

House Substitute for SENATE BILL No. 177

By Committee on Taxation

2-23

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 79-32,176
5 and K.S.A. 2011 Supp. 40-2246, 74-50,222, 79-1107, 79-1108, 79-
6 32,110, 79-32,111, 79-32,117, 79-32,119, 79-32,138, 79-32,143, 79-
7 32,197, 79-32,205, 79-32,210, 79-3620, 79-3635, 79-3710 and 79-4217
8 and repealing the existing sections.
9

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

11 New Section 1. (a) (1) Except as provided in subsection (a)(2),
12 commencing with fiscal year 2012, in any fiscal year in which the amount
13 of selected actual state general fund receipts from such fiscal year exceeds
14 the selected actual state general fund receipts for the immediately
15 preceding fiscal year by more than 2%, the director of legislative research
16 shall certify such excess amount to the secretary of revenue and the
17 director of the budget. Upon receipt of such certified amount, the secretary
18 shall compute the excess percentage increase in selected actual state
19 general fund receipts above 2%. Based on such excess percentage of
20 calculated receipt growth, the secretary shall compute the income tax rate
21 reductions to go into effect for the next tax year that would reduce by such
22 certified amount the tax rates during the fiscal year after the next fiscal
23 year according to the provisions of this section, as follows: (A) Rate
24 reductions for individual income tax rates shall be applied to reduce the
25 middle marginal income tax rate applicable to the current tax year by such
26 excess percentage, the highest marginal income tax rate applicable to the
27 current tax year, by such excess percentage minus 0.5%, and the lowest
28 marginal income tax rate applicable to the current tax year by such excess
29 percentage plus 0.5%, except that in no case shall such excess percentage
30 plus 0.5% result in an income tax rate increase. In any such computation
31 by the secretary pursuant to this subsection in which the income tax rate
32 for any individual marginal income tax rate is below 0.4%, such rate shall
33 be 0%. Based on all such determinations, the secretary shall reduce
34 individual income tax rates prescribed by K.S.A. 79-32,110, and
35 amendments thereto, as required by this section;

36 (B) upon all individual marginal income tax rates being reduced to

1 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next
2 shall be applied for the surtax on corporations applicable to the current tax
3 year by such excess percentage. In any such computation by the secretary
4 pursuant to this subsection in which the surtax is below 0.4%, such surtax
5 rate shall be 0%. Based on such determination, the secretary shall reduce
6 the surtax on corporations prescribed by K.S.A. 79-32,110, and
7 amendments thereto, as required by this section; and

8 (C) upon the surtax on corporations being reduced to a rate which
9 when combined with the normal tax rate on corporations is equal to or
10 below the combined surtax and normal tax imposed on national banking
11 associations and state banks or is equal to or below the combined surtax
12 and normal tax imposed on trust companies and savings and loan
13 associations, rate reductions shall be proportionately applied for the tax on
14 corporations, the tax on national banking associations and state banks, and
15 the tax on trust companies and savings and loan associations. Such rate
16 reductions shall be first applied to the surtax until reduced to 0% and then
17 applied to the normal tax for each such tax. In any such computation by
18 the secretary pursuant to this subsection in which any such tax is below
19 0.4%, such tax rate shall be 0%. Based on such determination, the
20 secretary shall reduce the surtax and the normal tax on corporations
21 prescribed by K.S.A. 79-32,110, and amendments thereto, the surtax and
22 normal tax on national banking associations and state banks prescribed by
23 K.S.A. 79-1107, and amendments thereto, and the surtax and normal tax
24 on trust companies and savings and loan associations prescribed by K.S.A.
25 79-1108, and amendments thereto, as required by this section.

26 (2) In any fiscal year in which the amount of selected actual state
27 general fund receipts for such fiscal year are 102% or less than the selected
28 actual state general fund receipts from the immediately preceding fiscal
29 year, the director of legislative research shall certify such amount and fact
30 to the secretary of revenue and the director of the budget. Upon receipt of
31 such amount and fact, the secretary of revenue shall not make any
32 adjustment to the income tax rates for that tax year.

33 (b) The secretary of revenue shall report any reduction in income tax
34 rates prescribed by this section to the chairperson of the assessment and
35 taxation committee of the senate, the chairperson of the taxation
36 committee of the house of representatives and the governor, and shall
37 cause notice of any such reduction to be published in the Kansas register
38 prior to September 15 of the calendar year immediately preceding the tax
39 year in which such reduction takes effect.

40 (c) As used in this section, "selected actual state general fund
41 receipts" means receipts from the following taxes and fees: Individual and
42 corporation income taxes imposed under K.S.A. 79-32,110, and
43 amendments thereto, financial institutions privilege taxes imposed under

1 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
2 thereto, retail sales taxes imposed under K.S.A. 79-3601 *et seq.*, and
3 amendments thereto, compensating use taxes imposed under K.S.A. 79-
4 3701 *et seq.*, and amendments thereto, cigarette and tobacco product taxes
5 imposed under K.S.A. 79-3301 *et seq.*, and amendments thereto, cereal
6 malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 *et*
7 *seq.*, and amendments thereto, liquor enforcement taxes imposed under
8 K.S.A. 79-4101 *et seq.*, and amendments thereto, liquor drink taxes
9 imposed under K.S.A. 79-41a01 *et seq.*, and amendments thereto,
10 corporation franchise taxes imposed under K.S.A. 79-5401, and
11 amendments thereto, annual franchise fees charged pursuant to law and
12 mineral severance taxes imposed under K.S.A. 79-4216 *et seq.*, and
13 amendments thereto.

14 Sec. 2. K.S.A. 2011 Supp. 40-2246 is hereby amended to read as
15 follows: 40-2246. (a) A credit against the taxes otherwise due under the
16 Kansas income tax act shall be allowed to an employer for amounts paid
17 during the taxable year for purposes of this act on behalf of an eligible
18 employee as defined in K.S.A. 40-2239, and amendments thereto, to
19 provide health insurance or care and amounts contributed to health savings
20 accounts of eligible covered employees.

21 (b) (1) For employers that have established a small employer health
22 benefit plan after December 31, 1999, but prior to January 1, 2005, the
23 amount of the credit allowed by subsection (a) shall be \$35 per month per
24 eligible covered employee or 50% of the total amount paid by the
25 employer during the taxable year, whichever is less, for the first two years
26 of participation. In the third year, the credit shall be equal to 75% of the
27 lesser of \$35 per month per employee or 50% of the total amount paid by
28 the employer during the taxable year. In the fourth year, the credit shall be
29 equal to 50% of the lesser of \$35 per month per employee or 50% of the
30 total amount paid by the employer during the taxable year. In the fifth year,
31 the credit shall be equal to 25% of the lesser of \$35 per month per
32 employee or 50% of the total amount paid by the employer during the
33 taxable year. For the sixth and subsequent years, no credit shall be
34 allowed.

35 (2) For employers that have established a small employer health
36 benefit plan or made contributions to a health savings account of an
37 eligible covered employee after December 31, 2004, the amount of credit
38 allowed by subsection (a) shall be \$70 per month per eligible covered
39 employee for the first 12 months of participation, \$50 per month per
40 eligible covered employee for the next 12 months of participation and \$35
41 per eligible covered employee for the next 12 months of participation.
42 After 36 months of participation, no credit shall be allowed.

43 (c) If the credit allowed by this section is claimed, the amount of any

1 deduction allowable under the Kansas income tax act for expenses
2 described in this section shall be reduced by the dollar amount of the
3 credit. The election to claim the credit shall be made at the time of filing
4 the tax return in accordance with law. ~~If Commencing in tax year 2013,~~
5 ~~and all tax years thereafter,~~ the credit allowed by this section ~~exceeds~~
6 ~~shall not exceed~~ the taxes imposed under the Kansas income tax act for the
7 taxable year, ~~that portion of the credit which exceeds those taxes shall be~~
8 ~~refunded to the taxpayer~~ reduced by the sum of any other credits allowable
9 against the tax liability of the taxpayer pursuant to law.

10 (d) Any amount of expenses paid by an employer under this act shall
11 not be included as income to the employee for purposes of the Kansas
12 income tax act. If such expenses have been included in federal taxable
13 income of the employee, the amount included shall be subtracted in
14 arriving at state taxable income under the Kansas income tax act.

15 (e) The secretary of revenue shall promulgate rules and regulations to
16 carry out the provisions of this section.

17 (f) This section shall apply to all taxable years commencing after
18 December 31, 1999.

19 Sec. 3. K.S.A. 2011 Supp. 74-50,222 is hereby amended to read as
20 follows: 74-50,222. As used in K.S.A. 74-50,222, 74-50,223 and 79-
21 32,267, and amendments thereto:

22 (a) "Institution of higher education" means a public or private
23 nonprofit educational institution that meets the requirements of
24 participation in programs under the higher education act of 1965, as
25 amended, 34 C.F.R. 600;

26 (b) "rural opportunity zone" means *Allen, Anderson, Barber,*
27 *Bourbon, Brown, Chase, Chautauqua, Cherokee, Cheyenne, Clark, Clay,*
28 *Cloud, Coffey, Comanche, Decatur, Doniphan, Edwards, Elk, Ellsworth,*
29 *Gove, Graham, Grant, Greeley, Greenwood, Hamilton, Haskell, Harper,*
30 *Hodgeman, Jewell, Kearny, Kingman, Kiowa, Labette, Lane, Lincoln,*
31 *Linn, Logan, Marion, Marshall, Meade, Mitchell, Morris, Morton,*
32 *Nemaha, Neosho, Ness, Norton, Osage, Osborne, Ottawa, Pawnee,*
33 *Phillips, Pratt, Rawlins, Republic, Rice, Rooks, Rush, Russell, Scott,*
34 *Sheridan, Sherman, Smith, Stafford, Stanton, Trego, Thomas, Wabaunsee,*
35 *Wallace, Washington, Wichita, Wilson or Woodson counties;*

36 (c) "secretary" means the secretary of commerce; and

37 (d) "student loan" means a federal student loan program supported by
38 the federal government and a nonfederal loan issued by a lender such as a
39 bank, savings and loan or credit union to help students and parents pay
40 school expenses for attendance at an institution of higher education.

41 Sec. 4. K.S.A. 2011 Supp. 79-1107 is hereby amended to read as
42 follows: 79-1107. (a) Every national banking association and state bank
43 located or doing business within the state shall pay to the state for the

1 privilege of doing business within the state a tax according to or measured
2 by its net income for the next preceding taxable year to be computed as
3 provided in this act. Such tax shall consist of a normal tax and a surtax and
4 shall be computed as follows:

5 ~~(a)~~(1) The normal tax shall be an amount equal to 2 1/4% of such net
6 income; and

7 ~~(b)~~(2) the surtax shall be an amount equal to 2 1/8% of such net
8 income in excess of \$25,000.

9 (b) The tax levied shall be in lieu of *ad valorem* taxes which might
10 otherwise be imposed by the state or political subdivisions thereof upon
11 shares of capital stock or the intangible assets of national banking
12 associations and state banks.

13 (c) *Tax rates provided in this section shall be adjusted pursuant to the*
14 *provisions of section 1, and amendments thereto.*

15 Sec. 5. K.S.A. 2011 Supp. 79-1108 is hereby amended to read as
16 follows: 79-1108. (a) Every trust company and savings and loan
17 association located or doing business within the state shall pay to the state
18 for the privilege of doing business within the state a tax according to or
19 measured by its net income for the next preceding taxable year to be
20 computed as provided in this act. Such tax shall consist of a normal tax
21 and a surtax and shall be computed as follows:

22 ~~(a)~~(1) The normal tax on every trust company and savings and loan
23 association shall be an amount equal to 2 1/4% of such net income; and

24 ~~(b)~~(2) the surtax on every trust company and savings and loan
25 association shall be an amount equal to 2 1/4% of such net income in excess
26 of \$25,000.

27 (b) The tax levied shall be in lieu of *ad valorem* taxes which might
28 otherwise be imposed by the state or political subdivision thereof upon
29 shares of capital stock or other intangible assets of trust companies and
30 savings and loan associations.

31 (c) *Tax rates provided in this section shall be adjusted pursuant to the*
32 *provisions of section 1, and amendments thereto.*

33 Sec. 6. K.S.A. 2011 Supp. 79-32,110 is hereby amended to read as
34 follows: 79-32,110. (a) *Resident Individuals.* Except as otherwise
35 provided by subsection (a) of K.S.A. 79-3220, and amendments thereto, a
36 tax is hereby imposed upon the Kansas taxable income of every resident
37 individual, which tax shall be computed in accordance with the following
38 tax schedules:

39 (1) *Married individuals filing joint returns.*

40 If the taxable income is:	The tax is:
41 Not over \$30,000.....	3.5% of Kansas taxable income
42 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of
43	excess over \$30,000

1	Over \$60,000.....	\$2,925 plus 6.45% of
2		excess over \$60,000
3	(2) <i>All other individuals.</i>	
4	(A) For tax year 1997:	
5	If the taxable income is:	The tax is:
6	Not over \$20,000.....	4.1% of Kansas taxable income
7	Over \$20,000 but not over \$30,000.....	\$820 plus 7.5% of excess
8		over \$20,000
9	Over \$30,000.....	\$1,570 plus 7.75% of
10		excess over \$30,000
11	(B) For tax year 1998, and all tax years thereafter:	
12	If the taxable income is:	The tax is:
13	Not over \$15,000.....	3.5% of Kansas taxable
14		income
15	Over \$15,000 but not over \$30,000.....	\$525 plus 6.25% of
16		excess over \$15,000
17	Over \$30,000.....	\$1,462.50 plus 6.45% of
18		excess over \$30,000

19 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas
 20 taxable income of every nonresident individual, which tax shall be an
 21 amount equal to the tax computed under subsection (a) as if the
 22 nonresident were a resident multiplied by the ratio of modified Kansas
 23 source income to Kansas adjusted gross income.

24 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable
 25 income of every corporation doing business within this state or deriving
 26 income from sources within this state. Such tax shall consist of a normal
 27 tax and a surtax and shall be computed as follows:

28 (1) The normal tax shall be in an amount equal to 4% of the Kansas
 29 taxable income of such corporation; and

30 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
 31 3.1% of the Kansas taxable income of such corporation in excess of
 32 \$50,000;

33 (B) for tax years 2009 and 2010, the surtax shall be in an amount
 34 equal to 3.05% of the Kansas taxable income of such corporation in excess
 35 of \$50,000; and

36 (C) for tax year 2011, and all tax years thereafter, the surtax shall be
 37 in an amount equal to 3% of the Kansas taxable income of such
 38 corporation in excess of \$50,000.

39 (d) *Fiduciaries.* A tax is hereby imposed upon the Kansas taxable
 40 income of estates and trusts at the rates provided in paragraph (2) of
 41 subsection (a) hereof.

42 (e) *Tax rates provided in this section shall be adjusted pursuant to the*
 43 *provisions of section 1, and amendments thereto.*

1 Sec. 7. K.S.A. 2011 Supp. 79-32,111 is hereby amended to read as
2 follows: 79-32,111. (a) The amount of income tax paid to another state by
3 a resident individual, resident estate or resident trust on income derived
4 from sources in another state, *and included in Kansas adjusted gross*
5 *income*, shall be allowed as a credit against the tax computed under the
6 provisions of this act. Such credit shall not be greater in proportion to the
7 tax computed under this act than the *Kansas* adjusted gross income for
8 such year derived in another state while such taxpayer is a resident of this
9 state is to the total Kansas adjusted gross income of the taxpayer. As used
10 in this subsection, state shall have the meaning ascribed thereto by
11 subsection (h) of K.S.A. 79-3271, and amendments thereto. The credit
12 allowable hereunder for income tax paid to a foreign country or political
13 subdivision thereof shall not exceed the difference of such income tax paid
14 less the credit allowable for such income tax paid by the federal internal
15 revenue code. No redetermination of income tax paid for the purposes of
16 determining the credit allowed by this subsection shall be required for the
17 taxable year for which an income tax refund payment pursuant to the
18 provisions of section 18 of article 10 of the Missouri constitution is made,
19 but the income tax paid allowable for credit in the next following taxable
20 year shall be reduced by the amount of such refund amount, except that,
21 for tax year 1998, the income tax paid allowable for credit shall be reduced
22 by the amount of such refunds made for all taxable years prior to tax year
23 1998.

24 (b) There shall be allowed as a credit against the tax computed under
25 the provisions of the Kansas income tax act, and ~~acts amendatory thereof~~
26 ~~and supplemental amendments~~ thereto, on the Kansas taxable income of an
27 individual, corporation or fiduciary the amount determined under the
28 provisions of K.S.A. 79-32,153 to 79-32,158, and amendments thereto.

29 Sec. 8. K.S.A. 2011 Supp. 79-32,117 is hereby amended to read as
30 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
31 means such individual's federal adjusted gross income for the taxable year,
32 with the modifications specified in this section.

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

34 (i) Interest income less any related expenses directly incurred in the
35 purchase of state or political subdivision obligations, to the extent that the
36 same is not included in federal adjusted gross income, on obligations of
37 any state or political subdivision thereof, but to the extent that interest
38 income on obligations of this state or a political subdivision thereof issued
39 prior to January 1, 1988, is specifically exempt from income tax under the
40 laws of this state authorizing the issuance of such obligations, it shall be
41 excluded from computation of Kansas adjusted gross income whether or
42 not included in federal adjusted gross income. Interest income on
43 obligations of this state or a political subdivision thereof issued after

1 December 31, 1987, shall be excluded from computation of Kansas
2 adjusted gross income whether or not included in federal adjusted gross
3 income.

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

11 (iii) The federal net operating loss deduction.

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

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

32 (vi) Any amount of designated employee contributions picked up by
33 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
34 and amendments ~~to such sections~~ *thereto*.

35 (vii) The amount of any charitable contribution made to the extent the
36 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
37 32,196, and amendments thereto.

38 (viii) The amount of any costs incurred for improvements to a swine
39 facility, claimed for deduction in determining federal adjusted gross
40 income, to the extent the same is claimed as the basis for any credit
41 allowed pursuant to K.S.A. 2011 Supp. 79-32,204, and amendments
42 thereto.

43 (ix) The amount of any *ad valorem* taxes and assessments paid and

1 the amount of any costs incurred for habitat management or construction
2 and maintenance of improvements on real property, claimed for deduction
3 in determining federal adjusted gross income, to the extent the same is
4 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
5 and amendments thereto.

6 (x) Amounts received as nonqualified withdrawals, as defined by
7 K.S.A. 2011 Supp. 75-643, and amendments thereto, if, at the time of
8 contribution to a family postsecondary education savings account, such
9 amounts were subtracted from the federal adjusted gross income pursuant
10 to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments
11 thereto, or if such amounts are not already included in the federal adjusted
12 gross income.

13 (xi) The amount of any contribution made to the same extent the
14 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2011
15 Supp. 74-50,154, and amendments thereto.

16 (xii) For taxable years commencing after December 31, 2004,
17 amounts received as withdrawals not in accordance with the provisions of
18 K.S.A. 2011 Supp. 74-50,204, and amendments thereto, if, at the time of
19 contribution to an individual development account, such amounts were
20 subtracted from the federal adjusted gross income pursuant to paragraph
21 (xiii) of subsection (c), or if such amounts are not already included in the
22 federal adjusted gross income.

23 (xiii) The amount of any expenditures claimed for deduction in
24 determining federal adjusted gross income, to the extent the same is
25 claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp.
26 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

27 (xiv) The amount of any amortization deduction claimed in
28 determining federal adjusted gross income to the extent the same is
29 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,221, and
30 amendments thereto.

31 (xv) The amount of any expenditures claimed for deduction in
32 determining federal adjusted gross income, to the extent the same is
33 claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp.
34 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
35 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
36 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

37 (xvi) The amount of any amortization deduction claimed in
38 determining federal adjusted gross income to the extent the same is
39 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,227, 79-
40 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
41 thereto.

42 (xvii) The amount of any amortization deduction claimed in
43 determining federal adjusted gross income to the extent the same is

1 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,256, and
2 amendments thereto.

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

13 (xix) *The amount of any: (1) Loss up to \$100,000 for tax years 2013,*
14 *2014 and 2015, up to \$250,000 for tax years 2016 and 2017, and any loss*
15 *for tax year 2018, and all tax years thereafter, from business as*
16 *determined under the federal internal revenue code and reported from*
17 *schedule C and on line 12 of the taxpayer's form 1040 federal individual*
18 *income tax return; (2) loss up to \$100,000 for tax years 2013, 2014 and*
19 *2015, up to \$250,000 for tax years 2016, 2017, and any loss for tax year*
20 *2018, and all tax years thereafter, from rental real estate, royalties,*
21 *partnerships, S corporations, estates, trusts, residual interest in real estate*
22 *mortgage investment conduits and net farm rental as determined under the*
23 *federal internal revenue code and reported from schedule E and on line 17*
24 *of the taxpayer's form 1040 federal individual income tax return; and (3)*
25 *farm loss, up to \$100,000 for tax years 2013, 2014 and 2015, up to*
26 *\$250,000 for tax years 2016 and 2017, and any farm loss for tax year*
27 *2018, and all tax years thereafter, as determined under the federal internal*
28 *revenue code and reported from schedule F and on line 18 of the*
29 *taxpayer's form 1040 federal income tax return; all to the extent deducted*
30 *or subtracted in determining the taxpayer's federal adjusted gross income.*
31 *For purposes of this subsection, references to the federal form 1040 and*
32 *federal schedule C, schedule E, and schedule F, shall be to such form and*
33 *schedules as they existed for tax year 2011, and as revised thereafter by*
34 *the internal revenue service.*

35 (xx) *For a taxpayer who makes a modification pursuant to subsection*
36 *(b)(xix) or (c)(xxi), the amount of any deduction for self-employment taxes*
37 *under section 164(f) of the federal internal revenue code as in effect on*
38 *January 1, 2012, and amendments thereto, in determining the federal*
39 *adjusted gross income of an individual taxpayer.*

40 (xxi) *For a taxpayer who makes a modification pursuant to*
41 *subsection (b)(xix) or (c)(xxi), the amount of any deduction for pension,*
42 *profit sharing, and annuity plans of self-employed individuals under*
43 *section 62(a)(6) of the federal internal revenue code as in effect on*

1 *January 1, 2012, and amendments thereto, in determining the federal*
2 *adjusted gross income of an individual taxpayer.*

3 *(xxii) For a taxpayer who makes a modification pursuant to*
4 *subsection (b)(xix) or (c)(xxi), the amount of any deduction for health*
5 *insurance under section 162(l) of the federal internal revenue code as in*
6 *effect on January 1, 2012, and amendments thereto, in determining the*
7 *federal adjusted gross income of an individual taxpayer.*

8 *(xxiii) For a taxpayer who makes a modification pursuant to*
9 *subsection (b)(xix) or (c)(xxi), the amount of any deduction for domestic*
10 *production activities under section 199 of the federal internal revenue*
11 *code as in effect on January 1, 2012, and amendments thereto, in*
12 *determining the federal adjusted gross income of an individual taxpayer.*

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

14 (i) Interest or dividend income on obligations or securities of any
15 authority, commission or instrumentality of the United States and its
16 possessions less any related expenses directly incurred in the purchase of
17 such obligations or securities, to the extent included in federal adjusted
18 gross income but exempt from state income taxes under the laws of the
19 United States.

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

23 (iii) The portion of any gain or loss from the sale or other disposition
24 of property having a higher adjusted basis for Kansas income tax purposes
25 than for federal income tax purposes on the date such property was sold or
26 disposed of in a transaction in which gain or loss was recognized for
27 purposes of federal income tax that does not exceed such difference in
28 basis, but if a gain is considered a long-term capital gain for federal
29 income tax purposes, the modification shall be limited to that portion of
30 such gain which is included in federal adjusted gross income.

31 (iv) The amount necessary to prevent the taxation under this act of
32 any annuity or other amount of income or gain which was properly
33 included in income or gain and was taxed under the laws of this state for a
34 taxable year prior to the effective date of this act, as amended, to the
35 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
36 the right to receive the income or gain, or to a trust or estate from which
37 the taxpayer received the income or gain.

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

42 (vi) Accumulation distributions received by a taxpayer as a
43 beneficiary of a trust to the extent that the same are included in federal

1 adjusted gross income.

2 (vii) Amounts received as annuities under the federal civil service
3 retirement system from the civil service retirement and disability fund and
4 other amounts received as retirement benefits in whatever form which
5 were earned for being employed by the federal government or for service
6 in the armed forces of the United States.

7 (viii) Amounts received by retired railroad employees as a
8 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
9 228c (a)(1) *et seq.*

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

15 (x) For taxable years beginning after December 31, 1976, the amount
16 of the federal tentative jobs tax credit disallowance under the provisions of
17 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
18 amount of the targeted jobs tax credit and work incentive credit
19 disallowances under 26 U.S.C. § 280 C.

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

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

26 (xiii) For taxable years beginning after December 31, 2004, amounts
27 contributed to and the amount of income earned on contributions deposited
28 to an individual development account under K.S.A. 2011 Supp. 74-50,201,
29 *et seq.*, and amendments thereto.

30 (xiv) For all taxable years commencing after December 31, 1996, that
31 portion of any income of a bank organized under the laws of this state or
32 any other state, a national banking association organized under the laws of
33 the United States, an association organized under the savings and loan
34 code of this state or any other state, or a federal savings association
35 organized under the laws of the United States, for which an election as an
36 S corporation under subchapter S of the federal internal revenue code is in
37 effect, which accrues to the taxpayer who is a stockholder of such
38 corporation and which is not distributed to the stockholders as dividends of
39 the corporation. *The amount of modification under this subsection shall*
40 *exclude the portion of income or loss reported on schedule E and included*
41 *on line 17 of the taxpayer's form 1040 federal individual income tax return*
42 *taken as a subtraction modification pursuant to subsection (c)(xxi).*

43 (xv) For all taxable years beginning after December 31, 2006,

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

13 (xvi) For the tax year beginning after December 31, 2004, an amount
14 not exceeding \$500; for the tax year beginning after December 31, 2005,
15 an amount not exceeding \$600; for the tax year beginning after December
16 31, 2006, an amount not exceeding \$700; for the tax year beginning after
17 December 31, 2007, an amount not exceeding \$800; for the tax year
18 beginning December 31, 2008, an amount not exceeding \$900; and for all
19 taxable years commencing after December 31, 2009, an amount not
20 exceeding \$1,000 of the premium costs for qualified long-term care
21 insurance contracts, as defined by subsection (b) of section 7702B of
22 public law 104-191.

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

33 (xviii) For all taxable years beginning after December 31, 2004,
34 amounts received by taxpayers who are eligible members of the Kansas
35 army and air national guard as a reimbursement pursuant to K.S.A. 48-
36 281, and amendments thereto, and amounts received for death benefits
37 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
38 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
39 amendments thereto, to the extent that such death benefits are included in
40 federal adjusted gross income of the taxpayer.

41 (xix) For the taxable year beginning after December 31, 2006,
42 amounts received as benefits under the federal social security act which
43 are included in federal adjusted gross income of a taxpayer with federal

1 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
2 status is single, head of household, married filing separate or married filing
3 jointly; and for all taxable years beginning after December 31, 2007,
4 amounts received as benefits under the federal social security act which
5 are included in federal adjusted gross income of a taxpayer with federal
6 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
7 status is single, head of household, married filing separate or married filing
8 jointly.

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

11 (xxi) *The amount of any: (1) Net profit from business not to exceed*
12 *\$100,000 for tax years 2013, 2014 and 2015, not to exceed \$250,000 for*
13 *tax years 2016 and 2017, and any net profit for tax year 2018, and all tax*
14 *years thereafter, as determined under the federal internal revenue code*
15 *and reported from schedule C and on line 12 of the taxpayer's form 1040*
16 *federal individual income tax return; (2) net income not to exceed*
17 *\$100,000 for tax years 2013, 2014 and 2015, not to exceed \$250,000 for*
18 *tax years 2016 and 2017, and any net income for tax year 2018, and all*
19 *tax years thereafter, from rental real estate, royalties, partnerships, S*
20 *corporations, estates, trusts, residual interest in real estate mortgage*
21 *investment conduits and net farm rental as determined under the federal*
22 *internal revenue code and reported from schedule E and on line 17 of the*
23 *taxpayer's form 1040 federal individual income tax return; and (3) net*
24 *farm profit not to exceed \$100,000 for tax years 2013, 2014 and 2015, not*
25 *to exceed \$250,000 for tax years 2016 and 2017, and net farm profit for*
26 *tax year 2018, and all tax years thereafter; as determined under the*
27 *federal internal revenue code and reported from schedule F and on line 18*
28 *of the taxpayer's form 1040 federal income tax return; all to the extent*
29 *included in the taxpayer's federal adjusted gross income. For purposes of*
30 *this subsection, references to the federal form 1040 and federal schedule*
31 *C, schedule E, and schedule F, shall be to such form and schedules as they*
32 *existed for tax year 2011 and as revised thereafter by the internal revenue*
33 *service.*

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

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

43 Sec. 9. K.S.A. 2011 Supp. 79-32,119 is hereby amended to read as

1 follows: 79-32,119. The Kansas standard deduction of an individual,
 2 including a husband and wife who are either both residents or who file a
 3 joint return as if both were residents, shall be equal to the sum of the
 4 standard deduction amount allowed pursuant to this section, and the
 5 additional standard deduction amount allowed pursuant to this section for
 6 each such deduction allowable to such individual or to such husband and
 7 wife under the federal internal revenue code. For tax year 1998, and all tax
 8 years thereafter, the standard deduction amount shall be as follows: Single
 9 individual filing status, \$3,000; married filing status, \$6,000; and head of
 10 household filing status, \$4,500. For tax year 1998, ~~and all tax years~~
 11 ~~thereafter~~ *through tax year 2013*, the additional standard deduction amount
 12 shall be as follows: Single individual and head of household filing status,
 13 \$850; and married filing status, \$700. *For tax year 2014, and all tax years*
 14 *thereafter, the standard deduction amount of an individual, including*
 15 *husband and wife who are either both residents or who file a joint return*
 16 *as if both were residents, shall be as follows: Single individual filing*
 17 *status, \$3,000; married filing status, \$6,000; and head of household filing*
 18 *status, \$9,000. For purposes of the foregoing, the federal standard*
 19 *deduction allowable to a husband and wife filing separate Kansas income*
 20 *tax returns shall be determined on the basis that separate federal returns*
 21 *were filed, and the federal standard deduction of a husband and wife filing*
 22 *a joint Kansas income tax return shall be determined on the basis that a*
 23 *joint federal income tax return was filed.*

24 Sec. 10. K.S.A. 79-32,128 is hereby amended to read as follows: 79-
 25 32,128. An individual who is a resident of Kansas for part of a year shall
 26 have the election to:

27 (a) Report and compute ~~his or her~~ *such individual's* Kansas tax as if
 28 ~~he or she were~~ *such individual was* a resident for the entire year and take
 29 the applicable credit as provided in K.S.A. 79-32,111, *and amendments*
 30 *thereto*; or

31 (b) report and compute ~~his or her~~ *such individual's* Kansas tax as if ~~he~~
 32 ~~or she were~~ *such individual was* a nonresident for the entire year, except,
 33 however, that for purposes of this computation the following modifications
 34 shall be made: ~~(i)~~ *(1)* modified Kansas source income for that period during
 35 which such individual was a resident shall include all items of income,
 36 gain, loss or deductions *as set forth in K.S.A. 79-32,117, and amendments*
 37 *thereto*, whether or not derived from sources within Kansas; and ~~(ii)~~ *(2)* the
 38 credit provided by K.S.A. 79-32,111, *and amendments thereto*, shall be
 39 allowed. For purposes of computing such credit, the amount of income
 40 taxes paid to another state shall be deemed to be limited by an amount
 41 which bears the same proportion to the total taxes paid to such other state
 42 for such year as the amount of *Kansas* adjusted gross income derived from
 43 sources within that state while such individual was a resident bears to the

1 total *Kansas* adjusted gross income derived from sources within such state
2 for such year.

3 Sec. 11. K.S.A. 2011 Supp. 79-32,138 is hereby amended to read as
4 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
5 under this act shall be the corporation's federal taxable income for the
6 taxable year with the modifications specified in this section.

7 (b) There shall be added to federal taxable income: (i) The same
8 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and
9 amendments thereto, with respect to resident individuals, *except*
10 *subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii).*

11 (ii) The amount of all depreciation deductions claimed for any
12 property upon which the deduction allowed by K.S.A. 2011 Supp. 79-
13 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
14 32,255 or 79-32,256, and amendments thereto, is claimed.

15 (iii) The amount of any charitable contribution deduction claimed for
16 any contribution or gift to or for the use of any racially segregated
17 educational institution.

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

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

36 (iii) An amount for the amortization deduction allowed pursuant to
37 K.S.A. 2011 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
38 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.

39 (iv) For all taxable years commencing after December 31, 1987, the
40 amount included in federal taxable income pursuant to the provisions of
41 section 78 of the internal revenue code.

42 (v) For all taxable years commencing after December 31, 1987, 80%
43 of dividends from corporations incorporated outside of the United States

1 or the District of Columbia which are included in federal taxable income.

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

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

21 Sec. 12. K.S.A. 2011 Supp. 79-32,143 is hereby amended to read as
22 follows: 79-32,143. (a) For net operating losses incurred in taxable years
23 beginning after December 31, 1987, a net operating loss deduction shall be
24 allowed in the same manner that it is allowed under the federal internal
25 revenue code except that such net operating loss may only be carried
26 forward to each of the 10 taxable years following the taxable year of the
27 net operating loss. For net operating farm losses, as defined by subsection
28 (i) of section 172 of the federal internal revenue code, incurred in taxable
29 years beginning after December 31, 1999, a net operating loss deduction
30 shall be allowed in the same manner that it is allowed under the federal
31 internal revenue code except that such net operating loss may be carried
32 forward to each of the 10 taxable years following the taxable year of the
33 net operating loss. The amount of the net operating loss that may be
34 carried back or forward for Kansas income tax purposes shall be that
35 portion of the federal net operating loss allocated to Kansas under this act
36 in the taxable year that the net operating loss is sustained.

37 (b) The amount of the loss to be carried back or forward will be the
38 federal net operating loss after: (1) All modifications required under this
39 act applicable to the net loss in the year the loss was incurred; and (2) after
40 apportionment as to source in the case of corporations, nonresident
41 individuals for losses incurred in taxable years beginning prior to January
42 1, 1978, and nonresident estates and trusts in the same manner that income
43 for such corporations, nonresident individuals, estates and trusts is

1 required to be apportioned.

2 (c) If a net operating loss was incurred in a taxable year beginning
3 prior to January 1, 1988, the amount of the net operating loss that may be
4 carried back and carried forward and the period for which it may be
5 carried back and carried forward shall be determined under the provisions
6 of the Kansas income tax laws which were in effect during the year that
7 such net operating loss was incurred.

8 (d) If any portion of a net operating loss described in subsections (a)
9 and (b) is not utilized prior to the final year of the carryforward period
10 provided in subsection (a), a refund shall be allowable in such final year in
11 an amount equal to the refund which would have been allowable in the
12 taxable year the loss was incurred by utilizing the three year carryback
13 provided under K.S.A. 79-32,143, as in effect on December 31, 1987,
14 multiplied by a fraction, the numerator of which is the unused portion of
15 such net operating loss in the final year, and the denominator of which is
16 the amount of such net operating loss which could have been carried back
17 to the three years immediately preceding the year in which the loss was
18 incurred. In no event may such fraction exceed 1.

19 (e) Notwithstanding any other provisions of the Kansas income tax
20 act, the net operating loss as computed under subsections (a), (b) and (c) of
21 this section shall be allowed in full in determining Kansas taxable income
22 or at the option of the taxpayer allowed in full in determining Kansas
23 adjusted gross income.

24 (f) *Commencing in tax year 2013, and all tax years thereafter, no*
25 *refund of income tax which results from a net operating farm loss carry*
26 *back shall be allowed in an amount exceeding \$1,500 in any year. Any*
27 *overpayment in excess of \$1,500 may be carried forward to any year or*
28 *years after the year of the loss and may be claimed as a credit against the*
29 *tax. The refundable portion of such credit shall not exceed \$1,500 in any*
30 *year.*

31 Sec. 13. K.S.A. 79-32,176 is hereby amended to read as follows: 79-
32 32,176. (a) Any resident individual taxpayer who makes expenditures for
33 the purpose of making all or any portion of an existing facility accessible
34 to individuals with a disability, which facility is used as, or in connection
35 with, such taxpayer's principal dwelling or the principal dwelling of a
36 lineal ascendant or descendant, including construction of a small barrier
37 free living unit attached to such principal dwelling, shall be entitled to
38 claim a tax credit in an amount equal to the applicable percentage of such
39 expenditures or \$9,000, whichever is less, against the income tax liability
40 imposed against such taxpayer pursuant to article 32 of chapter 79 of the
41 Kansas Statutes Annotated, *and amendments thereto*. Nothing in this
42 subsection shall be deemed to prevent any such taxpayer from claiming
43 such credit: (1) For each principal dwelling in which the taxpayer or lineal

1 ascendant or descendant may reside, or facility used in connection
 2 therewith; or (2) more than once, but not more often than once every four-
 3 year period of time. The applicable percentage of such expenditures
 4 eligible for credit shall be as set forth in the following schedule:

5	% of
6 Taxpayers	expenditures
7 Kansas Adjusted	eligible for
8 Gross Income	credit
9 \$0 to \$25,000	100%
10 Over \$25,000 but not over \$30,000	90%
11 Over \$30,000 but not over \$35,000	80%
12 Over \$35,000 but not over \$40,000	70%
13 Over \$40,000 but not over \$45,000	60%
14 Over \$45,000 but not over \$55,000	50%
15 Over \$55,000	0

16 Such tax credit shall be deducted from the taxpayer's income tax
 17 liability for the taxable year in which the expenditures are made by the
 18 taxpayer. If the amount of such tax credit exceeds the taxpayer's income
 19 tax liability for such taxable year, the amount thereof which exceeds such
 20 tax liability may be carried over for deduction from the taxpayer's income
 21 tax liability in the next succeeding taxable year or years until the total
 22 amount of the tax credit has been deducted from tax liability, except that
 23 no such tax credit shall be carried over for deduction after the fourth
 24 taxable year succeeding the taxable year in which the expenditures are
 25 made.

26 (b) Notwithstanding the provisions of subsection (a), if the amount of
 27 the taxpayer's tax liability is less than \$2,250 in the first year in which the
 28 credit is claimed under this section, an amount equal to the amount by
 29 which $\frac{1}{4}$ of the credit allowable under this section exceeds such tax
 30 liability shall be refunded to the taxpayer and the amount by which such
 31 credit exceeds such tax liability less the amount of such refund may be
 32 carried over for the next three succeeding taxable years. If the amount of
 33 the taxpayer's tax liability is less than \$2,250 in the second year in which
 34 the credit is claimed under this section, an amount equal to the amount by
 35 which $\frac{1}{3}$ of the amount of the credit carried over from the first taxable
 36 year exceeds such tax liability shall be refunded to the taxpayer and the
 37 amount by which the amount of the credit carried over from the first
 38 taxable year exceeds such tax liability less the amount of such refund may
 39 be carried over for the next two succeeding taxable years. If the amount of
 40 the taxpayer's tax liability is less than \$2,250 in the third year in which the
 41 credit is claimed under this section, an amount equal to the amount by
 42 which $\frac{1}{2}$ of the amount carried over from the second taxable year exceeds
 43 such tax liability shall be refunded to the taxpayer and the amount by

1 which the amount of the credit carried over from the second taxable year
2 exceeds such tax liability less the amount of such refund may be carried
3 over to the next succeeding taxable year. If the amount of the credit carried
4 over from the third taxable year exceeds the taxpayer's income tax liability
5 for such year, the amount thereof which exceeds such tax liability shall be
6 refunded to the taxpayer. *The provisions of this subsection shall not be*
7 *effective for tax year 2013, and all tax years thereafter.*

8 Sec. 14. K.S.A. 2011 Supp. 79-32,197 is hereby amended to read as
9 follows: 79-32,197. The amount of credit allowed pursuant to K.S.A. 79-
10 32,196, and amendments thereto, shall not exceed 50% of the total amount
11 contributed during the taxable year by the business firm to a community
12 service organization or governmental entity for programs approved
13 pursuant to K.S.A. 79-32,198, and amendments thereto. The amount of
14 credit allowed pursuant to K.S.A. 79-32,196, and amendments thereto,
15 shall not exceed 70% of the total amount contributed during the taxable
16 year by the business firm in a rural community to a community service
17 organization or governmental entity located therein for programs approved
18 pursuant to K.S.A. 79-32,198, and amendments thereto. ~~¶ Commencing in~~
19 ~~tax year 2013, and all tax years thereafter,~~ the amount of the credit
20 allowed by K.S.A. 79-32,196, and amendments thereto, ~~exceeds shall not~~
21 ~~exceed~~ the taxpayer's income tax liability imposed under the Kansas
22 income tax act, ~~such excess amount shall be refunded to the taxpayer~~
23 ~~reduced by the sum of any other credits allowable against the tax liability~~
24 ~~of the taxpayer pursuant to law.~~ In no event shall the total amount of
25 credits allowed under this section exceed \$4,130,000 for any one fiscal
26 year.

27 Sec. 15. K.S.A. 2011 Supp. 79-32,205 is hereby amended to read as
28 follows: 79-32,205. (a) There shall be allowed as a credit against the tax
29 liability of a resident individual imposed under the Kansas income tax act
30 an amount equal to 18% for tax years 2010 through 2012, and an amount
31 equal to 17% for tax year 2013, *and an amount equal to 9% for tax year*
32 *2014,* and all tax years thereafter, of the amount of the earned income
33 credit allowed against such taxpayer's federal income tax liability pursuant
34 to section 32 of the federal internal revenue code for the taxable year in
35 which such credit was claimed against the taxpayer's federal income tax
36 liability.

37 (b) ~~¶ Commencing in tax year 2013, and all tax years thereafter,~~ the
38 amount of the credit allowed by subsection (a) ~~exceeds shall not exceed~~
39 the taxpayer's income tax liability imposed under the Kansas income tax
40 act, ~~such excess amount shall be refunded to the taxpayer~~ *reduced by the*
41 *sum of any credits allowable against the income tax liability of the*
42 *taxpayer pursuant to law.*

43 Sec. 16. K.S.A. 2011 Supp. 79-32,210 is hereby amended to read as

1 follows: 79-32,210. (a) For all taxable years commencing after December
2 31, 2000, and with respect to property initially acquired and first placed
3 into service in this state on and after January 1, 2001, there shall be
4 allowed as a credit against the tax liability imposed by the Kansas income
5 tax act of a telecommunications company, as defined in K.S.A. 79-3271,
6 and amendments thereto, an amount equal to the difference between the
7 property tax levied for property tax year 2001, and all such years
8 thereafter, and actually and timely paid during the appropriate income
9 taxable year upon property assessed at the 33% assessment rate and the
10 property tax which would be levied and paid on such property if assessed
11 at a 25% assessment rate.

12 (b) ~~¶ Commencing in tax year 2013, and all tax years thereafter,~~ the
13 amount of the tax credit determined under subsection (a) ~~exceeds shall not~~
14 ~~exceed~~ the tax liability for the telecommunications company for any
15 taxable year, ~~the amount thereof which exceeds such tax liability shall be~~
16 ~~refunded to the telecommunications company~~ *reduced by the sum of any*
17 *other credits allowable against the tax liability of the taxpayer pursuant to*
18 *law.* If the telecommunications company is a corporation having an
19 election in effect under subchapter S of the federal internal revenue code, a
20 partnership or a limited liability company, the credit provided by this
21 section shall be claimed by the shareholders of such corporation, the
22 partners of such partnership or the members of such limited liability
23 company in the same manner as such shareholders, partners or members
24 account for their proportionate shares of income or loss of the corporation,
25 partnership or limited liability company.

26 (c) As used in this section, the term "acquired" shall not include the
27 transfer of property pursuant to an exchange for stock securities, or the
28 transfer of assets of one business entity to another due to a merger or other
29 consolidation.

30 Sec. 17. K.S.A. 2011 Supp. 79-3620 is hereby amended to read as
31 follows: 79-3620. (a) All revenue collected or received by the director of
32 taxation from the taxes imposed by this act shall be remitted to the state
33 treasurer in accordance with the provisions of K.S.A. 75-4215, and
34 amendments thereto. Upon receipt of each such remittance, the state
35 treasurer shall deposit the entire amount in the state treasury, less amounts
36 withheld as provided in subsection (b) and amounts credited as provided in
37 subsection (c), (d) and (e), to the credit of the state general fund.

38 (b) A refund fund, designated as "sales tax refund fund" not to exceed
39 \$100,000 shall be set apart and maintained by the director from sales tax
40 collections and estimated tax collections and held by the state treasurer for
41 prompt payment of all sales tax refunds including refunds authorized
42 under the provisions of K.S.A. 79-3635, and amendments thereto. Such
43 fund shall be in such amount, within the limit set by this section, as the

1 director shall determine is necessary to meet current refunding
2 requirements under this act. In the event such fund as established by this
3 section is, at any time, insufficient to provide for the payment of refunds
4 due claimants thereof, the director shall certify the amount of additional
5 funds required to the director of accounts and reports who shall promptly
6 transfer the required amount from the state general fund to the sales tax
7 refund fund, and notify the state treasurer, who shall make proper entry in
8 the records.

9 (c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or
10 received from the tax imposed by K.S.A. 79-3603, and amendments
11 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
12 exclusive of amounts credited pursuant to subsection (d), in the state
13 highway fund.

14 (2) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
15 received from the tax imposed by K.S.A. 79-3603, and amendments
16 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
17 exclusive of amounts credited pursuant to subsection (d), in the state
18 highway fund.

19 (3) On July 1, 2006, the state treasurer shall credit $\frac{19}{265}$ of the revenue
20 collected and received from the tax imposed by K.S.A. 79-3603, and
21 amendments thereto, at the rate of 5.3%, and deposited as provided by
22 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
23 the state highway fund.

24 (4) On July 1, 2007, the state treasurer shall credit $\frac{13}{106}$ of the revenue
25 collected and received from the tax imposed by K.S.A. 79-3603, and
26 amendments thereto, at the rate of 5.3%, and deposited as provided by
27 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
28 the state highway fund.

29 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the
30 revenue collected and received from the tax imposed by K.S.A. 79-3603,
31 and amendments thereto, at the rate of 6.3%, and deposited as provided by
32 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
33 the state highway fund.

34 (6) On July 1, 2011, the state treasurer shall credit 11.26% of the
35 revenue collected and received from the tax imposed by K.S.A. 79-3603,
36 and amendments thereto, at the rate of 6.3%, and deposited as provided by
37 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
38 the state highway fund.

39 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the
40 revenue collected and received from the tax imposed by K.S.A. 79-3603,
41 and amendments thereto, at the rate of 6.3%, and deposited as provided by
42 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
43 the state highway fund, as well as such revenue collected and received at

1 the rate of 6.3%, after June 30, 2013.

2 (8) On July 1, 2013, ~~and thereafter~~, the state treasurer shall credit
3 ~~18.421%~~11.926% of the revenue collected and received from the tax
4 imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%,
5 and deposited as provided by subsection (a), exclusive of amounts credited
6 pursuant to subsection (d), in the state highway fund.

7 (9) *On July 1, 2014, the state treasurer shall credit 11.535% of the*
8 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*
9 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
10 *subsection (a) exclusive of amounts credited pursuant to subsection (d), in*
11 *the state highway fund.*

12 (10) *On July 1, 2015, the state treasurer shall credit 20.159% of the*
13 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*
14 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
15 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
16 *the state highway fund.*

17 (11) *On July 1, 2016, the state treasurer shall credit 20.096% of the*
18 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*
19 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
20 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
21 *the state highway fund.*

22 (12) *On July 1, 2017, the state treasurer shall credit 20.004% of the*
23 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*
24 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
25 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
26 *the state highway fund.*

27 (13) *On July 1, 2018, the state treasurer shall credit 19.977% of the*
28 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*
29 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
30 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
31 *the state highway fund.*

32 (14) *On July 1, 2019, the state treasurer shall credit 19.921% of the*
33 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*
34 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
35 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
36 *the state highway fund.*

37 (15) *On July 1, 2020, the state treasurer shall credit 19.867% of the*
38 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*
39 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
40 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
41 *the state highway fund.*

42 (16) *On July 1, 2021, the state treasurer shall credit 19.814% of the*
43 *revenue collected and received from the tax imposed by K.S.A. 79-3603,*

1 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
2 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
3 *the state highway fund.*

4 (17) *On July 1, 2022, and thereafter, the state treasurer shall credit*
5 *18.421% of the revenue collected and received from the tax imposed by*
6 *K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and*
7 *deposited as provided by subsection (a), exclusive of amounts credited*
8 *pursuant to subsection (d), in the state highway fund.*

9 (d) The state treasurer shall credit all revenue collected or received
10 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as
11 certified by the director, from taxpayers doing business within that portion
12 of a STAR bond project district occupied by a STAR bond project or
13 taxpayers doing business with such entity financed by a STAR bond
14 project as defined in K.S.A. 2011 Supp. 12-17,162, and amendments
15 thereto, that was determined by the secretary of commerce to be of
16 statewide as well as local importance or will create a major tourism area
17 for the state or the project was designated as a STAR bond project as
18 defined in K.S.A. 2011 Supp. 12-17,162, and amendments thereto, to the
19 city bond finance fund, which fund is hereby created. The provisions of
20 this subsection shall expire when the total of all amounts credited
21 hereunder and under subsection (d) of K.S.A. 79-3710, and amendments
22 thereto, is sufficient to retire the special obligation bonds issued for the
23 purpose of financing all or a portion of the costs of such STAR bond
24 project.

25 (e) All revenue certified by the director of taxation as having been
26 collected or received from the tax imposed by subsection (c) of K.S.A. 79-
27 3603, and amendments thereto, on the sale or furnishing of gas, water,
28 electricity and heat for use or consumption within the intermodal facility
29 district described in this subsection, shall be credited by the state treasurer
30 to the state highway fund. Such revenue may be transferred by the
31 secretary of transportation to the rail service improvement fund pursuant to
32 law. The provisions of this subsection shall take effect upon certification
33 by the secretary of transportation that a notice to proceed has been
34 received for the construction of the improvements within the intermodal
35 facility district, but not later than December 31, 2010, and shall expire
36 when the secretary of revenue determines that the total of all amounts
37 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3710, and
38 amendments thereto, is equal to \$53,300,000, but not later than December
39 31, 2045. Thereafter, all revenues shall be collected and distributed in
40 accordance with applicable law. For all tax reporting periods during which
41 the provisions of this subsection are in effect, none of the exemptions
42 contained in K.S.A. 79-3601 *et seq.*, and amendments thereto, shall apply
43 to the sale or furnishing of any gas, water, electricity and heat for use or

1 consumption within the intermodal facility district. As used in this
2 subsection, "intermodal facility district" shall consist of an intermodal
3 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and
4 amendments thereto, located in Johnson county within the polygonal-
5 shaped area having Waverly Road as the eastern boundary, 191st Street as
6 the southern boundary, Four Corners Road as the western boundary, and
7 Highway 56 as the northern boundary, and the polygonal-shaped area
8 having Poplar Road as the eastern boundary, 183rd Street as the southern
9 boundary, Waverly Road as the western boundary, and the BNSF mainline
10 track as the northern boundary, that includes capital investment in an
11 amount exceeding \$150 million for the construction of an intermodal
12 facility to handle the transfer, storage and distribution of freight through
13 railway and trucking operations.

14 Sec. 18. K.S.A. 2011 Supp. 79-3635 is hereby amended to read as
15 follows: 79-3635. (a) (1) A claimant shall be entitled to a refund of
16 retailers' sales taxes paid upon food during the calendar year 2010 and
17 each year thereafter in the amount hereinafter provided. There shall be
18 allowed for each member of a household of a claimant having income of
19 \$17,500 or less, an amount equal to \$90. There shall be allowed for each
20 member of a household of a claimant having income of more than \$17,500
21 but not more than \$35,000, an amount equal to \$45. There shall be allowed
22 for a claimant who qualifies for an additional personal exemption amount
23 pursuant to K.S.A. 79-32,121, and amendments thereto, an additional
24 amount of \$45 or \$90, as the case requires. All such claims shall be paid
25 from the sales tax refund fund upon warrants of the director of accounts
26 and reports pursuant to vouchers approved by the director of taxation or by
27 a person or persons designated by the director. *The provisions of this*
28 *subsection shall not be effective for tax year 2013, and all tax years*
29 *thereafter.*

30 (2) ~~As an alternative to the procedure described by subsection (a)(1),~~
31 For all taxable years commencing after December 31, ~~2009~~2012, there
32 shall be allowed as a credit against the tax liability of a resident individual
33 imposed under the Kansas income tax act an amount equal to \$45 or \$90,
34 as the case requires, for each member of a household. There shall be
35 allowed for a claimant who qualifies for an additional personal exemption
36 amount pursuant to K.S.A. 79-32,121, and amendments thereto, an
37 additional amount of \$45 or \$90, as the case requires. ~~If Commencing in~~
38 ~~tax year 2013, and all tax years thereafter,~~ the amount of such tax credit
39 ~~exceeds shall not exceed~~ the claimant's income tax liability for such
40 taxable year, ~~such excess amount shall be refunded to the claimant~~
41 ~~reduced by the sum of any other credits allowable against the tax liability~~
42 ~~of the taxpayer pursuant to law.~~

43 (b) A head of household shall make application for refunds for all

1 members of the same household upon a common form provided for the
2 making of joint claims. All claims paid to members of the same household
3 shall be paid as a joint claim by means of a single warrant.

4 (c) No claim for a refund of taxes under the provisions of K.S.A. 79-
5 3632 *et seq.*, and amendments thereto, shall be paid or allowed unless such
6 claim is actually filed with and in the possession of the department of
7 revenue on or before April 15 of the year next succeeding the year in
8 which such taxes were paid. The director of taxation may: (1) Extend the
9 time for filing any claim under the provisions of this act when good cause
10 exists therefor; or (2) accept a claim filed after the deadline for filing in the
11 case of sickness, absence or disability of the claimant if such claim has
12 been filed within four years of such deadline.

13 (d) In the case of all tax years commencing after December 31, 2010,
14 the threshold income amounts prescribed in this section and subsection (c)
15 of K.S.A. 79-3633, and amendments thereto, and the amounts of refund of
16 taxes and the amounts of the tax credit, both as prescribed in this section,
17 shall be increased by an amount equal to such threshold amount multiplied
18 by the cost-of-living adjustment determined under section 1 (f)(3) of the
19 federal internal revenue code for the calendar year in which the taxable
20 year commences.

21 Sec. 19. K.S.A. 2011 Supp. 79-3710 is hereby amended to read as
22 follows: 79-3710. (a) All revenue collected or received by the director
23 under the provisions of this act shall be remitted to the state treasurer in
24 accordance with the provisions of K.S.A. 75-4215, and amendments
25 thereto. Upon receipt of each such remittance, the state treasurer shall
26 deposit the entire amount in the state treasury, less amounts set apart as
27 provided in subsection (b) and amounts credited as provided in subsection
28 (c), (d) and (e), to the credit of the state general fund.

29 (b) A revolving fund, designated as "compensating tax refund fund"
30 not to exceed \$10,000 shall be set apart and maintained by the director
31 from compensating tax collections and estimated tax collections and held
32 by the state treasurer for prompt payment of all compensating tax refunds.
33 Such fund shall be in such amount, within the limit set by this section, as
34 the director shall determine is necessary to meet current refunding
35 requirements under this act.

36 (c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or
37 received from the tax imposed by K.S.A. 79-3703, and amendments
38 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
39 exclusive of amounts credited pursuant to subsection (d), in the state
40 highway fund.

41 (2) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
42 received from the tax imposed by K.S.A. 79-3703, and amendments
43 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),

1 exclusive of amounts credited pursuant to subsection (d), in the state
2 highway fund.

3 (3) On July 1, 2006, the state treasurer shall credit $19/265$ of the revenue
4 collected or received from the tax imposed by K.S.A. 79-3703, and
5 amendments thereto, at the rate of 5.3%, and deposited as provided by
6 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
7 the state highway fund.

8 (4) On July 1, 2007, the state treasurer shall credit $13/106$ of the revenue
9 collected or received from the tax imposed by K.S.A. 79-3703, and
10 amendments thereto, at the rate of 5.3%, and deposited as provided by
11 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
12 the state highway fund.

13 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the
14 revenue collected and received from the tax imposed by K.S.A. 79-3703,
15 and amendments thereto, at the rate of 6.3%, and deposited as provided by
16 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
17 the state highway fund.

18 (6) On July 1, 2011, the state treasurer shall credit 11.26% of the
19 revenue collected and received from the tax imposed by K.S.A. 79-3703,
20 and amendments thereto, at the rate of 6.3%, and deposited as provided by
21 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
22 the state highway fund.

23 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the
24 revenue collected and received from the tax imposed by K.S.A. 79-3703,
25 and amendments thereto, at the rate of 6.3%, and deposited as provided by
26 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
27 the state highway fund, as well as such revenue collected and received at
28 the rate of 6.3%, after June 30, 2013.

29 (8) On July 1, 2013, ~~and thereafter~~, the state treasurer shall credit
30 ~~18.421%~~11.926% of the revenue collected and received from the tax
31 imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%,
32 and deposited as provided by subsection (a), exclusive of amounts credited
33 pursuant to subsection (d), in the state highway fund.

34 (9) *On July 1, 2014, the state treasurer shall credit 11.535% of the*
35 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*
36 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
37 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
38 *the state highway fund.*

39 (10) *On July 1, 2015, the state treasurer shall credit 20.159% of the*
40 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*
41 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
42 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
43 *the state highway fund.*

1 (11) On July 1, 2016, the state treasurer shall credit 20.096% of the
2 revenue collected and received from the tax imposed by K.S.A. 79-3703,
3 and amendments thereto, at the rate of 5.7%, and deposited as provided by
4 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
5 the state highway fund.

6 (12) On July 1, 2017, the state treasurer shall credit 20.004% of the
7 revenue collected and received from the tax imposed by K.S.A. 79-3703,
8 and amendments thereto, at the rate of 5.7%, and deposited as provided by
9 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
10 the state highway fund.

11 (13) On July 1, 2018, the state treasurer shall credit 19.977% of the
12 revenue collected and received from the tax imposed by K.S.A. 79-3703,
13 and amendments thereto, at the rate of 5.7%, and deposited as provided by
14 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
15 the state highway fund.

16 (14) On July 1, 2019, the state treasurer shall credit 19.921% of the
17 revenue collected and received from the tax imposed by K.S.A. 79-3703,
18 and amendments thereto, at the rate of 5.7%, and deposited as provided by
19 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
20 the state highway fund.

21 (15) On July 1, 2020, the state treasurer shall credit 19.867% of the
22 revenue collected and received from the tax imposed by K.S.A. 79-3703,
23 and amendments thereto, at the rate of 5.7%, and deposited as provided by
24 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
25 the state highway fund.

26 (16) On July 1, 2021, the state treasurer shall credit 19.814% of the
27 revenue collected and received from the tax imposed by K.S.A. 79-3703,
28 and amendments thereto, at the rate of 5.7%, and deposited as provided by
29 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
30 the state highway fund.

31 (17) On July 1, 2022, and thereafter, the state treasurer shall credit
32 18.421% of the revenue collected and received from the tax imposed by
33 K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and
34 deposited as provided by subsection (a), exclusive of amounts credited
35 pursuant to subsection (d), in the state highway fund.

36 (d) The state treasurer shall credit all revenue collected or received
37 from the tax imposed by K.S.A. 79-3703, and amendments thereto, as
38 certified by the director, from taxpayers doing business within that portion
39 of a redevelopment district occupied by a redevelopment project that was
40 determined by the secretary of commerce to be of statewide as well as
41 local importance or will create a major tourism area for the state as defined
42 in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
43 fund created by subsection (d) of K.S.A. 79-3620, and amendments

1 thereto. The provisions of this subsection shall expire when the total of all
2 amounts credited hereunder and under subsection (d) of K.S.A. 79-3620,
3 and amendments thereto, is sufficient to retire the special obligation bonds
4 issued for the purpose of financing all or a portion of the costs of such
5 redevelopment project.

6 This subsection shall not apply to a project designated as a special bond
7 project as defined in subsection (z) of K.S.A. 12-1770a, and amendments
8 thereto.

9 (e) All revenue certified by the director of taxation as having been
10 collected or received from the tax imposed by subsection (c) of K.S.A. 79-
11 3603, and amendments thereto, on the sale or furnishing of gas, water,
12 electricity and heat for use or consumption within the intermodal facility
13 district described in this subsection, shall be credited by the state treasurer
14 to the state highway fund. Such revenue may be transferred by the
15 secretary of transportation to the rail service improvement fund pursuant to
16 law. The provisions of this subsection shall take effect upon certification
17 by the secretary of transportation that a notice to proceed has been
18 received for the construction of the improvements within the intermodal
19 facility district, but not later than December 31, 2010, and shall expire
20 when the secretary of revenue determines that the total of all amounts
21 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3620, and
22 amendments thereto, is equal to \$53,300,000, but not later than December
23 31, 2045. Thereafter, all revenues shall be collected and distributed in
24 accordance with applicable law. For all tax reporting periods during which
25 the provisions of this subsection are in effect, none of the exemptions
26 contained in K.S.A. 79-3601 *et seq.*, and amendments thereto, shall apply
27 to the sale or furnishing of any gas, water, electricity and heat for use or
28 consumption within the intermodal facility district. As used in this
29 subsection, "intermodal facility district" shall consist of an intermodal
30 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and
31 amendments thereto, located in Johnson county within the polygonal-
32 shaped area having Waverly Road as the eastern boundary, 191st Street as
33 the southern boundary, Four Corners Road as the western boundary, and
34 Highway 56 as the northern boundary, and the polygonal-shaped area
35 having Poplar Road as the eastern boundary, 183rd Street as the southern
36 boundary, Waverly Road as the western boundary, and the BNSF mainline
37 track as the northern boundary, that includes capital investment in an
38 amount exceeding \$150 million for the construction of an intermodal
39 facility to handle the transfer, storage and distribution of freight through
40 railway and trucking operations.

41 Sec. 20. K.S.A. 2011 Supp. 79-4217 is hereby amended to read as
42 follows: 79-4217. (a) There is hereby imposed an excise tax upon the
43 severance and production of coal, oil or gas from the earth or water in this

1 state for sale, transport, storage, profit or commercial use, subject to the
2 following provisions of this section. Such tax shall be borne ratably by all
3 persons within the term "producer" as such term is defined in K.S.A. 79-
4 4216, and amendments thereto, in proportion to their respective beneficial
5 interest in the coal, oil or gas severed. Such tax shall be applied equally to
6 all portions of the gross value of each barrel of oil severed and subject to
7 such tax and to the gross value of the gas severed and subject to such tax.
8 The rate of such tax shall be 8% of the gross value of all oil or gas severed
9 from the earth or water in this state and subject to the tax imposed under
10 this act. The rate of such tax with respect to coal shall be \$1 per ton. For
11 the purposes of the tax imposed hereunder the amount of oil or gas
12 produced shall be measured or determined: (1) In the case of oil, by tank
13 tables compiled to show 100% of the full capacity of tanks without
14 deduction for overage or losses in handling; allowance for any reasonable
15 and *bona fide* deduction for basic sediment and water, and for correction of
16 temperature to 60 degrees Fahrenheit will be allowed; and if the amount of
17 oil severed has been measured or determined by tank tables compiled to
18 show less than 100% of the full capacity of tanks, such amount shall be
19 raised to a basis of 100% for the purpose of the tax imposed by this act;
20 and (2) in the case of gas, by meter readings showing 100% of the full
21 volume expressed in cubic feet at a standard base and flowing temperature
22 of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is
23 sold and purchased; correction to be made for pressure according to
24 Boyle's law, and used for specific gravity according to the gravity at which
25 the gas is sold and purchased, or if not so specified, according to the test
26 made by the balance method.

27 (b) The following shall be exempt from the tax imposed under this
28 section:

29 (1) The severance and production of gas which is: (A) Injected into
30 the earth for the purpose of lifting oil, recycling or repressuring; (B) used
31 for fuel in connection with the operation and development for, or
32 production of, oil or gas in the lease or production unit where severed; (C)
33 lawfully vented or flared; (D) severed from a well having an average daily
34 production during a calendar month having a gross value of not more than
35 \$87 per day, which well has not been significantly curtailed by reason of
36 mechanical failure or other disruption of production; in the event that the
37 production of gas from more than one well is gauged by a common meter,
38 eligibility for exemption hereunder shall be determined by computing the
39 gross value of the average daily combined production from all such wells
40 and dividing the same by the number of wells gauged by such meter; (E)
41 inadvertently lost on the lease or production unit by reason of leaks,
42 blowouts or other accidental losses; (F) used or consumed for domestic or
43 agricultural purposes on the lease or production unit from which it is

1 severed; or (G) placed in underground storage for recovery at a later date
2 and which was either originally severed outside of the state of Kansas, or
3 as to which the tax levied pursuant to this act has been paid;

4 (2) the severance and production of oil which is: (A) From a lease or
5 production unit whose average daily production is five barrels or less per
6 producing well, which well or wells have not been significantly curtailed
7 by reason of mechanical failure or other disruption of production; (B) from
8 a lease or production unit, the producing well or wells upon which have a
9 completion depth of 2,000 feet or more, and whose average daily
10 production is six barrels or less per producing well or, if the price of oil as
11 determined pursuant to subsection (d) is \$16 or less, whose average daily
12 production is seven barrels or less per producing well, or, if the price of oil
13 as determined pursuant to subsection (d) is \$15 or less, whose average
14 daily production is eight barrels or less per producing well, or, if the price
15 of oil as determined pursuant to subsection (d) is \$14 or less, whose
16 average daily production is nine barrels or less per producing well, or, if
17 the price of oil as determined pursuant to subsection (d) is \$13 or less,
18 whose average daily production is 10 barrels or less per producing well,
19 which well or wells have not been significantly curtailed by reason of
20 mechanical failure or other disruption of production; (C) from a lease or
21 production unit, whose production results from a tertiary recovery process.
22 "Tertiary recovery process" means the process or processes described in
23 subparagraphs (1) through (9) of 10 C.F.R. § 212.78(c) as in effect on June
24 1, 1979; (D) from a lease or production unit, the producing well or wells
25 upon which have a completion depth of less than 2,000 feet and whose
26 average daily production resulting from a water flood process, is six
27 barrels or less per producing well, which well or wells have not been
28 significantly curtailed by reason of mechanical failure or other disruption
29 of production; (E) from a lease or production unit, the producing well or
30 wells upon which have a completion depth of 2,000 feet or more, and
31 whose average daily production resulting from a water flood process, is
32 seven barrels or less per producing well or, if the price of oil as determined
33 pursuant to subsection (d) is \$16 or less, whose average daily production is
34 eight barrels or less per producing well, or, if the price of oil as determined
35 pursuant to subsection (d) is \$15 or less, whose average daily production is
36 nine barrels or less per producing well, or, if the price of oil as determined
37 pursuant to subsection (d) is \$14 or less, whose average daily production is
38 10 barrels or less per producing well, which well or wells have not been
39 significantly curtailed by reason of mechanical failure or other disruption
40 of production; (F) test, frac or swab oil which is sold or exchanged for
41 value; or (G) inadvertently lost on the lease or production unit by reason of
42 leaks or other accidental means;

43 (3) (A) any taxpayer applying for an exemption pursuant to

1 subsection (b)(2)(A) and (B) shall make application biennially to the
2 director of taxation therefor. Exemptions granted pursuant to subsection
3 (b)(2)(A) and (B) shall be valid for a period of two years following the
4 date of certification thereof by the director of taxation; (B) any taxpayer
5 applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall
6 make application biennially to the director of taxation therefor. Such
7 application shall be accompanied by proof of the approval of an
8 application for the utilization of a water flood process therefor by the
9 corporation commission pursuant to rules and regulations adopted under
10 the authority of K.S.A. 55-152, and amendments thereto, and proof that
11 the oil produced therefrom is kept in a separate tank battery and that
12 separate books and records are maintained therefor. Such exemption shall
13 be valid for a period of two years following the date of certification thereof
14 by the director of taxation; (C) any exemption granted pursuant to
15 subsections (b)(2)(A), (B), (D) or (E) with an odd lease number and an
16 exemption termination date between June 1, 2004, and May 31, 2005,
17 inclusive, shall be valid for a period of one year following the date of
18 certification; and (D) notwithstanding the provisions of paragraph (A) or
19 (B), any exemption in effect on the effective date of this act affected by the
20 amendments to subsection (b)(2) by this act shall be redetermined in
21 accordance with such amendments. Any such exemption, and any new
22 exemption established by such amendments and applied for after the
23 effective date of this shall be valid for a period commencing with May 1,
24 1998, and ending on April 30, 1999.

25 (4) the severance and production of gas or oil from any pool from
26 which oil or gas was first produced on or after April 1, 1983, *and prior to*
27 *July 1, 2012*, as determined by the state corporation commission and
28 certified to the director of taxation, and continuing for a period of 24
29 months from the month in which oil or gas was first produced from such
30 pool as evidenced by an affidavit of completion of a well, filed with the
31 state corporation commission and certified to the director of taxation.
32 Exemptions granted for production from any well pursuant to this
33 paragraph shall be valid for a period of 24 months following the month in
34 which oil or gas was first produced from such pool. The term "pool"
35 means an underground accumulation of oil or gas in a single and separate
36 natural reservoir characterized by a single pressure system so that
37 production from one part of the pool affects the reservoir pressure
38 throughout its extent;

39 (5) *the severance and production of oil not to exceed 250 barrels per*
40 *day from any pool from which oil was first produced on or after July 1,*
41 *2012, as determined by the state corporation commission and certified to*
42 *the director of taxation, and continuing for a period of 24 months from the*
43 *month in which oil was first produced from such pool as evidenced by an*

1 *affidavit of completion of a well, filed with the state corporation*
2 *commission and certified to the director of taxation. Exemptions granted*
3 *for production from any well pursuant to this subsection shall be valid for*
4 *a period of 24 months following the month in which oil was first produced*
5 *from such pool. The term "pool" means an underground accumulation of*
6 *oil in a single and separate natural reservoir characterized by a single*
7 *pressure system so that production from one part of the pool affects the*
8 *reservoir pressure throughout its extent;*

9 (6) the severance and production of oil or gas from a three-year
10 inactive well, as determined by the state corporation commission and
11 certified to the director of taxation, for a period of 10 years after the date
12 of receipt of such certification. As used in this paragraph, "three-year
13 inactive well" means any well that has not produced oil or gas in more
14 than one month in the three years prior to the date of application to the
15 state corporation commission for certification as a three-year inactive well.
16 An application for certification as a three-year inactive well shall be in
17 such form and contain such information as required by the state
18 corporation commission, and shall be made prior to July 1, 1996. The
19 commission may revoke a certification if information indicates that a
20 certified well was not a three-year inactive well or if other lease
21 production is credited to the certified well. Upon notice to the operator that
22 the certification for a well has been revoked, the exemption shall not be
23 applied to the production from that well from the date of revocation;

24 ~~(6)~~(7) (A) The incremental severance and production of oil or gas
25 which results from a production enhancement project begun on or after
26 July 1, 1998, shall be exempt for a period of seven years from the startup
27 date of such project. As used in this paragraph ~~(6)~~:

28 (1) "Incremental severance and production" means the amount of oil
29 or natural gas which is produced as the result of a production enhancement
30 project which is in excess of the base production of oil or natural gas, and
31 is determined by subtracting the base production from the total monthly
32 production after the production enhancement project is completed.

33 (2) "Base production" means the average monthly amount of
34 production for the twelve-month period immediately prior to the
35 production enhancement project beginning date, minus the monthly rate of
36 production decline for the well or project for each month beginning 180
37 days prior to the project beginning date. The monthly rate of production
38 decline shall be equal to the average extrapolated monthly decline rate for
39 the well or project for the twelve-month period immediately prior to the
40 production enhancement project beginning date, except that the monthly
41 rate of production decline shall be equal to zero in the case where the well
42 or project has experienced no monthly decline during the twelve-month
43 period immediately prior to the production enhancement project beginning

1 date. Such monthly rate of production decline shall be continued as the
2 decline that would have occurred except for the enhancement project. Any
3 well or project which may have produced during the twelve-month period
4 immediately prior to the production enhancement project beginning date
5 but is not capable of production on the project beginning date shall have a
6 base production equal to zero. The calculation of the base production
7 amount shall be evidenced by an affidavit and supporting documentation
8 filed by the applying taxpayer with the state corporation commission.

9 (3) "Workover" means any downhole operation in an existing oil or
10 gas well that is designed to sustain, restore or increase the production rate
11 or ultimate recovery of oil or gas, including but not limited to acidizing,
12 reperforation, fracture treatment, sand/paraffin/scale removal or other
13 wellbore cleanouts, casing repair, squeeze cementing, initial installation, or
14 enhancement of artificial lifts including plunger lifts, rods, pumps,
15 submersible pumps and coiled tubing velocity strings, downsizing existing
16 tubing to reduce well loading, downhole commingling, bacteria treatments,
17 polymer treatments, upgrading the size of pumping unit equipment, setting
18 bridge plugs to isolate water production zones, or any combination of the
19 aforementioned operations; "workover" shall not mean the routine
20 maintenance, routine repair, or like for-like replacement of downhole
21 equipment such as rods, pumps, tubing packers or other mechanical
22 device.

23 (4) "Production enhancement project" means performing or causing
24 to be performed the following:

- 25 (i) Workover;
- 26 (ii) recompletion to a different producing zone in the same well bore,
27 except recompletions in formations and zones subject to a state
28 corporation commission proration order;
- 29 (iii) secondary recovery projects;
- 30 (iv) addition of mechanical devices to dewater a gas or oil well;
- 31 (v) replacement or enhancement of surface equipment;
- 32 (vi) installation or enhancement of compression equipment, line
33 looping or other techniques or equipment which increases production from
34 a well or a group of wells in a project;
- 35 (vii) new discoveries of oil or gas which are discovered as a result of
36 the use of new technology, including, but not limited to, three dimensional
37 seismic studies.

38 (B) The state corporation commission shall adopt rules and
39 regulations necessary to efficiently and properly administer the provisions
40 of this paragraph ~~(6)~~ including rules and regulations for the qualification of
41 production enhancement projects, the procedures for determining the
42 monthly rate of production decline, criteria for determining the share of
43 incremental production attributable to each well when a production

1 enhancement project includes a group of wells, criteria for determining the
2 start up date for any project for which an exemption is claimed, and
3 determining new qualifying technologies for the purposes of ~~paragraph (6)~~
4 *subsection (7)(A)(4)(vii)*.

5 (C) Any taxpayer applying for an exemption pursuant to this
6 paragraph ~~(6)~~ shall make application to the director of taxation. Such
7 application shall be accompanied by a state corporation commission
8 certification that the production for which an exemption is sought results
9 from a qualified production enhancement project and certification of the
10 base production for the enhanced wells or group of wells, and the rate of
11 decline to be applied to that base production. The secretary of revenue
12 shall provide credit for any taxes paid between the project startup date and
13 the certification of qualifications by the commission.

14 (D) The exemptions provided for in this paragraph ~~(6)~~ shall not apply
15 for 12 months beginning July 1 of the year subsequent to any calendar year
16 during which: (1) In the case of oil, the secretary of revenue determines
17 that the weighted average price of Kansas oil at the wellhead has exceeded
18 \$20.00 per barrel; or (2) in the case of natural gas the secretary of revenue
19 determines that the weighted average price of Kansas gas at the wellhead
20 has exceeded \$2.50 per Mcf.

21 (E) The provisions of this paragraph ~~(6)~~ shall not affect any other
22 exemption allowable pursuant to this section; and

23 (7) for the calendar year 1988, and any year thereafter, the severance
24 or production of the first 350,000 tons of coal from any mine as certified
25 by the state geological survey.

26 (c) No exemption shall be granted pursuant to subsection (b)(3) or (4)
27 to any person who does not have a valid operator's license issued by the
28 state corporation commission, and no refund of tax shall be made to any
29 taxpayer attributable to any production in a period when such taxpayer did
30 not hold a valid operator's license issued by the state corporation
31 commission.

32 (d) On April 15, 1988, and on April 15 of each year thereafter, the
33 secretary of revenue shall determine from statistics compiled and provided
34 by the United States department of energy, the average price per barrel
35 paid by the first purchaser of crude oil in this state for the six-month
36 period ending on December 31 of the preceding year. Such price shall be
37 used for the purpose of determining exemptions allowed by subsection (b)
38 (2)(B) or (E) for the twelve-month period commencing on May 1 of such
39 year and ending on April 30 of the next succeeding year.

40 New Sec. 21. (a) For Kansas income tax purposes: (1) The basis of
41 a partner's interest in a partnership formed prior to January 1, 2013, shall
42 be determined by computing the basis as of January 1, 2013, in accordance
43 with section 705 of the federal internal revenue code as in effect on

1 January 1, 2013, and amendments thereto, and making any subsequent
2 adjustments to the partner's interest as provided in section 733 of the
3 federal internal revenue code as in effect on January 1, 2013, and
4 amendments thereto.

5 (2) The basis of a partner's interest in a partnership formed on or after
6 January 1, 2013, shall be determined by computing the basis as of the date
7 of formation of the partnership in accordance with section 705 of the
8 federal internal revenue code as in effect on January 1, 2013, and
9 amendments thereto, and making any subsequent adjustments to the
10 partner's interest as provided in section 733 of the federal internal revenue
11 code as in effect on January 1, 2013, and amendments thereto.

12 (b) (1) The basis of each shareholder's stock and indebtedness in an
13 S corporation formed prior to January 1, 2013, shall be determined by
14 computing the basis as of January 1, 2013, in accordance with section
15 1367 of the federal internal revenue code as in effect on January 1, 2013,
16 and amendments thereto, and making any subsequent adjustments to the
17 shareholder's stock and indebtedness as provided in section 1367(a)(2)(A)
18 of the federal internal revenue code as in effect on January 1, 2013, and
19 amendments thereto.

20 (2) The basis of each shareholder's stock and indebtedness in an S
21 corporation formed on or after January 1, 2013, shall be determined by
22 computing the basis as of the date of formation of the S corporation in
23 accordance with section 1367 of the federal internal revenue code as in
24 effect on January 1, 2013, and amendments thereto, and making any
25 subsequent adjustments to the shareholder's stock and indebtedness as
26 provided in section 1367 (a)(2)(A) of the federal internal revenue code as
27 in effect on January 1, 2013, and amendments thereto.

28 (c) The provisions of this section shall be effective for tax year 2013,
29 and all tax years thereafter.

30 Sec. 22. K.S.A. 79-32,128 and 79-32,176 and K.S.A. 2011 Supp. 40-
31 2246, 74-50,222, 79-1107, 79-1108, 79-32,110, 79-32,111, 79-32,117, 79-
32 32,119, 79-32,138, 79-32,143, 79-32,197, 79-32,205, 79-32,210, 79-3620,
33 79-3635, 79-3710 and 79-4217 are hereby repealed.

34 Sec. 23. This act shall take effect and be in force from and after its
35 publication in the statute book.