

HOUSE BILL No. 2348

By Representative Landwehr

2-12

AN ACT relating to income taxation; providing credits therefrom for dependent education expenses and teaching aid contributions; amending K.S.A. 2002 Supp. 79-32,117 and repealing the existing section.

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

New Section 1. For all taxable years commencing after December 31, 2002, there shall be allowed as a credit against the tax liability imposed under the Kansas income tax act upon an individual who is certificated to instruct and educate students of grades kindergarten through 12 in an accredited school, whether public or otherwise, an amount, not to exceed \$100, equal to the purchase costs in excess of \$50 of equipment, materials or other teaching aids for use in the classroom to assist in the education of the students of such individual. If the amount of such tax credit exceeds the individual's income tax liability for the appropriate taxable year, such excess amount shall be refunded.

New Sec. 2. For all taxable years commencing after December 31, 2002, there shall be allowed as a credit against the tax liability imposed under the Kansas income tax act upon an individual amounts incurred during the taxable year for education expenses for all dependents of such individual attending an elementary or secondary school which is located in Kansas which adheres to the provisions of the federal civil rights act of 1964 and the Kansas act against discrimination, and attendance at which satisfies the requirements of K.S.A. 72-1111, and amendments thereto. As used in this section: "Education expenses" means fees, textbooks and other instructional materials. The amount of such credit shall be 12.5% of the amounts paid for education expenses in excess of \$250, but shall not exceed \$500 expended for all dependents in any taxable year. If the amount of such tax credit exceeds the individual's income tax liability for the appropriate taxable year, such excess amount shall be refunded.

Sec. 3. K.S.A. 2002 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.

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. 2002 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. 2002 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 contribution made to an elementary or sec-*
21 *ondary school to the extent the same is claimed as the basis for the credit*
22 *allowed pursuant to sections 1 and 2, and amendments thereto.*

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

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

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

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

41 (iv) The amount necessary to prevent the taxation under this act of
42 any annuity or other amount of income or gain which was properly in-
43 cluded in income or gain and was taxed under the laws of this state for a

1 taxable year prior to the effective date of this act, as amended, to the
2 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
3 the right to receive the income or gain, or to a trust or estate from which
4 the taxpayer received the income or gain.

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

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

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

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

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

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

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

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

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

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

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

6 (xv) For all taxable years beginning after December 31, 1999,
7 amounts not exceeding \$2,000, or \$4,000 for a married couple filing a
8 joint return, for each designated beneficiary which are contributed to a
9 family postsecondary education savings account established under the
10 Kansas postsecondary education savings program for the purpose of pay-
11 ing the qualified higher education expenses of a designated beneficiary
12 at an institution of postsecondary education. The terms and phrases used
13 in this paragraph shall have the meaning respectively ascribed thereto by
14 the provisions of K.S.A. 2002 Supp. 75-643, and amendments thereto,
15 and the provisions of such section are hereby incorporated by reference
16 for all purposes thereof.

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

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

26 Sec. 4. K.S.A. 2002 Supp. 79-32,117 is hereby repealed.

27 Sec. 5. This act shall take effect and be in force from and after its
28 publication in the statute book.

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