

HOUSE BILL No. 2685

By Committee on Kansas Futures

1-24

AN ACT relating to income taxation; providing a credit for long-term health care insurance premiums; amending K.S.A. 2001 Supp. 79-32,117 and repealing the existing section.

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

New Section 1. (a) As used in this section:

(1) "Long-term care insurance" shall have the meaning ascribed to it in K.S.A. 40-2227 and amendments thereto. Long-term care insurance shall also include home health insurance.

(2) "Long-term care insurance contract" means a qualified long-term care insurance contract as defined by subsection (b) of section 7702B of the federal internal revenue code of 1986 which:

(A) Provides coverage of at least \$80 per day;

(B) provides such coverage for a term of at least five years; and

(C) appropriately adjusts coverage for increases attributable to inflation.

(b) For all taxable years commencing after December 31, 2003, there shall be a credit in the amount specified in subsection (c) against the tax liability of a taxpayer imposed under the Kansas income tax act.

(c) The amount of the credit shall be determined as follows:

(1) For individuals less than 55 years old, the amount shall be 25% of the premiums paid during the tax year.

(2) For individuals at least 55 years old and less than 70 years old, the amount shall be 50% of the premiums paid during the tax year.

(3) For individuals at least 70 years old, the amount shall be 75% of the premiums paid during the tax year.

(4) For employers the amount shall be 75% of the premiums paid during the tax year.

(d) This section shall be part of and supplemental to the Kansas income tax act.

Sec. 2. K.S.A. 2001 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

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

1 (i) Interest income less any related expenses directly incurred in the
2 purchase of state or political subdivision obligations, to the extent that
3 the same is not included in federal adjusted gross income, on obligations
4 of any state or political subdivision thereof, but to the extent that interest
5 income on obligations of this state or a political subdivision thereof issued
6 prior to January 1, 1988, is specifically exempt from income tax under the
7 laws of this state authorizing the issuance of such obligations, it shall be
8 excluded from computation of Kansas adjusted gross income whether or
9 not included in federal adjusted gross income. Interest income on obli-
10 gations of this state or a political subdivision thereof issued after Decem-
11 ber 31, 1987, shall be excluded from computation of Kansas adjusted
12 gross income whether or not included in federal adjusted gross income.

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

19 (iii) The federal net operating loss deduction.

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

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

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

43 (vii) The amount of any charitable contribution made to the extent

1 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
2 79-32,196, and amendments thereto.

3 (viii) The amount of any costs incurred for improvements to a swine
4 facility, claimed for deduction in determining federal adjusted gross in-
5 come, to the extent the same is claimed as the basis for any credit allowed
6 pursuant to K.S.A. 2001 Supp. 79-32,204 and amendments thereto.

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

13 (x) Amounts received as nonqualified withdrawals, as defined by
14 K.S.A. 2001 Supp. 75-643, and amendments thereto, if, at the time of
15 contribution to a family postsecondary education savings account, such
16 amounts were subtracted from the federal adjusted gross income pur-
17 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
18 ments thereto, or if such amounts are not already included in the federal
19 adjusted gross income.

20 (xi) *The amount of any deduction for premiums paid for a long-term*
21 *care insurance contract deduction or business expense deduction for*
22 *claimed premiums paid for a long-term care insurance contract on the*
23 *taxpayer's federal income tax return, for which expenditure the taxpayer*
24 *claimed the credit allowed by section 1 and amendments thereto.*

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

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

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

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

43 (iv) The amount necessary to prevent the taxation under this act of

1 any annuity or other amount of income or gain which was properly in-
2 cluded in income or gain and was taxed under the laws of this state for a
3 taxable year prior to the effective date of this act, as amended, to the
4 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
5 the right to receive the income or gain, or to a trust or estate from which
6 the taxpayer received the income or gain.

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

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

14 (vii) Amounts received as annuities under the federal civil service
15 retirement system from the civil service retirement and disability fund
16 and other amounts received as retirement benefits in whatever form
17 which were earned for being employed by the federal government or for
18 service in the armed forces of the United States.

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

22 (ix) Amounts received by retired employees of a city and by retired
23 employees of any board of such city as retirement allowances pursuant to
24 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
25 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
26 amendments thereto.

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

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

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

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

41 (xiv) For all taxable years commencing after December 31, 1996, that
42 portion of any income of a bank organized under the laws of this state or
43 any other state, a national banking association organized under the laws

1 of the United States, an association organized under the savings and loan
2 code of this state or any other state, or a federal savings association or-
3 ganized under the laws of the United States, for which an election as an
4 S corporation under subchapter S of the federal internal revenue code is
5 in effect, which accrues to the taxpayer who is a stockholder of such
6 corporation and which is not distributed to the stockholders as dividends
7 of the corporation.

8 (xv) For all taxable years beginning after December 31, 1999,
9 amounts not exceeding \$2,000, or \$4,000 for a married couple filing a
10 joint return, for each designated beneficiary which are contributed to a
11 family postsecondary education savings account established under the
12 Kansas postsecondary education savings program for the purpose of pay-
13 ing the qualified higher education expenses of a designated beneficiary
14 at an institution of postsecondary education. The terms and phrases used
15 in this paragraph shall have the meaning respectively ascribed thereto by
16 the provisions of K.S.A. 2001 Supp. 75-643, and amendments thereto,
17 and the provisions of such section are hereby incorporated by reference
18 for all purposes thereof.

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

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

28 Sec. 3. K.S.A. 2001 Supp. 79-32,117 is hereby repealed.

29 Sec. 4. This act shall take effect and be in force from and after Jan-
30 uary 1, 2004 and its publication in the statute book.

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