~blighted area~~ challenged neighborhood  
41 of a metropolitan county and which:

42 (1) Has obtained a ruling from the internal revenue service of the  
43 United States department of the treasury that such organization is exempt

1 from income taxation under the provisions of section 501(c)(3) of the fed-  
2 eral internal revenue code of 1986; or

3 (2) is incorporated in the state of Kansas or another state as a non-  
4 stock, nonprofit corporation; or

5 (3) has been designated as a community development corporation by  
6 the United States government under the provisions of title VII of the  
7 economic opportunity act of 1964; or

8 (4) is chartered by the United States congress; and

9 ~~(e)~~ (f) “nonmetropolitan county” means any county which is not a  
10 metropolitan county.

11 Sec. 6. K.S.A. 2000 Supp. 74-5097 is hereby amended to read as  
12 follows: 74-5097. (a) Subject to the provisions of appropriations acts and  
13 in accordance with the provisions of this act, the department of commerce  
14 and housing may provide ~~planning grants and action grants to city-county~~  
15 ~~economic development organizations located in nonmetropolitan count-~~  
16 ~~ties, for the development and implementation of countywide economic~~  
17 ~~development strategy plans or to neighborhood revitalization organiza-~~  
18 ~~tions, in metropolitan counties, for the planning and implementation of~~  
19 ~~urban economic development plans.~~

20 (b) The committee shall establish grant eligibility criteria for appli-  
21 cants ~~in both metropolitan and nonmetropolitan counties,~~ and shall ad-  
22 minister the competitive selection process for the awarding of ~~planning~~  
23 ~~grants and action grants. The committee shall submit its recommenda-~~  
24 ~~tions for grant awards to the secretary of commerce and housing for final~~  
25 ~~determination and award.~~

26 ~~(1) Grant applicants from nonmetropolitan counties shall be subject~~  
27 ~~to the following conditions. Planning grants shall be for the development~~  
28 ~~of countywide economic development strategy plans. No planning grant~~  
29 ~~shall exceed \$15,000 for any single county economic development plan.~~  
30 ~~An additional award for an amount not to exceed \$5,000 may be granted~~  
31 ~~for each additional county participating in the development of a joint~~  
32 ~~multi-county strategic economic development plan, except that under no~~  
33 ~~circumstances shall the total planning grant exceed \$35,000. Any city-~~  
34 ~~county economic development organization receiving a planning grant~~  
35 ~~shall be required to provide additional funds equaling 25% of the amount~~  
36 ~~of the planning grant. Action grants shall be for the implementation of~~  
37 ~~countywide economic development strategy plans. Total action grants~~  
38 ~~shall not exceed \$25,000 for any single county action grant application.~~  
39 ~~An additional award for an amount not to exceed \$10,000 may be granted~~  
40 ~~for each additional county participating in a joint multi-county action~~  
41 ~~grant implementation effort, except that under no circumstances shall the~~  
42 ~~action grant totals exceed \$65,000. Any city-county economic develop-~~  
43 ~~ment organization receiving a grant shall be required to provide additional~~

1 ~~funds equaling 100% of the amount of the action grant. Not more than~~  
2 ~~one planning grant may be awarded to any one county or combination of~~  
3 ~~counties.~~

4 (1) *An application shall include:*

5 (A) *The name and address of the organization;*

6 (B) *the name and address of each member of the organization;*

7 (C) *the names of the officers of the organization;*

8 (D) *a copy of the organization's by-laws;*

9 (E) *a copy of the organization's strategic plan for revitalization;*

10 (F) *the resolution of approval required by paragraph (4);*

11 (G) *the identification of any private involvement in the implementa-*  
12 *tion of the plan, including, but not limited to, monetary or in-kind*  
13 *donations;*

14 (H) *a description of the challenged neighborhood to be revitalized*  
15 *including maps, drawings and photographs;*

16 (I) *the demographics of the challenged neighborhood to be revitalized;*

17 (J) *a list of the names and addresses of the people who were involved*  
18 *in preparation of the revitalization plan;*

19 (K) *the method to be used to revise the economic development plan,*  
20 *if necessary;*

21 (L) *the method or criteria to be used to measure the success of the*  
22 *economic development plan;*

23 (M) *the identification of other governmental resources available to or*  
24 *which will be used by the organization;*

25 (N) *the method of continued community input in the revitalization of*  
26 *the challenged neighborhood;*

27 (O) *a copy of the annual budget of the organization;*

28 (P) *a procedure for an annual financial review or audit of the activ-*  
29 *ities of the board in relation to the challenged neighborhood; and*

30 (Q) *any other information deemed necessary by the committee.*

31 (2) *When selecting an application for approval the committee's con-*  
32 *sideration shall include, but not be limited to:*

33 (A) *The amount of local investment in the revitalization plan, both*  
34 *private and public;*

35 (B) *the amount of local community involvement, financially and*  
36 *otherwise;*

37 (C) *whether there is a commitment to the continuance of existing*  
38 *programs in the blighted area under the revitalization plan;*

39 (D) *whether there is an enhancement of existing programs in the*  
40 *blighted area under the revitalization plan;*

41 (E) *the percentage of the organization's budget for salary and admin-*  
42 *istration; and*

43 (F) *the extent to which the plan will improve the quality of life of the*

1 *residents of the challenged neighborhood.*

2 (3) *The secretary shall approve three applications from those rec-*  
3 *ommendations made by the committee.*

4 ~~(2) (4) Neighborhood revitalization organizations from metropolitan~~  
5 ~~counties shall be subject to the following conditions. Prior to applying to~~  
6 ~~the committee, the neighborhood revitalization organization must submit~~  
7 ~~its application to a local economic development organization designated~~  
8 ~~by the county commission of the county the governing body of the city~~  
9 ~~in which the organization challenged neighborhood is located. The local~~  
10 ~~economic development organization No plan shall require the condem-~~  
11 ~~nation of existing residential property. The governing body shall review~~  
12 ~~the application to ensure that the plan is consistent with the city's strategic~~  
13 ~~plan. If the city has not adopted a strategic plan, the governing body shall~~  
14 ~~review the application and determine whether the application should be~~  
15 ~~funded on the basis of local needs and priorities. No plan shall require~~  
16 ~~the condemnation of existing residential property. The governing body~~  
17 ~~shall signify its approval of an application by passage of a resolution. If~~  
18 ~~the application is approved by the local economic development organi-~~  
19 ~~zation and endorsed by resolution by the county commission and the~~  
20 ~~governing body of the city in which the blighted area is located, the ap-~~  
21 ~~plication shall be forwarded to the committee for further consideration.~~  
22 ~~Planning grants shall be for the development of urban economic devel-~~  
23 ~~opment strategy plans. No planning grant shall exceed \$15,000 for any~~  
24 ~~single urban economic development plan. Any neighborhood revitaliza-~~  
25 ~~tion organization receiving a planning grant shall be required to provide~~  
26 ~~additional funds equaling 25% of the amount of the planning grant. Action~~  
27 ~~grants shall be for the implementation of urban economic development~~  
28 ~~strategy plans. Total action grants shall not exceed \$25,000 for any single~~  
29 ~~urban action grant application. Any neighborhood revitalization organi-~~  
30 ~~zation receiving a grant shall be required to provide additional funds~~  
31 ~~equaling 100% of the amount of the action grant. Not more than one~~  
32 ~~planning grant may be awarded to any one neighborhood revitalization~~  
33 ~~organization.~~

34 ~~—(3) No funds shall be granted under this act to applicants from met-~~  
35 ~~ropolitan counties unless such funds are specifically appropriated for that~~  
36 ~~purpose.~~

37 ~~—(4) The secretary of commerce and housing may authorize a recipient~~  
38 ~~of a planning grant, who has unexpended funds from such planning grant,~~  
39 ~~to apply such funds to the implementation of the recipient's approved~~  
40 ~~strategic economic development plan. Any unexpended planning grant~~  
41 ~~funds applied to the implementation of such strategic economic devel-~~  
42 ~~opment plan shall require the appropriate 100% match. Application of~~  
43 ~~the unexpended planning grant funds to the implementation of the stra-~~

1 tegic economic development plan may result in the reduction of any sub-  
2 sequent action grant awarded to the recipient.

3 ~~—(c) The secretary of commerce and housing may enter into an agree-~~  
4 ~~ment with economic development service providers to provide reim-~~  
5 ~~bursement to such providers for expenses incurred in strategic planning~~  
6 ~~activities which do not relate to the facilitation of a specific strategic plan.~~  
7 ~~Such activities may include, but are not limited to, preapplication con-~~  
8 ~~sulting and maintenance of economic development data bases. Such ex-~~  
9 ~~penditures shall be paid on a per project basis and must be preapproved by~~  
10 ~~the secretary.~~

11 ~~—(d) Each city-county economic development organization or neigh-~~  
12 ~~borhood revitalization organization which has received a planning grant~~  
13 ~~beginning on and after July 1, 1990, shall assess the effectiveness of the~~  
14 ~~strategic planning process under this program and the local preparedness~~  
15 ~~in engaging in such process. Such assessment shall be submitted to the~~  
16 ~~Kansas department of commerce and housing within three months after~~  
17 ~~completion of a strategic plan. The status report developed pursuant to~~  
18 ~~subsection (f) shall include a summary of all strategic plan assessments~~  
19 ~~received for a twelve-month period prior to the submittal of the report~~  
20 ~~to the joint committee on economic development. However, the summary~~  
21 ~~may not include assessments submitted within 30 days of the submittal~~  
22 ~~of the department's report. Any such assessments shall be included in a~~  
23 ~~subsequent annual report.~~

24 *(c) Beginning in fiscal year 2002 and each year thereafter, each of the*  
25 *three boards whose applications have been selected for approval by the*  
26 *secretary shall receive a grant not to exceed \$2,000,000. Such money shall*  
27 *be used for the purposes specified in the board's plan.*

28 *(d) The secretary shall adopt any rules and regulations necessary to*  
29 *implement the provisions of this section.*

30 ~~(e) Each city-county economic development organization or neigh-~~  
31 ~~borhood revitalization organization which has received an action a grant~~  
32 ~~beginning on and after July 1, 1990 2002, shall assess the extent to which~~  
33 ~~goals identified in its action economic development plan application have~~  
34 ~~been met. Such assessment shall rely on quantifiable criteria to the~~  
35 ~~greatest possible degree. Such assessment shall be submitted to the Kan-~~  
36 ~~sas department of commerce and housing within three months after in-~~  
37 ~~tended actions identified for implementation in the action grant appli-~~  
38 ~~cation plan have been undertaken. The status report developed pursuant~~  
39 ~~to subsection (f) shall include a summary of all action plan assessments~~  
40 ~~received for a twelve-month period prior to the submittal of the report~~  
41 ~~to the joint committee on economic development. However, the summary~~  
42 ~~may not include assessments submitted within 30 days of the submittal~~  
43 ~~of the department's report. Any such assessments shall be included in a~~

1 subsequent annual report.

2 (f) As a part of the annual report required pursuant to K.S.A. 2000  
3 Supp. 74-5049, and amendments thereto, the Kansas department of com-  
4 merce and housing shall present a status report of activities ~~including,~~  
5 ~~but not limited to, specifics of community strengths and weaknesses and~~  
6 ~~planning issues and strategies undertaken~~ under the provisions of this act  
7 to the joint committee on economic development.

8 Sec. 7. K.S.A. 2000 Supp. 74-5098 is hereby amended to read as  
9 follows: 74-5098. ~~City-county economic development organizations or~~  
10 ~~neighborhood~~ *Neighborhood* revitalization organizations may use ~~plan-~~  
11 ~~ning~~ grant proceeds for: The acquisition of technical assistance for strat-  
12 egy development activities; identification of specific projects, and other  
13 related services from educational institutions or other economic devel-  
14 opment service providers. ~~City-county economic development organiza-~~  
15 ~~tions or neighborhood economic development organizations can use ac-~~  
16 ~~tion grants for;~~ hiring of technical assistance, implementation, evaluation  
17 and reassessment of strategies, purchasing of equipment and other serv-  
18 ices, and economic development activities undertaken by public-private  
19 partnerships as authorized for cities and for counties pursuant to law.  
20 Action grants shall not be used for the purchase or lease of land or the  
21 purchase, lease or construction of buildings or payment of salaries and  
22 benefits for permanent employees of any public or quasi-public agency  
23 and such other services, real or personal property as may be prescribed  
24 in the economic development plan.

25 Sec. 8. K.S.A. 79-1109 is hereby amended to read as follows: 79-  
26 1109. As used in this act “net income” shall mean the Kansas taxable  
27 income of corporations as defined in K.S.A. 79-32,138, and amendments  
28 thereto, determined without regard to the provisions of K.S.A. 79-32,139,  
29 and amendments thereto, and the provisions of paragraph (xiv) of sub-  
30 section (c) of K.S.A. 79-32,117, and amendments thereto, plus income  
31 received from obligations or securities of the United States or any au-  
32 thority, commission or instrumentality of the United States and its pos-  
33 sessions to the extent not included in Kansas taxable income of a corpo-  
34 ration and income received from obligations of this state or a political  
35 subdivision thereof which is exempt from income tax under the laws of  
36 this state; less dividends received from stock issued by Kansas Venture  
37 Capital, Inc. to the extent such dividends are included in the Kansas  
38 taxable income of a corporation, interest paid on time deposits or bor-  
39 rowed money and dividends paid on withdrawable shares of savings and  
40 loan associations to the extent not deducted in arriving at Kansas taxable  
41 income of a corporation.

42 Savings and loan associations shall be allowed as a deduction from net  
43 income, as hereinbefore defined, a reserve established for the sole pur-



1 pose of meeting or absorbing losses, in the amount of 5% of such net  
2 income determined without benefit of such deduction, but no further  
3 deduction shall be allowed for losses when actually sustained and charged  
4 against such reserve, unless such reserve shall have been fully absorbed  
5 thereby; or, in the alternative, a reasonable addition to a reserve for losses  
6 based on past experience, under such rules and regulations as the sec-  
7 retary of revenue may prescribe.

8 *The term “net income” shall include the amount of any charitable con-*  
9 *tribution made to the extent the same is claimed as the basis for the credit*  
10 *allowed pursuant to section 2 and amendments thereto.*

11 Sec. 9. K.S.A. 2000 Supp. 79-32,117 is hereby amended to read as  
12 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
13 means such individual’s federal adjusted gross income for the taxable year,  
14 with the modifications specified in this section.

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

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

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

34 (iii) The federal net operating loss deduction.

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

1 cluded as bears the same proportion to the total refund received as the  
2 federal taxes deducted in the year to which such refund is attributable  
3 bears to the total federal income taxes paid for such year. For purposes  
4 of the foregoing sentence, federal taxes shall be considered to have been  
5 deducted only to the extent such deduction does not reduce Kansas tax-  
6 able income below zero.

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

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

15 (vii) The amount of any charitable contribution made to the extent  
16 the same is claimed as the basis for the credit allowed pursuant to K.S.A.  
17 79-32,196, and amendments thereto.

18 (viii) The amount of any costs incurred for improvements to a swine  
19 facility, claimed for deduction in determining federal adjusted gross in-  
20 come, to the extent the same is claimed as the basis for any credit allowed  
21 pursuant to K.S.A. 2000 Supp. 79-32,204 and amendments thereto.

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

28 (x) Amounts received as nonqualified withdrawals, as defined by  
29 K.S.A. 2000 Supp. 75-643, and amendments thereto, if, at the time of  
30 contribution to a family postsecondary education savings account, such  
31 amounts were subtracted from the federal adjusted gross income pur-  
32 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-  
33 ments thereto, or if such amounts are not already included in the federal  
34 adjusted gross income.

35 (xi) *The amount of any charitable contribution made to the extent the*  
36 *same is claimed as the basis for the credit allowed pursuant to section 1*  
37 *and amendments thereto.*

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

39 (i) Interest or dividend income on obligations or securities of any  
40 authority, commission or instrumentality of the United States and its pos-  
41 sessions less any related expenses directly incurred in the purchase of  
42 such obligations or securities, to the extent included in federal adjusted  
43 gross income but exempt from state income taxes under the laws of the

1 United States.

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

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

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

20 (v) The amount of any refund or credit for overpayment of taxes on  
21 or measured by income or fees or payments in lieu of income taxes im-  
22 posed by this state, or any taxing jurisdiction, to the extent included in  
23 gross income for federal income tax purposes.

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

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

32 (viii) Amounts received by retired railroad employees as a supple-  
33 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)  
34 *et seq.*

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

40 (x) For taxable years beginning after December 31, 1976, the amount  
41 of the federal tentative jobs tax credit disallowance under the provisions  
42 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,  
43 the amount of the targeted jobs tax credit and work incentive credit dis-

1 allowances under 26 U.S.C. 280 C.

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

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

8 (xiii) For taxable years beginning after December 31, 1993, the  
9 amount of income earned on contributions deposited to an individual  
10 development account under K.S.A. 79-32,117h, and amendments thereto.

11 (xiv) For all taxable years commencing after December 31, 1996, that  
12 portion of any income of a bank organized under the laws of this state or  
13 any other state, a national banking association organized under the laws  
14 of the United States, an association organized under the savings and loan  
15 code of this state or any other state, or a federal savings association or-  
16 ganized under the laws of the United States, for which an election as an  
17 S corporation under subchapter S of the federal internal revenue code is  
18 in effect, which accrues to the taxpayer who is a stockholder of such  
19 corporation and which is not distributed to the stockholders as dividends  
20 of the corporation.

21 (xv) For all taxable years beginning after December 31, 1999,  
22 amounts not exceeding \$2,000, or \$4,000 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 for the purpose of pay-  
26 ing the qualified higher education expenses of a designated beneficiary  
27 at an institution of postsecondary education. The terms and phrases used  
28 in this paragraph shall have the meaning respectively ascribed thereto by  
29 the provisions of K.S.A. 2000 Supp. 75-643, and amendments thereto,  
30 and the provisions of such section are hereby incorporated by reference  
31 for all purposes thereof.

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

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

41 Sec. 10. K.S.A. 79-1109 and K.S.A. 2000 74-5093, 74-5097, 74-5098,  
42 74-50,100, 74-50,101 and 79-32,117 are hereby repealed.

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1     Sec. 11. This act shall take effect and be in force from and after its  
2 publication in the statute book.

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