

As Amended by House Committee

Session of 2006

HOUSE BILL No. 2903

By Committee on Utilities

2-14

10 AN ACT concerning cellulosic alcohol plants; providing certain income  
11 tax credits, income tax deductions and property tax exemptions relating  
12 thereto; providing for issuance of bonds and other financing for certain  
13 purposes; amending K.S.A. 79-32,120 and 79-32,138 and K.S.A. 2005  
14 Supp. 79-32,117 and repealing the existing sections.  
15

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

17 New Section 1. As used in sections 1 through 5, and amendments  
18 thereto:

19 (a) "Cellulosic alcohol plant" means an industrial process plant, lo-  
20 cated in this state, where matter which contains cellulose and is available  
21 on a renewable or recurring basis is processed to produce cellulosic al-  
22cohol **and coproducts.**

23 (b) "Pass-through entity" means any: (1) Corporation which is exempt  
24 from income tax under section 1363 of the ~~Internal Revenue Code~~ **fede-**  
25 **ral internal revenue code** and which complies with the requirements  
26 of K.S.A. 79-32,100e, and amendments thereto; (2) limited liability com-  
27pany; (3) partnership; or (4) limited liability partnership.

28 (c) "Qualified investment" means expenditures made in construction  
29 of a new cellulosic alcohol plant, or in expansion of the capacity of an  
30 existing cellulosic alcohol plant by at least 10% of such capacity, ~~for: (1)~~  
31 ~~Real for real~~ and tangible personal property incorporated in and used as  
32 part of such plant ~~and (2) other real and personal property which are~~  
33 ~~located at the site of such plant and which are employed specifically to~~  
34 ~~serve such plant.~~

35 New Sec. 2. (a) For taxable years commencing after December 31,  
36 2005, any taxpayer who is awarded a tax credit under this act by the  
37 secretary of commerce and complies with the conditions set forth in this  
38 act and the agreement entered into by the secretary and the taxpayer  
39 under this act shall be allowed a credit against the taxpayer's tax liability  
40 under the Kansas income tax act as provided in subsection ~~(e)~~ **(b). Ex-**  
41 **penditures used to qualify for this credit shall not be used to qual-**  
42 **ify for any other type of Kansas income tax credit.**

43 (b) ~~Subject to the provisions of subsection (e), the~~ **The** amount of

1 the credit to which a taxpayer is entitled shall be equal to the sum of: (1)  
 2 An amount equal to 10% of the taxpayer's qualified investment for the  
 3 first \$500,000,000 invested and (2) an amount equal to 5% of the amount  
 4 of the taxpayer's qualified investment that exceeds \$500,000,000. **Such**  
 5 **credit shall be taken in 10 equal, annual installments, beginning**  
 6 **with the year in which the taxpayer places into service the cellul-**  
 7 **ulosic alcohol plant or the expansion of an existing cellulosic alcohol**  
 8 **plant.**

9 ~~(c) Except as provided by subsection (d), a credit pursuant to this act~~  
 10 ~~shall be taken in 10 annual installments, beginning with the year in which~~  
 11 ~~the taxpayer places into service the cellulosic alcohol plant or the expansion~~  
 12 ~~of an existing cellulosic alcohol plant. Subject to the provisions of~~  
 13 ~~section 3, and amendments thereto, the amount of an annual installment~~  
 14 ~~of the credit awarded under this act shall be an amount equal to 25% of~~  
 15 ~~the lesser of: (1) The credit amount determined under subsection (b),~~  
 16 ~~divided by 10; or (2) the taxpayer's total tax liability under the Kansas~~  
 17 ~~income tax act for the taxable year.~~

18 ~~—(d) If the amount of an annual installment of a tax credit allowed~~  
 19 ~~under this section exceeds the taxpayer's income tax liability for the tax-~~  
 20 ~~able year in which the annual installment is allowed, the amount thereof~~  
 21 ~~which exceeds such tax liability may be carried over for deduction from~~  
 22 ~~the taxpayer's income tax liability in the next succeeding taxable year or~~  
 23 ~~years until the total amount of the annual installment of the tax credit has~~  
 24 ~~been deducted from tax liability, except that: (1) **No no** such tax credit~~  
 25 ~~shall be carried over for deduction after the 14th taxable year succeeding~~  
 26 ~~the taxable year in which the first annual installment is allowed; and (2)~~  
 27 ~~in no taxable year shall such tax credit exceed 50% of the taxpayer's in-~~  
 28 ~~come tax liability for the taxable year.~~

29 ~~(e) (1) (d)(1)~~ Before making a qualified investment, a taxpayer ~~may~~  
 30 **shall** apply to the secretary of commerce to enter into an agreement for  
 31 a tax credit under this act. The secretary shall prescribe the form of the  
 32 application. After receipt of such application, the secretary may enter into  
 33 an agreement with the applicant for a credit under this act if the secretary  
 34 determines that the taxpayer's proposed investment satisfies the require-  
 35 ments of this act. The secretary shall enter into an agreement with an  
 36 applicant which is awarded a credit under this act. The agreement shall  
 37 include: (A) A detailed description of the cellulosic alcohol plant project  
 38 that is the subject of the agreement, (B) the first taxable year for which  
 39 the credit may be claimed, (C) the maximum amount of tax credit that  
 40 will be allowed for each taxable year and (D) a requirement that the  
 41 taxpayer shall maintain operations at the project location for at least 10  
 42 years during the term that the tax credit is available.

43 (2) A taxpayer must comply with the terms of the agreement de-

1 scribed in subsection ~~(c)(1)~~ **(d)(1)** to receive an annual installment of the  
 2 tax credit awarded under this act. The secretary of commerce, in accord-  
 3 ance with rules and regulations of the secretary, shall annually determine  
 4 whether the taxpayer is in compliance with the agreement. **Such deter-**  
 5 **mination of compliance shall include, but not be limited to, oper-**  
 6 **ation of the cellulosic alcohol plant during the tax years when any**  
 7 **installments of tax credits are claimed by the taxpayer.** If the sec-  
 8 retary determines that the taxpayer is in compliance, the secretary shall  
 9 issue a certificate of compliance to the taxpayer. **If the secretary deter-**  
 10 **mines that the taxpayer is not in compliance with the agreement,**  
 11 **the secretary shall notify the taxpayer and the secretary of revenue**  
 12 **of such determination of noncompliance, and any tax credits**  
 13 **claimed pursuant to this section for any tax year shall be forfeited.**

14 (3) The secretary of commerce may adopt rules and regulations to  
 15 administer this subsection ~~(c)~~.

16 New Sec. 3. (a) If a qualified investment is made by **or transferred**  
 17 **to** a pass-through entity and the credit allowed by this act for a taxable  
 18 year is greater than the entity's tax liability against which the tax credit  
 19 may be applied, a shareholder, partner or member of the entity is entitled  
 20 to a tax credit equal to: ~~(1) The~~ **the** tax credit determined for the entity  
 21 for the taxable year in excess of the entity's tax liability under the Kansas  
 22 income tax act for the taxable year multiplied by the percentage of the  
 23 entity's distributive income to which the shareholder, partner or member  
 24 is entitled ~~if the entity is an entity described in subsection (c)(1), (2), (3)~~  
 25 ~~or (4) of section 1, and amendments thereto, or (2) the relative percentage~~  
 26 ~~of the entity's patronage dividends allocable to the member for the taxable~~  
 27 ~~year if the entity is an entity described in subsection (c)(5) or (6) of section~~  
 28 ~~1, and amendments thereto.~~

29 (b) If a cellulosic alcohol plant is co-owned by two or more taxpayers,  
 30 the amount of the credit that may be allowed to a co-owner in a taxable  
 31 year is equal to the tax credit determined under section 2, and amend-  
 32 ments thereto, with respect to the total qualified investment in such plant  
 33 multiplied by the co-owner's percentage of ownership in such plant.

34 ~~Except as provided by subsection (d), the amount of an annual~~  
 35 ~~installment of the credit allowed to a shareholder, partner or member of~~  
 36 ~~a pass-through entity or a co-owner under this act shall be an amount~~  
 37 ~~equal to 25% of the lesser of: (1) That portion of the credit allowed to~~  
 38 ~~the shareholder, partner, member or co-owner under this section divided~~  
 39 ~~by 10, or (2) the total tax liability of the shareholder, partner, member or~~  
 40 ~~co-owner under the Kansas income tax act for the taxable year. **Such**~~  
 41 **credit shall be taken in 10 equal, annual installments, beginning**  
 42 **with the year in which the entity places into service the cellulosic**  
 43 **alcohol plant or the expansion of the cellulosic alcohol plant.**

1 (d) If the amount of an annual installment of a tax credit allowed a  
 2 shareholder, partner, member or co-owner under this section exceeds the  
 3 taxpayer's income tax liability for the taxable year in which the annual  
 4 installment is allowed, the amount thereof which exceeds such tax liability  
 5 may be carried over for deduction from the taxpayer's income tax liability  
 6 in the next succeeding taxable year or years until the total amount of the  
 7 tax credit has been deducted from tax liability, except that: ~~(1) No no~~  
 8 such tax credit shall be carried over for deduction after the 14th taxable  
 9 year succeeding the taxable year in which the first annual installment is  
 10 allowed, and ~~(2) in no taxable year shall such tax credit exceed 50% of~~  
 11 ~~the taxpayer's income tax liability for the taxable year.~~

12 New Sec. 4. To receive the credit awarded by this act, a taxpayer  
 13 must claim the credit on the taxpayer's annual state income tax return or  
 14 returns in the manner prescribed by the director of taxation. The taxpayer  
 15 shall submit to the director a copy of the taxpayer's ~~certificate of com-~~  
 16 ~~pliance issued under subsection (d)(2) of~~ **agreement for a tax credit**  
 17 **entered into with the secretary of commerce pursuant to** section 2,  
 18 and amendments thereto, and all information that the director deter-  
 19 mines necessary for the calculation of the credit provided by this act.

20 New Sec. 5. (a) In addition to the income tax credit allowable pur-  
 21 suant to sections 1 through 4, and amendments thereto, a taxpayer shall  
 22 be entitled to a deduction from Kansas adjusted gross income with respect  
 23 to the amortization of the amortizable costs of a new cellulosic alcohol  
 24 plant or an expansion of a cellulosic alcohol plant based upon a period of  
 25 10 years. Such amortization deduction shall be an amount equal to 55%  
 26 of the amortizable costs of such new plant or expansion of a plant for the  
 27 first taxable year in which such new plant or expansion of a plant is in  
 28 production and 5% of the amortizable costs of such new plant or expan-  
 29 sion of a plant for each of the next nine taxable years.

30 (b) The election of the taxpayer to claim the deduction allowed by  
 31 subsection (a) shall be made by filing a statement of such election with  
 32 the secretary of revenue in the manner and form and within the time  
 33 prescribed by rules and regulations adopted by the secretary.

34 (c) The provisions of this section shall apply to all taxable years com-  
 35 mencing after December 31, 2005.

36 (d) The secretary of revenue shall adopt such rules and regulations  
 37 as deemed necessary to carry out the provisions of this section.

38 (e) As used in this section:

39 (1) "Cellulosic alcohol plant" has the meaning provided by section 1,  
 40 and amendments thereto.

41 (2) "Expansion of a cellulosic alcohol plant" means expansion, ~~con-~~  
 42 ~~struction of~~ which begins after December 31, 2005, of the capacity of an  
 43 existing cellulosic alcohol plant by at least 10% of such capacity.

1 (3) “New cellulosic alcohol plant” means a cellulosic alcohol plant,  
2 construction of which begins after December 31, 2005.

3 Sec. 6. K.S.A. 2005 Supp. 79-32,117 is hereby amended to read as  
4 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
5 means such individual’s federal adjusted gross income for the taxable year,  
6 with the modifications specified in this section.

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

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

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

26 (iii) The federal net operating loss deduction.

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

42 (v) The amount of any depreciation deduction or business expense  
43 deduction claimed on the taxpayer’s federal income tax return for any

- 1 capital expenditure in making any building or facility accessible to the  
2 handicapped, for which expenditure the taxpayer claimed the credit al-  
3 lowed by K.S.A. 79-32,177, and amendments thereto.
- 4 (vi) Any amount of designated employee contributions picked up by  
5 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
6 and amendments to such sections.
- 7 (vii) The amount of any charitable contribution made to the extent  
8 the same is claimed as the basis for the credit allowed pursuant to K.S.A.  
9 79-32,196, and amendments thereto.
- 10 (viii) The amount of any costs incurred for improvements to a swine  
11 facility, claimed for deduction in determining federal adjusted gross in-  
12 come, to the extent the same is claimed as the basis for any credit allowed  
13 pursuant to K.S.A. 2005 Supp. 79-32,204 and amendments thereto.
- 14 (ix) The amount of any ad valorem taxes and assessments paid and  
15 the amount of any costs incurred for habitat management or construction  
16 and maintenance of improvements on real property, claimed for deduc-  
17 tion in determining federal adjusted gross income, to the extent the same  
18 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203  
19 and amendments thereto.
- 20 (x) Amounts received as nonqualified withdrawals, as defined by  
21 K.S.A. 2005 Supp. 75-643, and amendments thereto, if, at the time of  
22 contribution to a family postsecondary education savings account, such  
23 amounts were subtracted from the federal adjusted gross income pur-  
24 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and  
25 amendments thereto, or if such amounts are not already included in the  
26 federal adjusted gross income.
- 27 (xi) The amount of any contribution made to the same extent the  
28 same is claimed as the basis for the credit allowed pursuant to K.S.A.  
29 2005 Supp. 74-50,154, and amendments thereto.
- 30 (xii) For taxable years commencing after December 31, 2004,  
31 amounts received as withdrawals not in accordance with the provisions  
32 of K.S.A. 2005 Supp. 74-50,204, and amendments thereto, if, at the time  
33 of contribution to an individual development account, such amounts were  
34 subtracted from the federal adjusted gross income pursuant to paragraph  
35 (xiii) of subsection (c), or if such amounts are not already included in the  
36 federal adjusted gross income.
- 37 (xiii) *The amount of ~~any deductions claimed for~~ expenditures claimed*  
38 *for deduction in determining federal adjusted gross income, to the extent*  
39 *the same is claimed as the basis for any credit allowed pursuant to sections*  
40 *1 through 4 , and amendments thereto.*
- 41 (xiv) *The amount of any amortization deduction claimed in determin-*  
42 *ing federal adjusted gross income to the extent the same is claimed for*  
43 *deduction pursuant to section 5, and amendments thereto.*

- 1 (c) There shall be subtracted from federal adjusted gross income:
- 2 (i) Interest or dividend income on obligations or securities of any  
3 authority, commission or instrumentality of the United States and its pos-  
4 sessions less any related expenses directly incurred in the purchase of  
5 such obligations or securities, to the extent included in federal adjusted  
6 gross income but exempt from state income taxes under the laws of the  
7 United States.
- 8 (ii) Any amounts received which are included in federal adjusted  
9 gross income but which are specifically exempt from Kansas income tax-  
10 ation under the laws of the state of Kansas.
- 11 (iii) The portion of any gain or loss from the sale or other disposition  
12 of property having a higher adjusted basis for Kansas income tax purposes  
13 than for federal income tax purposes on the date such property was sold  
14 or disposed of in a transaction in which gain or loss was recognized for  
15 purposes of federal income tax that does not exceed such difference in  
16 basis, but if a gain is considered a long-term capital gain for federal in-  
17 come tax purposes, the modification shall be limited to that portion of  
18 such gain which is included in federal adjusted gross income.
- 19 (iv) The amount necessary to prevent the taxation under this act of  
20 any annuity or other amount of income or gain which was properly in-  
21 cluded in income or gain and was taxed under the laws of this state for a  
22 taxable year prior to the effective date of this act, as amended, to the  
23 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
24 the right to receive the income or gain, or to a trust or estate from which  
25 the taxpayer received the income or gain.
- 26 (v) The amount of any refund or credit for overpayment of taxes on  
27 or measured by income or fees or payments in lieu of income taxes im-  
28 posed by this state, or any taxing jurisdiction, to the extent included in  
29 gross income for federal income tax purposes.
- 30 (vi) Accumulation distributions received by a taxpayer as a beneficiary  
31 of a trust to the extent that the same are included in federal adjusted  
32 gross income.
- 33 (vii) Amounts received as annuities under the federal civil service  
34 retirement system from the civil service retirement and disability fund  
35 and other amounts received as retirement benefits in whatever form  
36 which were earned for being employed by the federal government or for  
37 service in the armed forces of the United States.
- 38 (viii) Amounts received by retired railroad employees as a supple-  
39 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)  
40 et seq.
- 41 (ix) Amounts received by retired employees of a city and by retired  
42 employees of any board of such city as retirement allowances pursuant to  
43 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter

1 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
2 amendments thereto.

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

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

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

14 (xiii) For taxable years beginning after December 31, 2004, amounts  
15 contributed to and the amount of income earned on contributions de-  
16 posited to an individual development account under K.S.A. 2005 Supp.  
17 74-50,201, et seq., and amendments thereto.

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

28 (xv) For all taxable years beginning after December 31, 1999,  
29 amounts not exceeding \$2,000, or \$4,000 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 for the purpose of pay-  
33 ing the qualified higher education expenses of a designated beneficiary  
34 at an institution of postsecondary education. For all taxable years begin-  
35 ning after December 31, 2004, amounts not exceeding \$3,000, or \$6,000  
36 for a married couple filing a joint return, for each designated beneficiary  
37 which are contributed to a family postsecondary education savings ac-  
38 count established under the Kansas postsecondary education savings pro-  
39 gram for the purpose of paying the qualified higher education expenses  
40 of a designated beneficiary at an institution of postsecondary education.  
41 The terms and phrases used in this paragraph shall have the meaning  
42 respectively ascribed thereto by the provisions of K.S.A. 2005 Supp. 75-  
43 643, and amendments thereto, and the provisions of such section are



1 hereby incorporated by reference for all purposes thereof.

2 (xvi) For the tax year beginning after December 31, 2004, an amount  
3 not exceeding \$500; for the tax year beginning after December 31, 2005,  
4 an amount not exceeding \$600; for the tax year beginning after December  
5 31, 2006, an amount not exceeding \$700; for the tax year beginning after  
6 December 31, 2007, an amount not exceeding \$800; for the tax year  
7 beginning December 31, 2008, an amount not exceeding \$900; and for  
8 all taxable years commencing after December 31, 2009, an amount not  
9 exceeding \$1,000 of the premium costs for qualified long-term care in-  
10 surance contracts, as defined by subsection (b) of section 7702B of public  
11 law 104-191.

12 (xvii) For all taxable years beginning after December 31, 2004,  
13 amounts received by taxpayers who are or were members of the armed  
14 forces of the United States, including service in the Kansas army and air  
15 national guard, as a recruitment, sign up or retention bonus received by  
16 such taxpayer as an incentive to join, enlist or remain in the armed services  
17 of the United States, including service in the Kansas army and air national  
18 guard, and amounts received for repayment of educational or student  
19 loans incurred by or obligated to such taxpayer and received by such  
20 taxpayer as a result of such taxpayer's service in the armed forces of the  
21 United States, including service in the Kansas army and air national guard.

22 (xviii) For all taxable years beginning after December 31, 2004,  
23 amounts received by taxpayers who are eligible members of the Kansas  
24 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
25 281, and amendments thereto, and amounts received for death benefits  
26 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-  
27 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and  
28 amendments thereto, to the extent that such death benefits are included  
29 in federal adjusted gross income of the taxpayer.

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

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

39 Sec. 7. K.S.A. 79-32,120 is hereby amended to read as follows: 79-  
40 32,120. (a) If federal taxable income of an individual is determined by  
41 itemizing deductions from such individual's federal adjusted gross in-  
42 come, such individual may elect to deduct the Kansas itemized deduction  
43 in lieu of the Kansas standard deduction. The Kansas itemized deduction

1 of an individual means the total amount of deductions from federal ad-  
 2 justed gross income, other than federal deductions for personal exemp-  
 3 tions, as provided in the federal internal revenue code with the modifi-  
 4 cations specified in this section.

5 (b) The total amount of deductions from federal adjusted gross in-  
 6 come shall be reduced by the total amount of income taxes imposed by  
 7 or paid to this state or any other taxing jurisdiction to the extent that the  
 8 same are deducted in determining the federal itemized deductions and  
 9 by the amount of all depreciation deductions claimed for any real or  
 10 tangible personal property upon which the deduction allowed by ~~K.S.A.~~  
 11 ~~79-32,168~~ section 5, and amendments thereto, is or has been claimed.

12 Sec. 8. K.S.A. 79-32,138 is hereby amended to read as follows: 79-  
 13 32,138. (a) Kansas taxable income of a corporation taxable under this act  
 14 shall be the corporation's federal taxable income for the taxable year with  
 15 the modifications specified in this section.

16 (b) There shall be added to federal taxable income: (i) The same  
 17 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and  
 18 amendments thereto, with respect to resident individuals.

19 ~~(ii) The amount of all depreciation deductions claimed for any real~~  
 20 ~~or tangible personal property upon which the deduction is allowed by~~  
 21 ~~K.S.A. 79-32,161, and amendments thereto.~~

22 ~~(iii)~~ (ii) The amount of all depreciation deductions claimed for any  
 23 property upon which the deduction allowed by ~~K.S.A. 79-32,168~~ section  
 24 5, and amendments thereto, is claimed.

25 ~~(iv)~~ (iii) The amount of any charitable contribution deduction claimed  
 26 for any contribution or gift to or for the use of any racially segregated  
 27 educational institution.

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

31 (ii) The federal income tax liability for any taxable year commencing  
 32 prior to December 31, 1971, for which a Kansas return was filed after  
 33 reduction for all credits thereon, except credits for payments on estimates  
 34 of federal income tax, credits for gasoline and lubricating oil tax, and for  
 35 foreign tax credits if, on the Kansas income tax return for such prior year,  
 36 the federal income tax deduction was computed on the basis of the federal  
 37 income tax paid in such prior year, rather than as accrued. Notwithstand-  
 38 ing the foregoing, the deduction for federal income tax liability for any  
 39 year shall not exceed that portion of the total federal income tax liability  
 40 for such year which bears the same ratio to the total federal income tax  
 41 liability for such year as the Kansas taxable income, as computed before  
 42 any deductions for federal income taxes and after application of subsec-  
 43 tions (d) and (e) of this section as existing for such year, bears to the

- 1 federal taxable income for the same year.
- 2 ~~(iii) An amount for amortization of the amortizable costs of a certified~~  
 3 ~~oil production process as computed under K.S.A. 79-32,161, and amend-~~  
 4 ~~ments thereto.~~
- 5 ~~(iv) (iii) An amount for the amortization deduction for a solar energy~~  
 6 ~~system allowed pursuant to K.S.A. 79-32,168 section 5, and amendments~~  
 7 ~~thereto.~~
- 8 ~~(v) (iv) For all taxable years commencing after December 31, 1987,~~  
 9 ~~the amount included in federal taxable income pursuant to the provisions~~  
 10 ~~of section 78 of the internal revenue code.~~
- 11 ~~(vi) (v) For all taxable years commencing after December 31, 1987,~~  
 12 ~~80% of dividends from corporations incorporated outside of the United~~  
 13 ~~States or the District of Columbia which are included in federal taxable~~  
 14 ~~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 pro-  
 21 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271  
 22 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund  
 23 of federal income tax as determined under paragraph (iv) of subsection  
 24 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-  
 25 tion for federal income taxes as provided by subsection (c)(ii) shall be  
 26 such corporation's Kansas taxable income.
- 27 (e) A corporation may make an election with respect to its first taxable  
 28 year commencing after December 31, 1982, whereby no addition modi-  
 29 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and  
 30 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.  
 31 79-32,138, as those subsections existed prior to their amendment by this  
 32 act, shall be required to be made for such taxable year.
- 33 New Sec. 9. (a) The following described property, to the extent  
 34 herein specified, shall be exempt from all property taxes levied under the  
 35 laws of the state of Kansas: Any new cellulosic alcohol plant property or  
 36 any expanded cellulosic alcohol plant property.
- 37 (b) The provisions of subsection (a) shall apply from and after pur-  
 38 chase or commencement of construction or installation of such property  
 39 and for the 10 taxable years immediately following the taxable year in  
 40 which construction or installation of such property is completed.
- 41 (c) The provisions of this section shall apply to all taxable years com-  
 42 mencing after December 31, 2005.
- 43 (d) As used in this section:

1 (1) “Cellulosic alcohol plant” has the meaning provided by section 1,  
2 and amendments thereto.

3 (2) “Expanded cellulosic alcohol plant property” means any real or  
4 tangible personal property purchased, constructed or installed for incor-  
5 poration in and use as part of an expansion of a cellulosic alcohol plant,  
6 construction of which expansion begins after December 31, 2005, ~~and~~  
7 ~~any other real and personal property which are located at the site of such~~  
8 ~~plant and are employed specifically to serve such expansion.~~

9 (3) “Expansion of a cellulosic alcohol plant” means expansion of the  
10 capacity of an existing cellulosic alcohol plant by at least 10% of such  
11 capacity.

12 (4) “New cellulosic alcohol plant property” means any real or tangible  
13 personal property purchased, constructed or installed for incorporation  
14 in and use as part of a cellulosic alcohol plant, construction of which  
15 begins after December 31, 2005, ~~and any other real and personal property~~  
16 ~~which are located at the site of such plant and are employed specifically~~  
17 ~~to serve such plant.~~

18 New Sec. 10. (a) For the purpose of financing the construction of a  
19 new cellulosic alcohol plant or expansion of an existing cellulosic alcohol  
20 plant, the Kansas development finance authority is hereby authorized to  
21 issue revenue bonds pursuant to the Kansas development finance au-  
22 thority act, K.S.A. 74-8901 et seq., and amendments thereto, in amounts  
23 sufficient to pay the costs of such construction or expansion, including  
24 any required interest on the bonds during construction and installation,  
25 plus all amounts required for the costs of bond issuance, costs of credit  
26 enhancement or other financial contracts, capitalized interest and any  
27 required reserves on the bonds. The bonds, and interest thereon, issued  
28 pursuant to this section shall be payable from revenues pledged to the  
29 Kansas development finance authority for such purpose, which may in-  
30 clude revenues derived from sales of cellulosic alcohol products produced  
31 at the plant.

32 (b) The provisions of subsection (a) of K.S.A. 74-8905, and amend-  
33 ments thereto, shall not prohibit the issuance of bonds by the Kansas  
34 development finance authority for the purposes of this section and any  
35 such issuance of bonds is exempt from the provisions of subsection (a) of  
36 K.S.A. 74-8905, and amendments thereto, which would operate to pre-  
37 clude such issuance.

38 (c) Revenue bonds, including refunding revenue bonds, issued under  
39 this section shall not constitute an indebtedness of the state of Kansas,  
40 nor shall they constitute indebtedness within the meaning of any consti-  
41 tutional or statutory provision limiting the incurring of indebtedness.

42 (d) Revenue bonds, including refunding revenue bonds, issued here-  
43 under and the income derived therefrom are and shall be exempt from

1 all state, county and municipal taxation in the state of Kansas, except  
2 Kansas estate taxes.

3 (e) As used in this section:

4 (1) “Cellulosic alcohol plant” has the meaning provided by section 1,  
5 and amendments thereto.

6 (2) “Expansion of an existing cellulosic alcohol plant” means expan-  
7 sion, beginning after December 31, 2005, of the capacity of an existing  
8 cellulosic alcohol plant by at least 10% of such capacity.

9 (3) “New cellulosic alcohol plant” means a cellulosic alcohol plant,  
10 construction of which begins after December 31, 2005.

11 Sec. 11. K.S.A. 79-32,120 and 79-32,138 and K.S.A. 2005 Supp. 79-  
12 32,117 are hereby repealed.

13 Sec. 12. This act shall take effect and be in force from and after its  
14 publication in the statute book.