

SENATE BILL No. 29

By Senators Palmer, Apple, Barnett, Brownlee, Huelskamp, Jordan, Journey, McGinn, Petersen, Pine, Ostmeyer, D. Schmidt, Schodorf, Taddiken and Wilson

1-5

11 AN ACT concerning income taxation; relating to social security benefits;
12 amending K.S.A. 2006 Supp. 79-32,117 and repealing the existing section;
13 also repealing K.S.A. 2006 Supp. 79-32,117.
14

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

16 Section 1. K.S.A. 2006 Supp. 79-32,117 is hereby amended to read
17 as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
18 means such individual's federal adjusted gross income for the taxable
19 year, with the modifications specified in this section.

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

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

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

39 (iii) The federal net operating loss deduction.

40 (iv) Federal income tax refunds received by the taxpayer if the
41 deduction of the taxes being refunded resulted in a tax benefit for Kansas
42 income tax purposes during a prior taxable year. Such refunds shall be
43 included in income in the year actually received regardless of the method

1 of accounting used by the taxpayer. For purposes hereof, a tax benefit
2 shall be deemed to have resulted if the amount of the tax had been de-
3 ducted in determining income subject to a Kansas income tax for a prior
4 year regardless of the rate of taxation applied in such prior year to the
5 Kansas taxable income, but only that portion of the refund shall be in-
6 cluded as bears the same proportion to the total refund received as the
7 federal taxes deducted in the year to which such refund is attributable
8 bears to the total federal income taxes paid for such year. For purposes
9 of the foregoing sentence, federal taxes shall be considered to have been
10 deducted only to the extent such deduction does not reduce Kansas tax-
11 able income below zero.

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

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

20 (vii) The amount of any charitable contribution made to the extent
21 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
22 79-32,196, and amendments thereto.

23 (viii) The amount of any costs incurred for improvements to a swine
24 facility, claimed for deduction in determining federal adjusted gross in-
25 come, to the extent the same is claimed as the basis for any credit allowed
26 pursuant to K.S.A. 2006 Supp. 79-32,204 and amendments thereto.

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

33 (x) Amounts received as nonqualified withdrawals, as defined by
34 K.S.A. 2006 Supp. 75-643, and amendments thereto, if, at the time of
35 contribution to a family postsecondary education savings account, such
36 amounts were subtracted from the federal adjusted gross income pur-
37 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
38 ments thereto, or if such amounts are not already included in the federal
39 adjusted gross income.

40 (xi) The amount of any contribution made to the same extent the
41 same is claimed as the basis for the credit allowed pursuant to K.S.A.
42 2006 Supp. 74-50,154, and amendments thereto.

43 (xii) For taxable years commencing after December 31, 2004,

- 1 amounts received as withdrawals not in accordance with the provisions
2 of K.S.A. 2006 Supp. 74-50,204, and amendments thereto, if, at the time
3 of contribution to an individual development account, such amounts were
4 subtracted from the federal adjusted gross income pursuant to paragraph
5 (xiii) of subsection (c), or if such amounts are not already included in the
6 federal adjusted gross income.
- 7 (xiii) The amount of any expenditures claimed for deduction in deter-
8 termining federal adjusted gross income, to the extent the same is claimed
9 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
10 32,217 through 79-32,220 or 79-32,222, and amendments thereto.
- 11 (xiv) The amount of any amortization deduction claimed in deter-
12 mining federal adjusted gross income to the extent the same is claimed
13 for deduction pursuant to K.S.A. 2006 Supp. 79-32,221, and amendments
14 thereto.
- 15 (xv) The amount of any expenditures claimed for deduction in deter-
16 mining federal adjusted gross income, to the extent the same is claimed
17 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
18 32,223 through 79-32,226, and amendments thereto.
- 19 (xvi) The amount of any amortization deduction claimed in deter-
20 mining federal adjusted gross income to the extent the same is claimed
21 for deduction pursuant to K.S.A. 2006 Supp. 79-32,227, and amendments
22 thereto.
- 23 (xvii) The amount of any expenditures claimed for deduction in deter-
24 mining federal adjusted gross income, to the extent the same is claimed
25 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
26 32,228 through 79-32,231, and amendments thereto.
- 27 (xviii) The amount of any amortization deduction claimed in deter-
28 mining federal adjusted gross income to the extent the same is claimed
29 for deduction pursuant to K.S.A. 2006 Supp. 79-32,232, and amendments
30 thereto.
- 31 (xix) The amount of any expenditures claimed for deduction in deter-
32 mining federal adjusted gross income, to the extent the same is claimed
33 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
34 32,233 through 79-32,236, and amendments thereto.
- 35 (xx) The amount of any amortization deduction claimed in deter-
36 mining federal adjusted gross income to the extent the same is claimed for
37 deduction pursuant to K.S.A. 2006 Supp. 79-32,237, and amendments
38 thereto.
- 39 (xxi) The amount of any expenditures claimed for deduction in deter-
40 mining federal adjusted gross income, to the extent the same is claimed
41 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
42 32,238 through 79-32,241, and amendments thereto.
- 43 (c) There shall be subtracted from federal adjusted gross income:

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

1 amendments thereto.

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

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

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

13 (xiii) For taxable years beginning after December 31, 2004, amounts
14 contributed to and the amount of income earned on contributions de-
15 posited to an individual development account under K.S.A. 2006 Supp.
16 74-50,201, et seq., and amendments thereto.

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

27 (xv) For all taxable years beginning after December 31, ~~1999~~ 2004,
28 amounts not exceeding ~~\$2,000, or \$4,000~~ \$3,000, or \$6,000 for a married
29 couple filing a joint return, for each designated beneficiary which are
30 contributed to a family postsecondary education savings account estab-
31 lished under the Kansas postsecondary education savings program for the
32 purpose of paying the qualified higher education expenses of a designated
33 beneficiary at an institution of postsecondary education. For all taxable
34 years beginning after December 31, ~~2004~~ 2006, amounts not exceeding
35 \$3,000, or \$6,000 for a married couple filing a joint return, for each des-
36 ignated beneficiary which are contributed to a ~~family postsecondary ed-~~
37 ~~ucation savings account established under the Kansas postsecondary ed-~~
38 ~~ucation savings program~~ *qualified tuition program established and*
39 *maintained by another state or agency or instrumentality thereof pursu-*
40 *ant to section 529 of the internal revenue code of 1986, as amended,* for
41 the purpose of paying the qualified higher education expenses of a des-
42 ignated beneficiary at an institution of postsecondary education. The
43 terms and phrases used in this paragraph shall have the meaning respec-

1 tively ascribed thereto by the provisions of K.S.A. 2006 Supp. 75-643, and
2 amendments thereto, and the provisions of such section are hereby in-
3 corporated by reference for all purposes thereof.

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

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

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

32 (xix) *For all taxable years beginning after December 31, 2006,*
33 *amounts received as benefits under the federal social security act which*
34 *are included in federal adjusted gross income.*

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

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

1 Sec. 2. K.S.A. 2006 Supp. 79-32,117 and 79-32,117l are hereby
2 repealed.
3 Sec. 3. This act shall take effect and be in force from and after its
4 publication in the statute book.