

## SENATE BILL No. 25

By Committee on Assessment and Taxation

1-16

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1 AN ACT concerning insurance; relating to property and casualty  
2 insurance; enacting the insurance savings account act; allowing  
3 individuals and corporations to establish insurance savings accounts  
4 with certain financial institutions; providing eligible expenses,  
5 requirements and restrictions for such accounts; requiring the secretary  
6 of revenue to adopt certain rules and regulations; granting nonexclusive  
7 marketing authority to the state commissioner of insurance;  
8 establishing addition and subtraction modifications under the Kansas  
9 income tax act; amending K.S.A. 2024 Supp. 79-32,117 and 79-32,138  
10 and repealing the existing sections.

11

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

13 New Section 1. The provisions of sections 1 through 7, and  
14 amendments thereto, shall be known and may be cited as the insurance  
15 savings account act.

16 New Sec. 2. As used in this act:

17 (a) "Act" means the insurance savings account act.

18 (b) "Account" or "insurance savings account" means an individual or  
19 corporate savings account established in accordance with the provisions of  
20 this act.

21 (c) "Account holder" means an individual or corporation who  
22 establishes an account that is designated as an insurance savings account  
23 pursuant to the provisions of section 3, and amendments thereto, with a  
24 financial institution.

25 (d) "Eligible expenses" means:

26 (1) Premiums paid to an insurance company, as defined in K.S.A. 40-  
27 201, and amendments thereto, whether paid directly or through a broker or  
28 agent, for the types of insurance described in K.S.A. 40-901 or 40-1102,  
29 and amendments thereto; and

30 (2) deductibles paid related to a claim under a contract of insurance of  
31 the type described in K.S.A. 40-901 or 40-1102, and amendments thereto.

32 (e) "Financial institution" means any state or federally chartered  
33 bank, trust company, savings and loan association or credit union that is:

34 (1) Authorized to do business in this state; and

35 (2) insured by the federal deposit insurance corporation or the  
36 national credit union administration.

1 (f) "Secretary" means the secretary of revenue.

2 New Sec. 3. (a) On and after January 1, 2026, any individual or  
3 corporation may open an account with a financial institution and designate  
4 the account, in its entirety, as an insurance savings account to be used to  
5 pay or reimburse eligible expenses. An individual or corporation may be  
6 the account holder of multiple accounts. An individual may jointly own the  
7 account with another individual if such individuals file a joint income tax  
8 return. An account holder shall comply with the requirements of this act to  
9 be eligible for the modifications set forth in K.S.A. 79-32,117 and 79-  
10 32,138, and amendments thereto.

11 (b) In the event of the death of an account holder, the balance of such  
12 account shall be paid to the payable on death beneficiary in accordance  
13 with K.S.A. 9-1215, and amendments thereto, or, in the absence of a  
14 named payable on death beneficiary, in accordance with the provisions of  
15 the Kansas probate code.

16 (c) (1) The maximum contribution to an account in any tax year shall  
17 be \$6,000 for an individual, \$12,000 for a married couple filing a joint  
18 return and \$25,000 for a corporation.

19 (2) If a limit in paragraph (1) is exceeded, then thereafter all interest  
20 or other income earned on the investment of moneys in an account in  
21 excess of the contribution limit shall be subject to the tax imposed by the  
22 Kansas income tax act.

23 (3) Moneys may remain in an account for an unlimited duration  
24 without the interest or income being subject to recapture or penalty.

25 (d) The account holder shall not use moneys in an account to pay  
26 expenses of administering the account, except that a service fee may be  
27 deducted from the account by a financial institution. The account holder  
28 shall be responsible for maintaining documentation for the account and for  
29 eligible expenses.

30 New Sec. 4. (a) The moneys in an insurance savings account may be:

31 (1) Used for eligible expenses;

32 (2) transferred to another newly created account;

33 (3) invested in certificates of deposit opened and designated as  
34 insurance savings accounts; and

35 (4) used to pay service fees assessed by the financial institution.

36 (b) Moneys withdrawn from an account shall be subject to recapture  
37 by the secretary in the tax year in which they were withdrawn if the  
38 moneys are used for any purpose other than the expenses or transactions  
39 authorized pursuant to subsection (a).

40 (c) Moneys that are subject to recapture shall be an amount equal to  
41 the moneys withdrawn from an account and shall be added to the Kansas  
42 adjusted gross income of the account holder pursuant to K.S.A. 79-  
43 32,117(b) or 79-32,138(b), and amendments thereto.

1 (d) With respect to individuals, if the account holder dies or, if the  
2 account is jointly owned and the account owners die, and the account does  
3 not have a surviving payable on death beneficiary, then all of the moneys  
4 in the account resulting from contributions or income earned from assets in  
5 the account shall be subject to recapture in the tax year of the death or  
6 deaths pursuant to K.S.A. 79-32,117, and amendments thereto.

7 New Sec. 5. (a) The secretary shall establish forms for an account  
8 holder to annually report information about any accounts held by such  
9 account holder. An account holder shall annually file with the account  
10 holder's state income tax return all forms required by the secretary under  
11 this section, the form 1099 for the account issued by the financial  
12 institution and any other supporting documentation the secretary requires.

13 (b) Prior to December 1, 2025, the secretary shall adopt rules and  
14 regulations necessary to administer the provisions of this act.

15 New Sec. 6. (a) No financial institution shall be required to:

16 (1) Designate an account as an insurance savings account in the  
17 financial institution's account contracts or systems or in any other way;

18 (2) track the use of moneys withdrawn from an account; or

19 (3) report any information to the department of revenue or any other  
20 governmental agency that is not otherwise required by law.

21 (b) No financial institution shall be responsible or liable for:

22 (1) Determining or ensuring that an account holder is eligible for a  
23 Kansas adjusted gross income modification pursuant to K.S.A. 79-32,117  
24 or 79-32,138, and amendments thereto;

25 (2) determining or ensuring that moneys in the account are used for  
26 eligible expenses; or

27 (3) reporting or remitting taxes or penalties related to the use of  
28 account moneys.

29 (c) A financial institution may rely on such financial institution's  
30 account records for determining a payable on death beneficiary for an  
31 insurance savings account.

32 New Sec. 7. The commissioner of insurance may have nonexclusive  
33 authority to market the insurance savings account program to account  
34 holders and financial institutions throughout the state and may report on  
35 the marketing initiatives on the insurance department's website.

36 Sec. 8. K.S.A. 2024 Supp. 79-32,117 is hereby amended to read as  
37 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
38 means such individual's federal adjusted gross income for the taxable year,  
39 with the modifications specified in this section.

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

41 (i) Interest income less any related expenses directly incurred in the  
42 purchase of state or political subdivision obligations, to the extent that the  
43 same is not included in federal adjusted gross income, on obligations of

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

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

18 (iii) The federal net operating loss deduction, except that the federal  
19 net operating loss deduction shall not be added to an individual's federal  
20 adjusted gross income for tax years beginning after December 31, 2016.

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

36 (v) The amount of any depreciation deduction or business expense  
37 deduction claimed on the taxpayer's federal income tax return for any  
38 capital expenditure in making any building or facility accessible to the  
39 handicapped, for which expenditure the taxpayer claimed the credit  
40 allowed by K.S.A. 79-32,177, and amendments thereto.

41 (vi) Any amount of designated employee contributions picked up by  
42 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
43 and amendments thereto.

1 (vii) The amount of any charitable contribution made to the extent the  
2 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
3 32,196, and amendments thereto.

4 (viii) The amount of any costs incurred for improvements to a swine  
5 facility, claimed for deduction in determining federal adjusted gross  
6 income, to the extent the same is claimed as the basis for any credit  
7 allowed pursuant to K.S.A. 79-32,204, and amendments thereto.

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

14 (x) Amounts received as nonqualified withdrawals, as defined by  
15 K.S.A. 75-643, and amendments thereto, if, at the time of contribution to a  
16 family postsecondary education savings account, such amounts were  
17 subtracted from the federal adjusted gross income pursuant to subsection  
18 (c)(xv) or if such amounts are not already included in the federal adjusted  
19 gross income.

20 (xi) The amount of any contribution made to the same extent the  
21 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-  
22 50,154, and amendments thereto.

23 (xii) For taxable years commencing after December 31, 2004,  
24 amounts received as withdrawals not in accordance with the provisions of  
25 K.S.A. 74-50,204, and amendments thereto, if, at the time of contribution  
26 to an individual development account, such amounts were subtracted from  
27 the federal adjusted gross income pursuant to subsection (c)(xiii), or if  
28 such amounts are not already included in the federal adjusted gross  
29 income.

30 (xiii) The amount of any expenditures claimed for deduction in  
31 determining federal adjusted gross income, to the extent the same is  
32 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,217  
33 through 79-32,220 or 79-32,222, and amendments thereto.

34 (xiv) The amount of any amortization deduction claimed in  
35 determining federal adjusted gross income to the extent the same is  
36 claimed for deduction pursuant to K.S.A. 79-32,221, and amendments  
37 thereto.

38 (xv) The amount of any expenditures claimed for deduction in  
39 determining federal adjusted gross income, to the extent the same is  
40 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223  
41 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-  
42 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-  
43 32,251 through 79-32,254, and amendments thereto.

1 (xvi) The amount of any amortization deduction claimed in  
2 determining federal adjusted gross income to the extent the same is  
3 claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-  
4 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

5 (xvii) The amount of any amortization deduction claimed in  
6 determining federal adjusted gross income to the extent the same is  
7 claimed for deduction pursuant to K.S.A. 79-32,256, and amendments  
8 thereto.

9 (xviii) For taxable years commencing after December 31, 2006, the  
10 amount of any ad valorem or property taxes and assessments paid to a state  
11 other than Kansas or local government located in a state other than Kansas  
12 by a taxpayer who resides in a state other than Kansas, when the law of  
13 such state does not allow a resident of Kansas who earns income in such  
14 other state to claim a deduction for ad valorem or property taxes or  
15 assessments paid to a political subdivision of the state of Kansas in  
16 determining taxable income for income tax purposes in such other state, to  
17 the extent that such taxes and assessments are claimed as an itemized  
18 deduction for federal income tax purposes.

19 (xix) For taxable years beginning after December 31, 2012, and  
20 ending before January 1, 2017, the amount of any: (1) Loss from business  
21 as determined under the federal internal revenue code and reported from  
22 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
23 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
24 corporations, except those with wholly owned subsidiaries subject to the  
25 Kansas privilege tax, estates, trusts, residual interest in real estate  
26 mortgage investment conduits and net farm rental as determined under the  
27 federal internal revenue code and reported from schedule E and on line 17  
28 of the taxpayer's form 1040 federal individual income tax return; and (3)  
29 farm loss as determined under the federal internal revenue code and  
30 reported from schedule F and on line 18 of the taxpayer's form 1040  
31 federal income tax return; all to the extent deducted or subtracted in  
32 determining the taxpayer's federal adjusted gross income. For purposes of  
33 this subsection, references to the federal form 1040 and federal schedule  
34 C, schedule E, and schedule F, shall be to such form and schedules as they  
35 existed for tax year 2011, and as revised thereafter by the internal revenue  
36 service.

37 (xx) For taxable years beginning after December 31, 2012, and  
38 ending before January 1, 2017, the amount of any deduction for self-  
39 employment taxes under section 164(f) of the federal internal revenue  
40 code as in effect on January 1, 2012, and amendments thereto, in  
41 determining the federal adjusted gross income of an individual taxpayer, to  
42 the extent the deduction is attributable to income reported on schedule C,  
43 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income

1 tax return.

2 (xxi) For taxable years beginning after December 31, 2012, and  
3 ending before January 1, 2017, the amount of any deduction for pension,  
4 profit sharing, and annuity plans of self-employed individuals under  
5 section 62(a)(6) of the federal internal revenue code as in effect on January  
6 1, 2012, and amendments thereto, in determining the federal adjusted gross  
7 income of an individual taxpayer.

8 (xxii) For taxable years beginning after December 31, 2012, and  
9 ending before January 1, 2017, the amount of any deduction for health  
10 insurance under section 162(l) of the federal internal revenue code as in  
11 effect on January 1, 2012, and amendments thereto, in determining the  
12 federal adjusted gross income of an individual taxpayer.

13 (xxiii) For taxable years beginning after December 31, 2012, and  
14 ending before January 1, 2017, the amount of any deduction for domestic  
15 production activities under section 199 of the federal internal revenue code  
16 as in effect on January 1, 2012, and amendments thereto, in determining  
17 the federal adjusted gross income of an individual taxpayer.

18 (xxiv) For taxable years commencing after December 31, 2013, that  
19 portion of the amount of any expenditure deduction claimed in  
20 determining federal adjusted gross income for expenses paid for medical  
21 care of the taxpayer or the taxpayer's spouse or dependents when such  
22 expenses were paid or incurred for an abortion, or for a health benefit plan,  
23 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of  
24 an optional rider for coverage of abortion in accordance with K.S.A. 40-  
25 2,190, and amendments thereto, to the extent that such taxes and  
26 assessments are claimed as an itemized deduction for federal income tax  
27 purposes.

28 (xxv) For taxable years commencing after December 31, 2013, that  
29 portion of the amount of any expenditure deduction claimed in  
30 determining federal adjusted gross income for expenses paid by a taxpayer  
31 for health care when such expenses were paid or incurred for abortion  
32 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and  
33 amendments thereto, when such expenses were paid or incurred for  
34 abortion coverage or amounts contributed to health savings accounts for  
35 such taxpayer's employees for the purchase of an optional rider for  
36 coverage of abortion in accordance with K.S.A. 40-2,190, and  
37 amendments thereto, to the extent that such taxes and assessments are  
38 claimed as a deduction for federal income tax purposes.

39 (xxvi) For all taxable years beginning after December 31, 2016, the  
40 amount of any charitable contribution made to the extent the same is  
41 claimed as the basis for the credit allowed pursuant to K.S.A. 72-4357, and  
42 amendments thereto, and is also claimed as an itemized deduction for  
43 federal income tax purposes.

1 (xxvii) For all taxable years commencing after December 31, 2020,  
2 the amount of any interest expense paid or accrued in a previous taxable  
3 year but allowed as a deduction pursuant to section 163 of the federal  
4 internal revenue code in the current taxable year by reason of the  
5 carryforward of disallowed business interest pursuant to section 163(j)  
6 of the federal internal revenue code. For purposes of this paragraph, an  
7 interest expense is considered paid or accrued only in the first taxable year  
8 the deduction would have been allowable pursuant to section 163 of the  
9 federal internal revenue code if the limitation pursuant to section 163(j) of  
10 the federal internal revenue code did not exist.

11 (xxviii) For all taxable years beginning after December 31, 2021, the  
12 amount of any contributions to, or earnings from, a first-time home buyer  
13 savings account if distributions from the account were not used to pay for  
14 expenses or transactions authorized pursuant to K.S.A. 2024 Supp. 58-  
15 4904, and amendments thereto, or were not held for the minimum length  
16 of time required pursuant to K.S.A. 2024 Supp. 58-4904, and amendments  
17 thereto. Contributions to, or earnings from, such account shall also include  
18 any amount resulting from the account holder not designating a surviving  
19 payable on death beneficiary pursuant to K.S.A. 2024 Supp. 58-4904(e),  
20 and amendments thereto.

21 (xxix) For all taxable years beginning after December 31, 2024, the  
22 amount of any contributions to, or earnings from, an adoption savings  
23 account if distributions from the account were not used to pay for expenses  
24 or transactions authorized pursuant to K.S.A. 2024 Supp. 38-2504, and  
25 amendments thereto, or were not held for the minimum length of time  
26 required pursuant to K.S.A. 2024 Supp. 38-2504, and amendments thereto.  
27 Contributions to, or earnings from, such account shall also include any  
28 amount resulting from the account holder not designating a surviving  
29 payable on death beneficiary pursuant to K.S.A. 2024 Supp. 38-2504(e),  
30 and amendments thereto.

31 (xxx) *For all taxable years beginning after December 31, 2025, the*  
32 *amount of any distributions or withdrawals from an insurance savings*  
33 *account that were not used to pay for expenses or transactions authorized*  
34 *pursuant to section 4, and amendments thereto. Such amount shall also*  
35 *include any amount resulting from the account holder not designating a*  
36 *surviving payable on death beneficiary pursuant to section 4(d), and*  
37 *amendments thereto.*

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

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



1 United States.

2 (ii) Any amounts received which are included in federal adjusted  
3 gross income but which are specifically exempt from Kansas income  
4 taxation under the laws of the state of Kansas.

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

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

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

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

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

32 (viii) Amounts received by retired railroad employees as a  
33 supplemental annuity under the provisions of 45 U.S.C. §§ 228b(a) and  
34 228c(a)(1) et seq.

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

40 (x) (1) For taxable years beginning after December 31, 2021, the  
41 amount of any federal credit disallowance under the provisions of 26  
42 U.S.C. § 280C(a).

43 (2) For taxable years beginning after December 31, 2019, and ending

1 before January 1, 2022, 50% of the amount of the federal employee  
2 retention credit disallowance under rules similar to the rules of 26 U.S.C. §  
3 280C(a). The taxpayer shall be required to prove that such taxpayer  
4 previously filed Kansas income tax returns and paid Kansas income tax on  
5 the disallowed amount. Notwithstanding any other provision of law to the  
6 contrary, any claim for refund or amended return relating to this  
7 subparagraph shall be allowed to be filed on or before April 15, 2025, and  
8 no claim for refund or amended return shall be allowed or filed after April  
9 15, 2025.

10 (xi) For taxable years beginning after December 31, 1986, dividend  
11 income on stock issued by Kansas venture capital, inc.

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

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

20 (xiv) For all taxable years commencing after December 31, 1996, that  
21 portion of any income of a bank organized under the laws of this state or  
22 any other state, a national banking association organized under the laws of  
23 the United States, an association organized under the savings and loan  
24 code of this state or any other state, or a federal savings association  
25 organized under the laws of the United States, for which an election as an  
26 S corporation under subchapter S of the federal internal revenue code is in  
27 effect, which accrues to the taxpayer who is a stockholder of such  
28 corporation and which is not distributed to the stockholders as dividends of  
29 the corporation. For taxable years beginning after December 31, 2012, and  
30 ending before January 1, 2017, the amount of modification under this  
31 subsection shall exclude the portion of income or loss reported on schedule  
32 E and included on line 17 of the taxpayer's form 1040 federal individual  
33 income tax return.

34 (xv) The cumulative amounts not exceeding \$3,000, or \$6,000 for a  
35 married couple filing a joint return, for each designated beneficiary that  
36 are contributed to: (1) A family postsecondary education savings account  
37 established under the Kansas postsecondary education savings program or  
38 a qualified tuition program established and maintained by another state or  
39 agency or instrumentality thereof pursuant to section 529 of the internal  
40 revenue code of 1986, as amended, for the purpose of paying the qualified  
41 higher education expenses of a designated beneficiary; or (2) an achieving  
42 a better life experience (ABLE) account established under the Kansas  
43 ABLE savings program or a qualified ABLE program established and

1 maintained by another state or agency or instrumentality thereof pursuant  
2 to section 529A of the internal revenue code of 1986, as amended, for the  
3 purpose of saving private funds to support an individual with a disability.  
4 The terms and phrases used in this paragraph shall have the meaning  
5 respectively ascribed thereto by the provisions of K.S.A. 75-643 and 75-  
6 652, and amendments thereto, and the provisions of such sections are  
7 hereby incorporated by reference for all purposes thereof. For all taxable  
8 years beginning after December 31, 2022, contributions made to a  
9 qualified tuition program account or a qualified ABLE program account  
10 pursuant to this paragraph on and after January 1 but prior to the date  
11 required for filing a return pursuant to K.S.A. 79-3221, and amendments  
12 thereto, of the successive taxable year may be elected by the taxpayer to  
13 apply to the prior taxable year if such election is made at the time of filing  
14 the return. No contribution shall be used as a modification pursuant to this  
15 paragraph in more than one taxable year.

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

26 (xvii) For all taxable years beginning after December 31, 2004,  
27 amounts received by taxpayers who are eligible members of the Kansas  
28 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
29 281, and amendments thereto, and amounts received for death benefits  
30 pursuant to K.S.A. 48-282, and amendments thereto, to the extent that  
31 such death benefits are included in federal adjusted gross income of the  
32 taxpayer.

33 (xviii) (A) For all taxable years beginning after December 31, 2007,  
34 and ending before January 1, 2024, amounts received as benefits under the  
35 federal social security act which are included in federal adjusted gross  
36 income of a taxpayer with federal adjusted gross income of \$75,000 or  
37 less, whether such taxpayer's filing status is single, head of household,  
38 married filing separate or married filing jointly.

39 (B) For all taxable years beginning after December 31, 2023, amounts  
40 received as benefits under the federal social security act that are included  
41 in federal adjusted gross income of a taxpayer.

42 (xix) Amounts received by retired employees of Washburn university  
43 as retirement and pension benefits under the university's retirement plan.

1 (xx) For taxable years beginning after December 31, 2012, and  
2 ending before January 1, 2017, the amount of any: (1) Net profit from  
3 business as determined under the federal internal revenue code and  
4 reported from schedule C and on line 12 of the taxpayer's form 1040  
5 federal individual income tax return; (2) net income, not including  
6 guaranteed payments as defined in section 707(c) of the federal internal  
7 revenue code and as reported to the taxpayer from federal schedule K-1,  
8 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal  
9 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,  
10 partnerships, S corporations, estates, trusts, residual interest in real estate  
11 mortgage investment conduits and net farm rental as determined under the  
12 federal internal revenue code and reported from schedule E and on line 17  
13 of the taxpayer's form 1040 federal individual income tax return; and (3)  
14 net farm profit as determined under the federal internal revenue code and  
15 reported from schedule F and on line 18 of the taxpayer's form 1040  
16 federal income tax return; all to the extent included in the taxpayer's  
17 federal adjusted gross income. For purposes of this subsection, references  
18 to the federal form 1040 and federal schedule C, schedule E, and schedule  
19 F, shall be to such form and schedules as they existed for tax year 2011  
20 and as revised thereafter by the internal revenue service.

21 (xxi) For all taxable years beginning after December 31, 2013,  
22 amounts equal to the unreimbursed travel, lodging and medical  
23 expenditures directly incurred by a taxpayer while living, or a dependent  
24 of the taxpayer while living, for the donation of one or more human organs  
25 of the taxpayer, or a dependent of the taxpayer, to another person for  
26 human organ transplantation. The expenses may be claimed as a  
27 subtraction modification provided for in this section to the extent the  
28 expenses are not already subtracted from the taxpayer's federal adjusted  
29 gross income. In no circumstances shall the subtraction modification  
30 provided for in this section for any individual, or a dependent, exceed  
31 \$5,000. As used in this section, "human organ" means all or part of a liver,  
32 pancreas, kidney, intestine, lung or bone marrow. The provisions of this  
33 paragraph shall take effect on the day the secretary of revenue certifies to  
34 the director of the budget that the cost for the department of revenue of  
35 modifications to the automated tax system for the purpose of  
36 implementing this paragraph will not exceed \$20,000.

37 (xxii) For taxable years beginning after December 31, 2012, and  
38 ending before January 1, 2017, the amount of net gain from the sale of: (1)  
39 Cattle and horses, regardless of age, held by the taxpayer for draft,  
40 breeding, dairy or sporting purposes, and held by such taxpayer for 24  
41 months or more from the date of acquisition; and (2) other livestock,  
42 regardless of age, held by the taxpayer for draft, breeding, dairy or  
43 sporting purposes, and held by such taxpayer for 12 months or more from

1 the date of acquisition. The subtraction from federal adjusted gross income  
2 shall be limited to the amount of the additions recognized under the  
3 provisions of subsection (b)(xix) attributable to the business in which the  
4 livestock sold had been used. As used in this paragraph, the term  
5 "livestock" shall not include poultry.

6 (xxiii) For all taxable years beginning after December 31, 2012,  
7 amounts received under either the Overland Park, Kansas police  
8 department retirement plan or the Overland Park, Kansas fire department  
9 retirement plan, both as established by the city of Overland Park, pursuant  
10 to the city's home rule authority.

11 (xxiv) For taxable years beginning after December 31, 2013, and  
12 ending before January 1, 2017, the net gain from the sale from Christmas  
13 trees grown in Kansas and held by the taxpayer for six years or more.

14 (xxv) For all taxable years commencing after December 31, 2020,  
15 100% of global intangible low-taxed income under section 951A of the  
16 federal internal revenue code of 1986, before any deductions allowed  
17 under section 250(a)(1)(B) of such code.

18 (xxvi) (1) For all taxable years commencing after December 31,  
19 2020, the amount of any interest expense paid or accrued in the current  
20 taxable year and disallowed as a deduction pursuant to section 163(j) of  
21 the federal internal revenue code.

22 (2) For purposes of this paragraph, an interest expense is considered  
23 paid or accrued only in the first taxable year the deduction would have  
24 been allowable pursuant to section 163 of the federal internal revenue code  
25 if the limitation pursuant to section 163(j) of the federal internal revenue  
26 code did not exist.

27 (3) For tax year 2021, an amount equal to the sum of any interest  
28 expenses paid or accrued in tax years 2018, 2019 and 2020 less the sum of  
29 amounts allowed as a deduction pursuant to section 163 of the federal  
30 internal revenue code in tax years 2018, 2019 and 2020.

31 (xxvii) For taxable years commencing after December 31, 2020, the  
32 amount disallowed as a deduction pursuant to section 274 of the federal  
33 internal revenue code of 1986 for meal expenditures shall be allowed to  
34 the extent such expense was deductible for determining federal income tax  
35 and was allowed and in effect on December 31, 2017.

36 (xxviii) For all taxable years beginning after December 31, 2021: (1)  
37 The amount contributed to a first-time home buyer savings account  
38 pursuant to K.S.A. 2024 Supp. 58-4903, and amendments thereto, in an  
39 amount not to exceed \$3,000 for an individual or \$6,000 for a married  
40 couple filing a joint return; or (2) amounts received as income earned from  
41 assets in a first-time home buyer savings account. For all taxable years  
42 beginning after December 31, 2022, contributions made to a first-time  
43 home buyer savings account pursuant to subparagraph (1) on and after

1 January 1 but prior to the date required for filing a return pursuant to  
2 K.S.A. 79-3221, and amendments thereto, of the successive taxable year  
3 may be elected by the taxpayer to apply to the prior taxable year if such  
4 election is made at the time of filing the return. No contribution shall be  
5 used as a modification pursuant to subparagraph (1) in more than one  
6 taxable year.

7 (xxix) For taxable years beginning after December 31, 2017, for an  
8 individual taxpayer who carried back federal net operating losses arising in  
9 a taxable year beginning after December 31, 2017, and before January 1,  
10 2021, pursuant to section 172(b)(1) of the federal internal revenue code as  
11 amended by the coronavirus aid, relief, and economic security act  
12 (CARES act), the amount of such federal net operating loss carryback for  
13 each applicable year. If the amount of such federal net operating loss  
14 carryback exceeds the taxpayer's Kansas adjusted gross income for such  
15 taxable year, the amount thereof that exceeds such Kansas adjusted gross  
16 income may be carried forward as a subtraction modification in the  
17 following taxable year or years until the total amount of such federal net  
18 operating loss carryback has been deducted, except that no such unused  
19 amount shall be carried forward for deduction as a subtraction  
20 modification after the 20<sup>th</sup> taxable year following the taxable year of the  
21 net operating loss. Notwithstanding any other provision of law to the  
22 contrary, an extension of time shall be allowed for a claim for refund or  
23 amended return for tax years 2018, 2019 or 2020 limited to the application  
24 of the provisions of this paragraph and such claim for refund or amended  
25 return must be filed on or before April 15, 2025.

26 (xxx) For all taxable years beginning after December 31, 2024: (1)  
27 The amount contributed to an adoption savings account pursuant to K.S.A.  
28 2024 Supp. 38-2503, and amendments thereto, in an amount not to exceed  
29 \$6,000 for an individual or \$12,000 for a married couple filing a joint  
30 return; or (2) amounts received as income earned from assets in an  
31 adoption savings account.

32 (xxxi) *For all taxable years beginning after December 31, 2025: (1)*  
33 *The amount contributed to an insurance savings account pursuant to*  
34 *section 3, and amendments thereto, in an amount not to exceed \$6,000 for*  
35 *an individual or \$12,000 for a married couple filing a joint return; or (2)*  
36 *amounts received as income earned from assets in an insurance savings*  
37 *account, excluding amounts received as income earned from excess*  
38 *contributions.*

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

43 (e) The amount of modifications required to be made under this

1 section by a partner which relates to items of income, gain, loss, deduction  
2 or credit of a partnership shall be determined under K.S.A. 79-32,131, and  
3 amendments thereto, to the extent that such items affect federal adjusted  
4 gross income of the partner.

5 Sec. 9. K.S.A. 2024 Supp. 79-32,138 is hereby amended to read as  
6 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable  
7 under this act shall be the corporation's federal taxable income for the  
8 taxable year with the modifications specified in this section, except that in  
9 determination of such federal taxable income for all taxable years  
10 commencing after December 31, 2020, section 118 of the federal internal  
11 revenue code of 1986 shall be applied as in effect on December 21, 2017.

12 (b) There shall be added to federal taxable income:

13 (i) The same modifications as are set forth in K.S.A. 79-32,117(b),  
14 and amendments thereto, with respect to resident individuals, except  
15 subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

16 (ii) the amount of all depreciation deductions claimed for any  
17 property upon which the deduction allowed by K.S.A. 79-32,221, 79-  
18 32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-  
19 32,256, and amendments thereto, is claimed;

20 (iii) the amount of any charitable contribution deduction claimed for  
21 any contribution or gift to or for the use of any racially segregated  
22 educational institution;

23 (iv) for taxable years commencing December 31, 2013, that portion  
24 of the amount of any expenditure deduction claimed in determining federal  
25 adjusted gross income for expenses paid by a taxpayer for health care  
26 when such expenses were paid or incurred for abortion coverage, a health  
27 benefit plan, as defined in K.S.A. 65-6731, and amendments thereto, when  
28 such expenses were paid or incurred for abortion coverage or amounts  
29 contributed to health savings accounts for such taxpayer's employees for  
30 the purchase of an optional rider for coverage of abortion in accordance  
31 with K.S.A. 40-2,190, and amendments thereto;

32 (v) the amount of any charitable contribution deduction claimed for  
33 any contribution or gift made to a scholarship granting organization to the  
34 extent the same is claimed as the basis for the credit allowed pursuant to  
35 K.S.A. 72-4357, and amendments thereto;

36 (vi) the federal net operating loss deduction; ~~and~~

37 (vii) for all taxable years commencing after December 31, 2020, the  
38 amount of any deduction claimed under section 250(a)(1)(B) of the federal  
39 internal revenue code of 1986; *and*

40 (viii) *for all taxable years commencing after December 31, 2025, the*  
41 *amount of any distributions or withdrawals from an insurance savings*  
42 *account that were not used to pay for expenses or transactions authorized*  
43 *pursuant to section 4, and amendments thereto.*

1 (c) There shall be subtracted from federal taxable income:

2 (i) The same modifications as are set forth in K.S.A. 79-32,117(c),  
3 and amendments thereto, with respect to resident individuals, except  
4 subsection (c)(xx);

5 (ii) the federal income tax liability for any taxable year commencing  
6 prior to December 31, 1971, for which a Kansas return was filed after  
7 reduction for all credits thereon, except credits for payments on estimates  
8 of federal income tax, credits for gasoline and lubricating oil tax, and for  
9 foreign tax credits if, on the Kansas income tax return for such prior year,  
10 the federal income tax deduction was computed on the basis of the federal  
11 income tax paid in such prior year, rather than as accrued. Notwithstanding  
12 the foregoing, the deduction for federal income tax liability for any year  
13 shall not exceed that portion of the total federal income tax liability for  
14 such year which bears the same ratio to the total federal income tax  
15 liability for such year as the Kansas taxable income, as computed before  
16 any deductions for federal income taxes and after application of  
17 subsections (d) and (e) as existing for such year, bears to the federal  
18 taxable income for the same year;

19 (iii) an amount for the amortization deduction allowed pursuant to  
20 K.S.A. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-  
21 32,250, 79-32,255 or 79-32,256, and amendments thereto;

22 (iv) for all taxable years commencing after December 31, 1987, the  
23 amount included in federal taxable income pursuant to the provisions of  
24 section 78 of the internal revenue code;

25 (v) 80% of dividends from corporations incorporated outside of the  
26 United States or the District of Columbia which are included in federal  
27 taxable income. As used in this paragraph, "dividends" includes amounts  
28 included in income under section 965 of the federal internal revenue code  
29 of 1986, net of the deduction permitted by section 965(c) of the federal  
30 internal revenue code of 1986. For all taxable years commencing after  
31 December 31, 2020, this paragraph does not apply to amounts excluded  
32 from income pursuant to K.S.A. 79-32,117(c)(xxv), and amendments  
33 thereto, or amounts added back pursuant to K.S.A. 79-32,138(b)(vii), and  
34 amendments thereto; ~~and~~

35 (vi) for all taxable years commencing after December 31, 2020, the  
36 amount disallowed as a deduction pursuant to section 162(r) of the federal  
37 internal revenue code of 1986, as in effect on January 1, 2018; *and*

38 (vii) *for all taxable years commencing after December 31, 2025: (1)*  
39 *The amount contributed to an insurance savings account pursuant to*  
40 *section 3, and amendments thereto, in an amount not to exceed \$25,000;*  
41 *or (2) amounts received as income earned from assets in an insurance*  
42 *savings account, excluding amounts received as income earned from*  
43 *excess contributions.*



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

12 (e) A corporation may make an election with respect to its first  
13 taxable year commencing after December 31, 1982, whereby no addition  
14 modifications as provided for in subsection (b)(ii) and subtraction  
15 modifications as provided for in subsection (c)(iii) as those subsections  
16 existed prior to their amendment by this act, shall be required to be made  
17 for such taxable year.

18 Sec. 10. K.S.A. 2024 Supp. 79-32,117 and 79-32,138 are hereby  
19 repealed.

20 Sec. 11. This act shall take effect and be in force from and after its  
21 publication in the statute book.