

**SENATE BILL No. 404**

By Special Committee on Agriculture

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AN ACT concerning taxation; relating to tax credits for required improvements for confined feeding facilities; 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) (1) Terms have the meanings provided by K.S.A. 2001 Supp. 65-171d, and amendments thereto.

(2) "Required improvements to a confined feeding facility" means any construction project that the secretary of health and environment certifies to the director of taxation is required for a confined feeding facility to comply with the standards and requirements established pursuant to rules and regulations of the Kansas department of health and environment or the United States environmental protection agency.

(b) There shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act an amount equal to not more than \$10,000 of the costs incurred by the taxpayer for required improvements to a confined feeding facility. The tax credit allowed by this subsection shall be deducted from the taxpayer's income tax liability for the taxable year in which the expenditures are made by the taxpayer. If the amount of such tax credit exceeds the taxpayer's income tax liability for such taxable year, the taxpayer may carry over the amount thereof that exceeds such tax liability for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability, except that no such tax credit shall be carried over for deduction after the fourth taxable year succeeding the year in which the costs are incurred.

(c) The provisions of this section shall be applicable to all taxable years commencing after December 31, 2001.

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:

(i) Interest income less any related expenses directly incurred in the purchase of state or political subdivision obligations, to the extent that

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

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

17 (iii) The federal net operating loss deduction.

18 (iv) Federal income tax refunds received by the taxpayer if the de-  
19 duction 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  
23 shall be deemed to have resulted if the amount of the tax had been de-  
24 ducted in determining income subject to a Kansas income tax for a prior  
25 year regardless of the rate of taxation applied in such prior year to the  
26 Kansas taxable income, but only that portion of the refund shall be in-  
27 cluded as bears the same proportion to the total refund received as the  
28 federal taxes deducted in the year to which such refund is attributable  
29 bears to the total federal income taxes paid for such year. For purposes  
30 of the foregoing sentence, federal taxes shall be considered to have been  
31 deducted only to the extent such deduction does not reduce Kansas tax-  
32 able income below 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 al-  
37 lowed 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 to such sections.

41 (vii) The amount of any charitable contribution made to the extent  
42 the same is claimed as the basis for the credit allowed pursuant to K.S.A.  
43 79-32,196, 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 in-  
3 come, to the extent the same is claimed as the basis for any credit allowed  
4 pursuant to K.S.A. 2001 Supp. 79-32,204 and amendments thereto.

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

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

18 (xi) *The amount of any costs incurred for required improvements to*  
19 *a contained feeding facility, claimed for deduction in determining federal*  
20 *adjusted gross income, to the extent the same is claimed as the basis for*  
21 *any credit allowed pursuant to section 1, and amendments thereto.*

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

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

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

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

40 (iv) The amount necessary to prevent the taxation under this act of  
41 any annuity or other amount of income or gain which was properly in-  
42 cluded in income or gain and was taxed under the laws of this state for a  
43 taxable year prior to the effective date of this act, as amended, to the

1 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
2 the right to receive the income or gain, or to a trust or estate from which  
3 the taxpayer received the income or gain.

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

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

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

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

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

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

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

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

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

38 (xiv) For all taxable years commencing after December 31, 1996, that  
39 portion of any income of a bank organized under the laws of this state or  
40 any other state, a national banking association organized under the laws  
41 of the United States, an association organized under the savings and loan  
42 code of this state or any other state, or a federal savings association or-  
43 ganized under the laws of the United States, for which an election as an

1 S corporation under subchapter S of the federal internal revenue code is  
2 in effect, which accrues to the taxpayer who is a stockholder of such  
3 corporation and which is not distributed to the stockholders as dividends  
4 of the corporation.

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

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

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

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

26 Sec. 4. This act shall take effect and be in force from and after its  
27 publication in the statute book.

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