

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on February 8, 2007 in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Jason Long, Revisor's Office
Renaë Hansen, Committee Assistant

Conferees appearing before the committee:

Others attending:

Twenty -two including the attached list.

HB 2306: Kansas electric transmission authority duties and powers.

Representative Annie Kuether moved to pass HB 2306 and put it on the on consent calendar. Representative Rob Olson seconded the motion. Motion carried.

Representative Josh Svaty did not vote on this bill.

HB 2222: Income tax credit for certain hybrid motor vehicles

Representative Tom Sloan (Attachment 1) moved to amend HB 2222. Seconded by Representative Tom Hawk.

Discussion ensued by Representatives: Tom Hawk, Tom Sloan, Forrest Knox, Josh Svaty, Annie Kuether, Tom Moxley, Terry McLachlan, Bill Light, Carl Holmes, Dan Johnson, and comments by: Revisor Jason Long.

Representative Dan Johnson moved to table the HB 2222. Seconded by Representative Josh Svaty. Motion to Table passed.

HB 2305 Crude oil reserves; tax incentives; rules and regulations.

Representative Tom Sloan moved to amend HB 2305 (Attachment 2), adding language that would include an underground natural gas storage facility tax incentive, seconded by Representative Cindy Neighbor.

Discussion by Representatives: Don Myer, and Tom Sloan.

Motion Carried.

Representative Tom Sloan moved to pass HB 2305 favorable for passage as amended. Second by Representative Rob Olson. Motion carried

Representative Richard Proehl will carry **HB 2305** on the house floor.

The next meeting is scheduled for February 9 and it is possible we may work bills tomorrow.

Meeting adjourned.

HOUSE BILL No. 2222

By Committee on Energy and Utilities

1-25

9 AN ACT concerning income taxation; relating to credits; certain hybrid
10 motor vehicles;

; amending K.S.A. 2006 Supp. 79-32,201 and repealing the existing section

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. ~~(a) For taxable years 2007 and 2008, any taxpayer who~~
14 ~~makes expenditures for a qualified hybrid motor vehicle shall be allowed~~
15 ~~a credit against the taxpayer's income tax liability under the Kansas in-~~
16 ~~come tax act in an amount equal to such taxpayer's expenditures but not~~
17 ~~to exceed \$2,500. The tax credit under this section shall be allowed only~~
18 ~~to the first individual to take title to any such motor vehicle. The tax credit~~
19 ~~under this section shall be deducted from the taxpayer's income tax li-~~
20 ~~ability for the taxable year in which the expenditures are made by the~~
21 ~~taxpayer. If the amount of the tax credit exceeds the taxpayer's income~~
22 ~~tax liability for the taxable year, the amount thereof which exceeds such~~
23 ~~tax liability shall be refunded to the taxpayer. A taxpayer shall not claim~~
24 ~~both the tax credit provided in this section and the tax credit provided in~~
25 ~~K.S.A. 79-32,201, and amendments thereto. In no event shall the total~~
26 ~~amount of credits allowed under this section exceed \$2,500,000 for any~~
27 ~~one fiscal year.~~

28 ~~(b) As used in this section, "qualified hybrid motor vehicle" means a~~
29 ~~motor vehicle with a gross vehicle weight of less than 8,000 lbs that com-~~
30 ~~bines two or more onboard sources of power that can directly or indirectly~~
31 ~~provide propulsion power. A qualified hybrid motor vehicle with a gross~~
32 ~~vehicle weight of less than 6,000 lbs shall meet tier 2 bin 5 emission~~
33 ~~standards. A qualified hybrid motor vehicle with a gross weight of 6,000~~
34 ~~lbs but less than 8,500 lbs shall meet tier 2 bin 8 emission standards.~~

See attachment

35 Sec. 2. This act shall take effect and be in force from and after its
36 publication in the statute book.

Sec. 2 K.S.A. 2006 Supp. 79-32,201 is hereby repealed.

3

ENERGY AND HOUSE UTILITIES
DATE: 2/8/2007
ATTACHMENT 1-1

Section 1. K.S.A. 2006 Supp. 79-32,201 is hereby amended to read as follows:

79-32,201. (a) ~~Any taxpayer who makes expenditures for~~ For taxable years 2007 through 2010, any automobile dealer who sells a qualified alternative-fueled motor vehicle or alternative-fuel fueling station to a consumer shall be allowed a credit against the income tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated, as follows:

(1) ~~For any qualified alternative-fueled motor vehicle placed in service on or after January 1, 1996, and before January 1, 2005, an amount equal to 50% of the incremental cost or conversion cost for each qualified alternative-fueled motor vehicle but not to exceed \$3,000 for each such motor vehicle with a gross vehicle weight of less than 10,000 lbs.; \$5,000 for a heavy-duty motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but less than 26,000 lbs.; and \$50,000 for motor vehicles having a gross vehicle weight of greater than 26,000 lbs. as defined in subparagraph (d)(2)(A) or (B) of this section if the purchase price of the qualified alternative-fueled motor vehicle is reduced by the dealer as a means to entice the consumer to purchase a qualified alternative-fueled motor vehicle, an amount equal to the difference between the original purchase price of the qualified alternative-fueled motor vehicle and the reduced purchase price but not to exceed \$1,000;~~

(2) ~~for any qualified alternative-fueled motor vehicle placed in service on or after January 1, 2005, an amount equal to 40% of the incremental cost or conversion cost for each qualified alternative-fueled motor vehicle, but not to exceed \$2,400 for each such motor vehicle with a gross vehicle weight of less than 10,000 lbs.; \$4,000 for a heavy-duty motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but less than 26,000 lbs.; and \$40,000 for motor vehicles having a gross vehicle weight of greater than 26,000 lbs.; as defined in subparagraph (d)(2)(C) of this section if the purchase price of the qualified alternative-fueled motor vehicle is reduced by the dealer as a~~

means to entice the consumer to purchase a qualified alternative-fueled motor vehicle, an amount equal to the difference between the original purchase price of the qualified alternative-fueled motor vehicle and the reduced purchase price but not to exceed \$750.

(b) For taxable years 2007 through 2010, any taxpayer who makes expenditures for an alternative-fuel fueling station shall be allowed a credit against the income tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated, as follows:

~~(3)~~ (1) For any qualified alternative-fuel fueling station placed in service on or after January 1, 1996, and before January 1, 2005, an amount equal to 50% of the total amount expended for each qualified alternative-fuel fueling station but not to exceed \$200,000 for each fueling station;

~~(4)~~ (2) for any qualified alternative-fuel fueling station placed in service on or after January 1, 2005, an amount equal to 40% of the total amount expended for each qualified alternative-fuel fueling station, but not to exceed \$160,000 for each fueling station.

~~(b) If no credit has been claimed pursuant to subsection (a), a credit in an amount not exceeding the lesser of 5% of the cost of the vehicle or \$750 shall be allowed to a taxpayer who purchases a motor vehicle equipped by the vehicle manufacturer with an alternative-fuel system and who is unable or elects not to determine the exact basis attributable to such property. The credit under this subsection shall be allowed only to the first individual to take title to such motor vehicle, other than for resale. The credit under this subsection for motor vehicles which are capable of operating on a blend of 85% ethanol and 15% gasoline shall be allowed for taxable years commencing after December 31, 1999, only if the individual claiming the credit furnishes evidence of the purchase, during the period of time beginning with the date of purchase of such vehicle and ending on December 31 of the next succeeding calendar year, of 500 gallons of such ethanol and gasoline blend as may be required or is satisfactory to the secretary of revenue.~~

(c) The tax credit under subsection (a) or (b) shall be deducted from the taxpayer's income tax liability for the taxable year in which the sale or the expenditures are made by the taxpayer. If the amount of the tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount which exceeds the tax liability may be carried over 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 third taxable year succeeding the taxable year in which the sale or the expenditures are made.

(d) As used in this section:

(1) "Alternative fuel" has the meaning provided by 42 U.S.C. 13211.

(2) "Automobile dealer" or "dealer" means any person engaged in the business of selling motor vehicles.

(3) "Consumer" means any person which purchases a qualified alternative-fueled motor vehicle for use by such person. Consumer does not include any person who purchases such vehicle with the intent to resell such vehicle within a 12-month period following such purchase.

(4) "Domestically assembled" means assembled at a facility located in the United States.

{2} (5) "Qualified alternative-fueled motor vehicle" means a motor vehicle that operates on an alternative fuel, meets or exceeds the clean fuel vehicle standards in the federal clean air act amendments of 1990, Title II and meets one of the following categories:

(A) Bi-fuel motor vehicle: ~~A motor vehicle with two separate fuel systems designed to run on either an alternative fuel or conventional fuel, using only one fuel at a time~~ A motor vehicle with a gross weight of less than 8,000 lbs. that combines two or more onboard sources of power that can directly or indirectly provide propulsion power;

(B) dedicated motor vehicle: A motor vehicle with an engine

designed to operate on a single alternative fuel only; or

(C) flexible fuel motor vehicle: A motor vehicle that may operate on a blend of an alternative fuel with a conventional fuel, such as E-85 (85% ethanol and 15% gasoline) or M-85 (85% methanol and 15% gasoline), as long as such motor vehicle is capable of operating on at least an 85% alternative fuel blend.

+3+ (6) "Qualified alternative-fuel fueling station" means the property which is directly related to the delivery of alternative fuel into the fuel tank of a motor vehicle propelled by such fuel, including the compression equipment, storage vessels and dispensers for such fuel at the point where such fuel is delivered but only if such property is primarily used to deliver such fuel for use in a qualified alternative-fueled motor vehicle.

+4+ ~~"Incremental cost" means the cost that results from subtracting the manufacturer's list price of the motor vehicle operating on conventional gasoline or diesel fuel from the manufacturer's list price of the same model motor vehicle designed to operate on an alternative fuel.~~

+5+ ~~"Conversion cost" means the cost that results from modifying a motor vehicle which is propelled by gasoline or diesel to be propelled by an alternative fuel.~~

+6+ (7) "Taxpayer" means any person who owns and operates a qualified alternative-fueled vehicle licensed in the state of Kansas or who makes an expenditure for a qualified alternative-fuel fueling station or an automobile dealer.

+7+ (8) "Person" means every natural person, association, partnership, limited liability company, limited partnership or corporation.

(e) Except as otherwise more specifically provided, the provisions of this section shall apply to all taxable years commencing after December 31, 1995.

HOUSE BILL No. 2305

By Committee on Energy and Utilities

1-31

9 AN ACT concerning crude oil reserves; providing certain income tax de-
10 ductions and property tax exemptions; relating to regulation of such
11 reserves; amending K.S.A. 2006 Supp. 79-32,117, 79-32,120, 79-
12 32,138 and 79-32,223 and repealing the existing sections; also repeal-
13 ing K.S.A. 2006 Supp. 79-32,117l.
14

, natural gas and natural gas liquids

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

16 New Section 1. (a) The following described property, to the extent
17 herein specified, shall be exempt from all property taxes levied under the
18 laws of the state of Kansas: Any crude oil reserve property.

, natural gas reserve property and natural gas liquids reserve property

19 (b) The provisions of subsection (a) shall apply from and after pur-
20 chase or commencement of construction or installation of such property
21 and for the 10 taxable years immediately following the taxable year in
22 which construction or installation of such property is completed.

23 (c) The provisions of this section shall apply to all taxable years com-
24 mencing after December 31, 2007.

25 (d) As used in this section:

26 (1) "Crude oil reserve" means an underground storage facility for
27 crude oil which has a capacity of at least 10,000,000 barrels of crude oil.

28 (2) "Crude oil reserve property" means any real or tangible personal
29 property purchased, constructed or installed for incorporation in and use
30 as part of a crude oil reserve. "Crude oil reserve property" does not
31 include crude oil or any other liquid or gas stored in such storage facility.

(3) "Natural gas liquids reserve" means an underground storage facility for natural gas liquids which has a capacity of at least 10,000,000 barrels of natural gas liquids.

(4) "Natural gas liquids reserve property" means any real or tangible personal property purchased, constructed or installed for incorporation in and use as part of a natural gas liquids reserve. "Natural gas liquids reserve property" does not include crude oil or any other liquid or gas stored in such storage facility.

(5) "Natural gas reserve" means an underground storage facility for natural gas which has a capacity of at least 10,000,000,000 cubic feet of natural gas.

(6) "Natural gas reserve property" means any real or tangible personal property purchased, constructed or installed for incorporation in and use as part of a natural gas reserve. "Natural gas reserve property" does not include crude oil or any other liquid or gas stored in such storage facility.

32 New Sec. 2. (a) A taxpayer shall be entitled to a deduction from Kan-
33 sas adjusted gross income with respect to the amortization of the amor-
34 tizable costs of a crude oil reserve based upon a period of 10 years. Such
35 amortization deduction shall be an amount equal to 55% of the amortiz-
36 able costs of such ~~crude oil~~ reserve for the first taxable year in which such
37 ~~crude oil~~ reserve is in operation and 5% of the amortizable costs of such
38 ~~crude oil~~ reserve for each of the next nine taxable years.

, natural gas reserve or natural gas liquids reserve

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

43 (c) The provisions of this section shall apply to all taxable years com-

ENERGY AND HOUSE UTILITIES

DATE: 2/8/2007

ATTACHMENT 2-1

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1 mencing after December 31, 2007.

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

4 (e) As used in this section, "crude oil reserve" has the meaning pro-
5 vided by section 1, and amendments thereto.

"natural gas reserve" and "natural gas liquids reserve" have

6 Sec. 3. K.S.A. 2006 Supp. 79-32,117 is hereby amended to read as
7 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
8 means such individual's federal adjusted gross income for the taxable year,
9 with the modifications specified in this section.

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

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

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

29 (iii) The federal net operating loss deduction.

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

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1 able income below zero.

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

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

10 (vii) The amount of any charitable contribution made to the extent
11 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
12 79-32,196, and amendments thereto.

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

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

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

30 (xi) The amount of any contribution made to the same extent the
31 same is claimed as the basis for the credit allowed pursuant to K.S.A.
32 2006 Supp. 74-50,154, and amendments thereto.

33 (xii) For taxable years commencing after December 31, 2004,
34 amounts received as withdrawals not in accordance with the provisions
35 of K.S.A. 2006 Supp. 74-50,204, and amendments thereto, if, at the time
36 of contribution to an individual development account, such amounts were
37 subtracted from the federal adjusted gross income pursuant to paragraph
38 (xiii) of subsection (c), or if such amounts are not already included in the
39 federal adjusted gross income.

40 (xiii) The amount of any expenditures claimed for deduction in de-
41 termining federal adjusted gross income, to the extent the same is claimed
42 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
43 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

1 (xiv) The amount of any amortization deduction claimed in deter-
2 mining federal adjusted gross income to the extent the same is claimed
3 for deduction pursuant to K.S.A. 2006 Supp. 79-32,221, and amendments
4 thereto.

5 (xv) The amount of any expenditures claimed for deduction in deter-
6 mining federal adjusted gross income, to the extent the same is claimed
7 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
8 32,223 through 79-32,226, and amendments thereto.

9 (xvi) The amount of any amortization deduction claimed in deter-
10 mining federal adjusted gross income to the extent the same is claimed
11 for deduction pursuant to K.S.A. 2006 Supp. 79-32,227, and amendments
12 thereto.

13 (xvii) The amount of any expenditures claimed for deduction in de-
14 termining federal adjusted gross income, to the extent the same is claimed
15 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
16 32,228 through 79-32,231, and amendments thereto.

17 (xviii) The amount of any amortization deduction claimed in deter-
18 mining federal adjusted gross income to the extent the same is claimed
19 for deduction pursuant to K.S.A. 2006 Supp. 79-32,232, and amendments
20 thereto.

21 (xix) The amount of any expenditures claimed for deduction in de-
22 termining federal adjusted gross income, to the extent the same is claimed
23 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
24 32,233 through 79-32,236, and amendments thereto.

25 (xx) The amount of any amortization deduction claimed in determin-
26 ing federal adjusted gross income to the extent the same is claimed for
27 deduction pursuant to K.S.A. 2006 Supp. 79-32,237, and amendments
28 thereto.

29 (xxi) The amount of any expenditures claimed for deduction in de-
30 termining federal adjusted gross income, to the extent the same is claimed
31 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
32 32,238 through 79-32,241, and amendments thereto.

33 (xxii) *The amount of any amortization deduction claimed in deter-*
34 *mining federal adjusted gross income to the extent the same is claimed for*
35 *deduction pursuant to section 2, and amendments thereto.*

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

37 (i) Interest or dividend income on obligations or securities of any
38 authority, commission or instrumentality of the United States and its pos-
39 sessions less any related expenses directly incurred in the purchase of
40 such obligations or securities, to the extent included in federal adjusted
41 gross income but exempt from state income taxes under the laws of the
42 United States.

43 (ii) Any amounts received which are included in federal adjusted

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1 gross income but which are specifically exempt from Kansas income tax-
2 ation under the laws of the state of Kansas.

3 (iii) The portion of any gain or loss from the sale or other disposition
4 of property having a higher adjusted basis for Kansas income tax purposes
5 than for federal income tax purposes on the date such property was sold
6 or disposed of in a transaction in which gain or loss was recognized for
7 purposes of federal income tax that does not exceed such difference in
8 basis, but if a gain is considered a long-term capital gain for federal in-
9 come tax purposes, the modification shall be limited to that portion of
10 such gain which is included in federal adjusted gross income.

11 (iv) The amount necessary to prevent the taxation under this act of
12 any annuity or other amount of income or gain which was properly in-
13 cluded in income or gain and was taxed under the laws of this state for a
14 taxable year prior to the effective date of this act, as amended, to the
15 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
16 the right to receive the income or gain, or to a trust or estate from which
17 the taxpayer received the income or gain.

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

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

25 (vii) Amounts received as annuities under the federal civil service
26 retirement system from the civil service retirement and disability fund
27 and other amounts received as retirement benefits in whatever form
28 which were earned for being employed by the federal government or for
29 service in the armed forces of the United States.

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

33 (ix) Amounts received by retired employees of a city and by retired
34 employees of any board of such city as retirement allowances pursuant to
35 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
36 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
37 amendments thereto.

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

43 (xi) For taxable years beginning after December 31, 1986, dividend

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

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

17 (xviii) For all taxable years beginning after December 31, 2004,
18 amounts received by taxpayers who are eligible members of the Kansas
19 army and air national guard as a reimbursement pursuant to K.S.A. 48-
20 281, and amendments thereto, and amounts received for death benefits
21 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-
22 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
23 amendments thereto, to the extent that such death benefits are included
24 in federal adjusted gross income of the taxpayer.

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

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

34 Sec. 4. K.S.A. 2006 Supp. 79-32,120 is hereby amended to read as
35 follows: 79-32,120. (a) If federal taxable income of an individual is deter-
36 mined by itemizing deductions from such individual's federal adjusted
37 gross income, such individual may elect to deduct the Kansas itemized
38 deduction in lieu of the Kansas standard deduction. The Kansas itemized
39 deduction of an individual means the total amount of deductions from
40 federal adjusted gross income, other than federal deductions for personal
41 exemptions, as provided in the federal internal revenue code with the
42 modifications specified in this section.

43 (b) The total amount of deductions from federal adjusted gross in-

1 come shall be reduced by the total amount of income taxes imposed by
2 or paid to this state or any other taxing jurisdiction to the extent that the
3 same are deducted in determining the federal itemized deductions and
4 by the amount of all depreciation deductions claimed for any real or
5 tangible personal property upon which the deduction allowed by K.S.A.
6 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 2,
7 and amendments thereto, is or has been claimed.

8 Sec. 5. K.S.A. 2006 Supp. 79-32,138 is hereby amended to read as
9 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
10 under this act shall be the corporation's federal taxable income for the
11 taxable year with the modifications specified in this section.

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

15 (ii) The amount of all depreciation deductions claimed for any prop-
16 erty upon which the deduction allowed by K.S.A. 2006 Supp. 79-32,221,
17 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 2, and amendments thereto,
18 is claimed.

19 (iii) The amount of any charitable contribution deduction claimed for
20 any contribution or gift to or for the use of any racially segregated edu-
21 cational institution.

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

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

39 (iii) An amount for the amortization deduction allowed pursuant to
40 K.S.A. 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 or sec-
41 tion 2, and amendments thereto.

42 (iv) For all taxable years commencing after December 31, 1987, the
43 amount included in federal taxable income pursuant to the provisions of

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1 section 78 of the internal revenue code.

2 (v) For all taxable years commencing after December 31, 1987, 80%
3 of dividends from corporations incorporated outside of the United States
4 or the District of Columbia which are included in federal taxable income.

5 (d) If any corporation derives all of its income from sources within
6 Kansas in any taxable year commencing after December 31, 1979, its
7 Kansas taxable income shall be the sum resulting after application of
8 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
9 taxable income in any such taxable year, after excluding any refunds of
10 federal income tax and before the deduction of federal income taxes pro-
11 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271
12 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund
13 of federal income tax as determined under paragraph (iv) of subsection
14 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-
15 tion for federal income taxes as provided by subsection (c)(ii) shall be
16 such corporation's Kansas taxable income.

17 (e) A corporation may make an election with respect to its first taxable
18 year commencing after December 31, 1982, whereby no addition modi-
19 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and
20 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.
21 79-32,138, as those subsections existed prior to their amendment by this
22 act, shall be required to be made for such taxable year.

23 Sec. 6. K.S.A. 2006 Supp. 79-32,223 is hereby amended to read as
24 follows: 79-32,223. As used in K.S.A. 2006 Supp. 79-32,223 through 79-
25 32,226, and amendments thereto:

26 (a) "Crude oil reserve" ~~has the meaning provided in section 1, and~~
27 ~~amendments thereto.~~

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"natural gas reserve" and "natural gas liquids reserve" have

28 (b) "New qualifying pipeline" means a qualifying pipeline, construc-
29 tion of which begins after December 31, 2005.

30 ~~(b)~~ (c) "Pass-through entity" means any: (1) Corporation which is
31 exempt from income tax under section 1363 of the federal internal rev-
32 enue code and which complies with the requirements of K.S.A. 79-
33 32,100e, and amendments thereto; (2) limited liability company; (3) part-
34 nership; or (4) limited liability partnership.

35 ~~(e)~~ (d) "Qualified investment" means expenditures made in construc-
36 tion of a new qualifying pipeline for real and tangible personal property
37 incorporated in and used as part of such pipeline.

38 ~~(d)~~ (e) "Qualifying pipeline" means a pipeline: (1) Which is located
39 in this state, is used primarily for transportation of crude oil or natural
40 gas liquids and has a length of more than 190 miles in this state; and (2)
41 to which refineries ~~or~~ and crude oil reserves in this state have access, in
42 the case of a pipeline used primarily to transport crude oil, ~~or~~ to which
43 natural gas liquid processing facilities in this state have access, in the case

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and natural gas liquids reserves

1 of a pipeline used primarily to transport natural gas liquids.

2 New Sec. 7. Not later than January 1, 2008, the secretary of health
3 and environment shall adopt, pursuant to K.S.A. 55-1,117, and amend-
4 ments thereto, rules and regulations governing crude oil reserves, as de-
5 fined in section 1, and amendments thereto. The secretary, pursuant to
6 K.S.A. 75-5616, and amendments thereto, shall appoint an advisory com-
7 mittee to consult with and advise the secretary on the promulgation of
8 such rules and regulations. The advisory committee shall consist of five
9 members who represent persons knowledgeable and experienced in areas
10 related to crude oil and its storage.

, or to which natural gas processing facilities and natural gas reserves in this state have access, in the case of a pipeline used primarily to transport natural gas

, natural gas reserves and natural gas liquids reserves

, natural gas and natural gas liquids and the storage thereof

11 Sec. 8. K.S.A. 2006 Supp. 79-32,117, 79-32,117I, 79-32,120, 79-
12 32,138 and 79-32,223 are hereby repealed.

13 Sec. 9. This act shall take effect and be in force from and after its
14 publication in the statute book.