

HOUSE BILL No. 2747

By Committee on Taxation

2-14

Proposed Committee Amendments to

HB No. 2747

Prepared by Gordon Self

First Assistant Revisor

Office of Revisor of Statutes

February 20, 2012

1 AN ACT concerning taxation; relating to income and privilege tax rates;
2 income tax deductions and credits and income determination;
3 distribution of sales and use tax revenue; severance tax, exemptions;
4 rural opportunity zones; amending K.S.A. 79-32,128 and K.S.A. 2011
5 Supp. 74-50,222, 79-1107, 79-1108, 79-32,110, 79-32,111, 79-32,117,
6 79-32,119, 79-32,205, 79-3620, 79-3710 and 79-4217 and repealing the
7 existing sections.
8

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

10 New Section 1. (a) (1) Except as provided in subsection (a)(2),
11 commencing with fiscal year 2012, in any fiscal year in which the amount
12 of selected actual state general fund receipts from such fiscal year exceeds
13 the selected actual state general fund receipts for the immediately
14 preceding fiscal year by more than 2%, the director of legislative research
15 shall certify such excess amount to the secretary of revenue and the
16 director of the budget. Upon receipt of such certified amount, the secretary
17 shall compute the excess percentage increase in selected actual state
18 general fund receipts above 2%. Based on such excess percentage of
19 calculated receipt growth, the secretary shall compute the income tax rate
20 reductions to go into effect for the next tax year that would reduce by such
21 certified amount the tax rates during the fiscal year after the next fiscal
22 year according to the provisions of this section, as follows: (A) Rate
23 reductions for individual income tax rates shall be applied to reduce the
24 middle marginal income tax rate applicable to the current tax year by such
25 excess percentage, the highest marginal income tax rate applicable to the
26 current tax year, by such excess percentage minus 0.5%, and the lowest
27 marginal income tax rate applicable to the current tax year by such excess
28 percentage plus 0.5%. In any such computation by the secretary pursuant
29 to this subsection in which the income tax rate for any individual marginal
30 income tax rate is below 0.4%, such rate shall be 0%. Based on all such
31 determinations, the secretary shall reduce individual income tax rates
32 prescribed by K.S.A. 79-32,110, and amendments thereto, as required by
33 this section;

34 (B) upon all individual marginal income tax rates being reduced to
35 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next
36 shall be applied for the surtax on corporations applicable to the current tax

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. 2011 Supp. 79-32,227, 79-
 4 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
 5 thereto.

6 (xvii) The amount of any amortization deduction claimed in
 7 determining federal adjusted gross income to the extent the same is
 8 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,256, and
 9 amendments thereto.

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

20 (xiv) ~~For tax years 2013, 2014 and 2015, for a taxpayer with federal~~
 21 ~~adjusted gross income less than \$100,000, for tax years 2016 and 2017,~~
 22 ~~for a taxpayer with federal adjusted gross income less than \$250,000, and~~
 23 ~~for tax year 2018, and all tax years thereafter, the amount of any: (1) Loss~~
 24 ~~from business as determined under the federal internal revenue code and~~
 25 ~~reported from schedule C and on line 12 of the taxpayer's form 1040~~
 26 ~~federal individual income tax return; (2) loss from rental real estate,~~
 27 ~~royalties, partnerships, S corporations, estates, trusts, residual interest in~~
 28 ~~real estate mortgage investment conduits and net farm rental as~~
 29 ~~determined under the federal internal revenue code and reported from~~
 30 ~~schedule E and on line 17 of the taxpayer's form 1040 federal individual~~
 31 ~~income tax return; and (3) farm loss as determined under the federal~~
 32 ~~internal revenue code and reported from schedule F and on line 18 of the~~
 33 ~~taxpayer's form 1040 federal income tax return; all to the extent deducted~~
 34 ~~or subtracted in determining the taxpayer's federal adjusted gross income.~~
 35 ~~For purposes of this subsection, references to the federal form 1040 and~~
 36 ~~federal schedule C, schedule E, and schedule F, shall be to such form and~~
 37 ~~schedules as they existed for tax year 2011, and as revised thereafter by~~
 38 ~~the internal revenue service.~~

39 (xx) ~~For tax years 2013, 2014 and 2015, for a taxpayer with federal~~
 40 ~~adjusted gross income less than \$100,000, for tax years 2016 and 2017,~~
 41 ~~for a taxpayer with federal adjusted gross income less than \$250,000, and~~
 42 ~~for tax year 2018, and all tax years thereafter, the amount of any~~
 43 ~~deduction for self-employment taxes under section 164(f) of the federal~~

up to \$100,000 for tax years 2013, 2014 and 2015, and up to
 \$250,000 for tax years 2016 and 2017

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 \$250,000 for tax years 2016 and 2017

up to \$100,000 for tax years 2013, 2014 and 2015, and up to
 \$250,000 for tax years 2016 and 2017

For a taxpayer who takes a modification
 pursuant to subsection (b)(xix) or (c)(xxi)

1 internal revenue code as in effect on January 1, 2012, and amendments
2 thereto, in determining the federal adjusted gross income of an individual
3 taxpayer.

4 ~~(xxi) For tax years 2013, 2014 and 2015, for a taxpayer with federal~~
5 ~~adjusted gross income less than \$100,000, for tax years 2016 and 2017,~~
6 ~~for a taxpayer with federal adjusted gross income less than \$250,000, and~~
7 ~~for tax year 2018, and all tax years thereafter the amount of any~~
8 ~~deduction for pension, profit sharing, and annuity plans of self-employed~~
9 ~~individuals under section 62(a)(6) of the federal internal revenue code as~~
10 ~~in effect on January 1, 2012, and amendments thereto, in determining the~~
11 ~~federal adjusted gross income of an individual taxpayer:~~

12 (xvii) ~~For tax years 2013, 2014 and 2015, for a taxpayer with federal~~
13 ~~adjusted gross income less than \$100,000, for tax years 2016 and 2017,~~
14 ~~for a taxpayer with federal adjusted gross income less than \$250,000, and~~
15 ~~for tax year 2018, and all tax years thereafter the amount of any~~
16 ~~deduction for health insurance under section 162(f) of the federal internal~~
17 ~~revenue code as in effect on January 1, 2012, and amendments thereto, in~~
18 ~~determining the federal adjusted gross income of an individual taxpayer:~~

19 (xviii) ~~For tax years 2013, 2014 and 2015, for a taxpayer with~~
20 ~~federal adjusted gross income less than \$100,000, for tax years 2016 and~~
21 ~~2017, for a taxpayer with federal adjusted gross income less than~~
22 ~~\$250,000, and for tax year 2018, and all tax years thereafter the amount~~
23 ~~of any deduction for domestic production activities under section 199 of~~
24 ~~the federal internal revenue code as in effect on January 1, 2012, and~~
25 ~~amendments thereto, in determining the federal adjusted gross income of~~
26 ~~an individual taxpayer:~~

27 (c) There shall be subtracted from federal adjusted gross income:
28 (i) Interest or dividend income on obligations or securities of any
29 authority, commission or instrumentality of the United States and its
30 possessions less any related expenses directly incurred in the purchase of
31 such obligations or securities, to the extent included in federal adjusted
32 gross income but exempt from state income taxes under the laws of the
33 United States.

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

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

For a taxpayer who takes a modification pursuant to subsection (b)(xix) or (c)(xxi)

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(xiv) For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation. ~~For tax years 2013, 2014 and 2015, for a taxpayer with federal adjusted gross income less than \$100,000; for tax years 2016 and 2017, for a taxpayer with federal adjusted gross income less than \$250,000; and for tax year 2018, and all tax years thereafter, the amount of modification under this subsection shall exclude the portion of income or loss reported on schedule E and included on line 17 of the taxpayer's form 1040 federal individual income tax return.~~

taken as a subtraction modification pursuant to subsection (c)(xxi)

(xv) For all taxable years beginning after December 31, 2006, amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for each designated beneficiary, which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program or a qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as amended, for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2011 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

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

(xvii) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are or were members of the armed forces of the United States, including service in the Kansas army and air national guard, as a recruitment, sign up or retention bonus received by

1 such taxpayer as an incentive to join, enlist or remain in the armed services
 2 of the United States, including service in the Kansas army and air national
 3 guard, and amounts received for repayment of educational or student loans
 4 incurred by or obligated to such taxpayer and received by such taxpayer as
 5 a result of such taxpayer's service in the armed forces of the United States,
 6 including service in the Kansas army and air national guard.

7 (xviii) For all taxable years beginning after December 31, 2004,
 8 amounts received by taxpayers who are eligible members of the Kansas
 9 army and air national guard as a reimbursement pursuant to K.S.A. 48-
 10 281, and amendments thereto, and amounts received for death benefits
 11 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
 12 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
 13 amendments thereto, to the extent that such death benefits are included in
 14 federal adjusted gross income of the taxpayer.

15 (xix) For the taxable year beginning after December 31, 2006,
 16 amounts received as benefits under the federal social security act which
 17 are included in federal adjusted gross income of a taxpayer with federal
 18 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
 19 status is single, head of household, married filing separate or married filing
 20 jointly; and for all taxable years beginning after December 31, 2007,
 21 amounts received as benefits under the federal social security act which
 22 are included in federal adjusted gross income of a taxpayer with federal
 23 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
 24 status is single, head of household, married filing separate or married filing
 25 jointly.

26 (xx) Amounts received by retired employees of Washburn university
 27 as retirement and pension benefits under the university's retirement plan.

28 (xvi) ~~For tax years 2013, 2014 and 2015, for a taxpayer with federal~~
 29 ~~adjusted gross income less than \$100,000, for tax years 2016 and 2017,~~
 30 ~~for a taxpayer with federal adjusted gross income less than \$250,000, and~~
 31 ~~for tax year 2018, and all tax years thereafter, the amount of any: (1) Net~~

32 ~~profit from business as determined under the federal internal revenue code~~
 33 ~~and reported from schedule C and on line 12 of the taxpayer's form 1040~~
 34 ~~federal individual income tax return; (2) net income from rental real~~
 35 ~~estate, royalties, partnerships, S corporations, estates, trusts, residual~~

36 ~~interest in real estate mortgage investment conduits and net farm rental as~~
 37 ~~determined under the federal internal revenue code and reported from~~
 38 ~~schedule E and on line 17 of the taxpayer's form 1040 federal individual~~
 39 ~~income tax return; and (3) net farm profit as determined under the federal~~
 40 ~~internal revenue code and reported from schedule F and on line 18 of the~~
 41 ~~taxpayer's form 1040 federal income tax return; all to the extent included~~
 42 ~~in the taxpayer's federal adjusted gross income. For purposes of this~~
 43 ~~subsection, references to the federal form 1040 and federal schedule C,~~

The
 not to exceed \$100,00 for tax years 2013,
 2014 and 2015, not exceed \$250,000 for tax
 years 2016 and 2017,

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