

## House Substitute for SENATE BILL No. 83

By Committee on Taxation

3-19

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1 AN ACT concerning taxation; relating to delinquent tax liabilities; service  
2 fees, remittance; income tax deductions and modifications; severance  
3 tax; sales tax; amending K.S.A. 79-32,109 and K.S.A. 2012 Supp. 75-  
4 5162, 79-32,117, 79-32,118, 79-32,266, 79-3620 and 79-4217 and  
5 repealing the existing sections; also repealing K.S.A. 79-3632 and  
6 K.S.A. 2012 Supp. 79-32,117n and 79-3639a.

7  
8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1. On July 1, 2013, K.S.A. 2012 Supp. 75-5162 is hereby  
10 amended to read as follows: 75-5162. (a) For any tax established pursuant  
11 to law which is administered by the Kansas department of revenue, any  
12 taxpayer having a delinquent tax liability and entering into an agreement  
13 with the department providing for an installment payment plan allowing  
14 the pay off of such liability in a time period in excess of 90 days from the  
15 date when such agreement is entered into shall be assessed a service fee of  
16 ~~\$10~~\$25.

17 (b) *Any taxpayer requesting a full or partial abatement of tax liability*  
18 *pursuant to K.S.A. 79-3233a, 79-3618 or 75-5154, and amendments*  
19 *thereto, shall be assessed a service fee of \$50.*

20 (c) *The department, when remitting funds to the United States*  
21 *internal revenue service in response to a levy on those funds, may*  
22 *withhold from the funds a service fee of \$22.*

23 (d) The secretary of revenue shall remit all moneys received by or for  
24 the secretary from such fees and collected under this section to the state  
25 treasurer in accordance with the provisions of K.S.A. 75-4215, and  
26 amendments thereto. Upon receipt of each such remittance, the state  
27 treasurer shall deposit the entire amount in the state treasury to the credit  
28 of the recovery fund for enforcement actions and attorney fees, *which is*  
29 *hereby established in the state treasury and which may be used for the*  
30 *administration and operation of the department.* The secretary of revenue  
31 shall remit the first \$350,000 of delinquent taxes, including penalties and  
32 interest, collected during any fiscal year for income tax or any other tax  
33 that would otherwise be deposited 100% in the state general fund, to the  
34 state treasurer in accordance with the provisions of K.S.A. 75-4215, and  
35 amendments thereto. Upon receipt of such remittance, the state treasurer  
36 shall deposit the entire amount in the state treasury to the credit of the

1 recovery fund for enforcement actions and attorney fees. All expenditures  
2 from the recovery fund for enforcement actions and attorney fees shall be  
3 made in accordance with appropriation acts upon warrants of the director  
4 of accounts and reports issued pursuant to vouchers approved by the  
5 secretary of revenue or by a person or persons designated by the secretary.

6 Sec. 2. K.S.A. 79-32,109 is hereby amended to read as follows: 79-  
7 32,109. As used in this act, unless the context otherwise requires:

8 (a) (1) Any term used in this act shall have the same meaning as when  
9 used in a comparable context in the federal internal revenue code. Any  
10 reference in this act to the "federal internal revenue code" shall mean the  
11 provisions of the federal internal revenue code of 1986, and amendments  
12 thereto, and other provisions of the laws of the United States relating to  
13 federal income taxes, as the same may be or become effective at any time,  
14 or from time to time, for the taxable year.

15 (2) *Any reference in this act to a federal form or schedule, or to a line*  
16 *number on a federal form or schedule, shall be to such form, schedule and*  
17 *line number as they existed for tax year 2011 and as revised thereafter by*  
18 *the internal revenue service. Any such reference shall include comparable*  
19 *federal forms, schedules, and line numbers used by non-United States*  
20 *residents when filing their federal income tax return with the internal*  
21 *revenue service.*

22 (b) "Resident individual" means a natural person who is domiciled in  
23 this state. A natural person who spends in the aggregate more than six  
24 months of the taxable year within this state shall be presumed to be a  
25 resident for purposes of this act in absence of proof to the contrary. A  
26 nonresident individual means an individual other than a resident  
27 individual.

28 (c) "Resident estate" means the estate of a deceased person whose  
29 domicile was in this state at the time of such person's death. "Nonresident  
30 estate" means an estate other than a resident estate.

31 (d) "Resident trust" means a trust which is administered in this state.  
32 A trust shall not be deemed to be administered in this state solely because  
33 it is subject to the jurisdiction of a district court within this state.  
34 "Nonresident trust" means a trust other than a resident trust.

35 (e) "Resident partner" means a partner who is a resident individual, a  
36 resident estate, or a resident trust. "Nonresident partner" means a partner  
37 other than a resident partner.

38 (f) "Resident beneficiary" means a beneficiary of an estate or trust  
39 which beneficiary is a resident individual, a resident estate, or a resident  
40 trust. "Nonresident beneficiary" means a beneficiary other than a resident  
41 beneficiary.

42 (g) "Director" means the director of taxation.

43 (h) "Modified Kansas source income" means that part of a

1 nonresident individual's Kansas adjusted gross income as set forth in  
2 K.S.A. 79-32,117, and amendments thereto, derived from sources in  
3 Kansas. Items of income including unemployment compensation, gain,  
4 loss or deduction reflected in Kansas adjusted gross income shall be  
5 considered derived from sources in Kansas to the extent that they are  
6 attributable to: (1) The ownership of any interest in real or tangible  
7 personal property in this state; (2) a business, trade, profession or  
8 occupation carried on in this state; (3) a business, trade, profession or  
9 occupation carried on partly within and partly without this state as  
10 determined by the uniform division of income for tax purposes act as set  
11 forth in K.S.A. 79-3271 through K.S.A. 79-3293, and amendments thereto;  
12 (4) the distributive share of partnership income, gain, loss and deduction  
13 determined under this section as if the partnership were a nonresident  
14 individual; (5) the share of estate or trust income, gain, loss and deduction  
15 determined under K.S.A. 79-32,137, and amendments thereto; (6) prizes  
16 won from lottery games conducted by the Kansas lottery; (7) any winnings  
17 from parimutuel wagering derived from the conduct of parimutuel  
18 activities within this state; or (8) income from intangible personal property,  
19 including annuities, dividends, interest, and gains from the disposition of  
20 intangible personal property to the extent that such income is from  
21 property employed in a trade, business, profession or occupation carried  
22 on in Kansas. A nonresident, other than a dealer holding property primarily  
23 for sale to customers in the ordinary course of such dealer's trade or  
24 business, shall not be deemed to carry on a business, trade, profession or  
25 occupation in Kansas solely by reason of the purchase and sale of property  
26 for such nonresident's own account.

27 "Modified Kansas source income" shall not include: (1) Compensation  
28 paid by the United States for service in the armed forces of the United  
29 States, performed during an induction period by an individual not  
30 domiciled in this state; or (2) such individual's share of distributed or  
31 undistributed taxable income or net operating loss of a corporation which  
32 is an electing small business corporation unless an agreement is filed as  
33 provided in K.S.A. 79-32,139, and amendments thereto, in which event,  
34 the "modified Kansas source income" of such nonresident individual shall  
35 include such individual's share of such corporation's distributed and  
36 undistributed taxable income or net operating loss as such share is  
37 determined under the internal revenue code only to the extent, however,  
38 that such income, gain or loss is at the corporate level, derived from  
39 sources within Kansas.

40 Sec. 3. K.S.A. 2012 Supp. 79-32,117 is hereby amended to read as  
41 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
42 means such individual's federal adjusted gross income for the taxable year,  
43 with the modifications specified in this section.

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

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

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

22 (iii) The federal net operating loss deduction.

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

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

43 (vi) Any amount of designated employee contributions picked up by

1 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
2 and amendments thereto.

3 (vii) The amount of any charitable contribution made to the extent the  
4 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
5 32,196, and amendments thereto.

6 (viii) The amount of any costs incurred for improvements to a swine  
7 facility, claimed for deduction in determining federal adjusted gross  
8 income, to the extent the same is claimed as the basis for any credit  
9 allowed pursuant to K.S.A. 2012 Supp. 79-32,204, and amendments  
10 thereto.

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

17 (x) Amounts received as nonqualified withdrawals, as defined by  
18 K.S.A. 2012 Supp. 75-643, and amendments thereto, if, at the time of  
19 contribution to a family postsecondary education savings account, such  
20 amounts were subtracted from the federal adjusted gross income pursuant  
21 to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments  
22 thereto, or if such amounts are not already included in the federal adjusted  
23 gross income.

24 (xi) The amount of any contribution made to the same extent the  
25 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2012  
26 Supp. 74-50,154, and amendments thereto.

27 (xii) For taxable years commencing after December 31, 2004,  
28 amounts received as withdrawals not in accordance with the provisions of  
29 K.S.A. 2012 Supp. 74-50,204, and amendments thereto, if, at the time of  
30 contribution to an individual development account, such amounts were  
31 subtracted from the federal adjusted gross income pursuant to paragraph  
32 (xiii) of subsection (c), or if such amounts are not already included in the  
33 federal adjusted gross income.

34 (xiii) The amount of any expenditures claimed for deduction in  
35 determining federal adjusted gross income, to the extent the same is  
36 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.  
37 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

38 (xiv) The amount of any amortization deduction claimed in  
39 determining federal adjusted gross income to the extent the same is  
40 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,221, and  
41 amendments thereto.

42 (xv) The amount of any expenditures claimed for deduction in  
43 determining federal adjusted gross income, to the extent the same is

1 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.  
2 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
3 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
4 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

5 (xvi) The amount of any amortization deduction claimed in  
6 determining federal adjusted gross income to the extent the same is  
7 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,227, 79-  
8 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
9 thereto.

10 (xvii) The amount of any amortization deduction claimed in  
11 determining federal adjusted gross income to the extent the same is  
12 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,256, and  
13 amendments thereto.

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

24 (xix) For all taxable years beginning after December 31, 2012, the  
25 amount of any: (1) Loss from business as determined under the federal  
26 internal revenue code and reported from schedule C and on line 12 of the  
27 taxpayer's form 1040 federal individual income tax return; (2) loss from  
28 rental real estate, royalties, partnerships, S corporations, *except those with*  
29 *wholly owned subsidiaries subject to the Kansas privilege tax*, estates,  
30 trusts, residual interest in real estate mortgage investment conduits and net  
31 farm rental as determined under the federal internal revenue code and  
32 reported from schedule E and on line 17 of the taxpayer's form 1040  
33 federal individual income tax return; and (3) farm loss as determined under  
34 the federal internal revenue code and reported from schedule F and on line  
35 18 of the taxpayer's form 1040 federal income tax return; all to the extent  
36 deducted or subtracted in determining the taxpayer's federal adjusted gross  
37 income. For purposes of this subsection, references to the federal form  
38 1040 and federal schedule C, schedule E, and schedule F, shall be to such  
39 form and schedules as they existed for tax year 2011, and as revised  
40 thereafter by the internal revenue service.

41 (xx) For all taxable years beginning after December 31, 2012, the  
42 amount of any deduction for self-employment taxes under section 164(f)  
43 of the federal internal revenue code as in effect on January 1, 2012, and

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

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

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

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

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

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

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

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

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

43 (v) The amount of any refund or credit for overpayment of taxes on

1 or measured by income or fees or payments in lieu of income taxes  
2 imposed by this state, or any taxing jurisdiction, to the extent included in  
3 gross income for federal income tax purposes.

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

7 (vii) Amounts received as annuities under the federal civil service  
8 retirement system from the civil service retirement and disability fund and  
9 other amounts received as retirement benefits in whatever form which  
10 were earned for being employed by the federal government or for service  
11 in the armed forces of the United States.

12 (viii) Amounts received by retired railroad employees as a  
13 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
14 228c (a)(1) et seq.

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

20 (x) For taxable years beginning after December 31, 1976, the amount  
21 of the federal tentative jobs tax credit disallowance under the provisions of  
22 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
23 amount of the targeted jobs tax credit and work incentive credit  
24 disallowances under 26 U.S.C. § 280 C.

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

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

31 (xiii) For taxable years beginning after December 31, 2004, amounts  
32 contributed to and the amount of income earned on contributions deposited  
33 to an individual development account under K.S.A. 2012 Supp. 74-50,201  
34 et seq., and amendments thereto.

35 (xiv) For all taxable years commencing after December 31, 1996, that  
36 portion of any income of a bank organized under the laws of this state or  
37 any other state, a national banking association organized under the laws of  
38 the United States, an association organized under the savings and loan  
39 code of this state or any other state, or a federal savings association  
40 organized under the laws of the United States, for which an election as an  
41 S corporation under subchapter S of the federal internal revenue code is in  
42 effect, which accrues to the taxpayer who is a stockholder of such  
43 corporation and which is not distributed to the stockholders as dividends of



1 the corporation. For all taxable years beginning after December 31, 2012,  
2 the amount of modification under this subsection shall exclude the portion  
3 of income or loss reported on schedule E and included on line 17 of the  
4 taxpayer's form 1040 federal individual income tax return.

5 (xv) For all taxable years beginning after December 31, 2006,  
6 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
7 joint return, for each designated beneficiary which are contributed to a  
8 family postsecondary education savings account established under the  
9 Kansas postsecondary education savings program or a qualified tuition  
10 program established and maintained by another state or agency or  
11 instrumentality thereof pursuant to section 529 of the internal revenue  
12 code of 1986, as amended, for the purpose of paying the qualified higher  
13 education expenses of a designated beneficiary at an institution of  
14 postsecondary education. The terms and phrases used in this paragraph  
15 shall have the meaning respectively ascribed thereto by the provisions of  
16 K.S.A. 2012 Supp. 75-643, and amendments thereto, and the provisions of  
17 such section are hereby incorporated by reference for all purposes thereof.

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

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

36 (xviii) For the taxable year beginning after December 31, 2006,  
37 amounts received as benefits under the federal social security act which  
38 are included in federal adjusted gross income of a taxpayer with federal  
39 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
40 status is single, head of household, married filing separate or married filing  
41 jointly; and for all taxable years beginning after December 31, 2007,  
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 \$75,000 or less, whether such taxpayer's filing  
2 status is single, head of household, married filing separate or married filing  
3 jointly.

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

6 (xx) For all taxable years beginning after December 31, 2012, the  
7 amount of any: (1) Net profit from business as determined under the  
8 federal internal revenue code and reported from schedule C and on line 12  
9 of the taxpayer's form 1040 federal individual income tax return; (2) net  
10 income from rental real estate, royalties, partnerships, S corporations,  
11 estates, trusts, residual interest in real estate mortgage investment conduits  
12 and net farm rental as determined under the federal internal revenue code  
13 and reported from schedule E and on line 17 of the taxpayer's form 1040  
14 federal individual income tax return; and (3) net farm profit as determined  
15 under the federal internal revenue code and reported from schedule F and  
16 on line 18 of the taxpayer's form 1040 federal income tax return; all to the  
17 extent included in the taxpayer's federal adjusted gross income. For  
18 purposes of this subsection, references to the federal form 1040 and  
19 federal schedule C, schedule E, and schedule F, shall be to such form and  
20 schedules as they existed for tax year 2011 and as revised thereafter by the  
21 internal revenue service.

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

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

31 Sec. 4. K.S.A. 2012 Supp. 79-32,118 is hereby amended to read as  
32 follows: 79-32,118. ~~Commencing in tax year 2013,~~The Kansas deduction  
33 of an individual shall be such individual's Kansas standard deduction  
34 *unless such individual elects to deduct such individual's Kansas itemized*  
35 *deductions under the conditions set forth in K.S.A. 79-32,120, and*  
36 *amendments thereto.*

37 Sec. 5. K.S.A. 2012 Supp. 79-32,266 is hereby amended to read as  
38 follows: 79-32,266. (a) For taxable years commencing after December 31,  
39 2010, there shall be allowed as a credit against the tax liability of a  
40 resident individual taxpayer an amount equal to 95% of the resident  
41 individual's income tax liability under the provisions of the Kansas income  
42 tax act for Kansas source income received from a qualified company that  
43 is business income attributable to business activities conducted at the

1 business facility, office, department or other operation relocated to Kansas  
2 when the taxpayer owns such qualified company and materially  
3 participates in such business activities conducted at such relocated  
4 business facility, office, department or other operation of such qualified  
5 company which qualified for benefits under the provisions of subsection  
6 (a)(1) of K.S.A. 74-50,212, and amendments thereto. A taxpayer shall be  
7 treated as materially participating in such qualified company's business  
8 activities conducted at such business facility, office, department or other  
9 operation relocated to Kansas only if the taxpayer is involved in such  
10 business activities of such qualified company on a basis which is regular,  
11 continuous and substantial. A taxpayer may claim the credit authorized by  
12 this section during any tax year in which the qualified company owned by  
13 the taxpayer qualifies for benefits under provisions of K.S.A. 74-50,212,  
14 and amendments thereto.

15 (b) Business income attributable to the business activities conducted  
16 at the business facility, office, department or other operation relocated to  
17 Kansas of a qualified company which qualified for benefits under the  
18 provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments  
19 thereto, shall be determined by multiplying the business income of the  
20 company apportioned to this state by a fraction, the numerator of which is  
21 the property factor plus the payroll factor plus the sales factor, and the  
22 denominator of which is three. For purposes of this subsection, the  
23 property factor is a fraction, the numerator of which is the average value of  
24 the company's real and tangible personal property owned or rented and  
25 used during the tax period at such relocated facility, office, department or  
26 other relocated operation in Kansas, and the denominator of which is the  
27 average value of the company's real and tangible personal property owned  
28 or rented and used within this state during the tax period. The payroll  
29 factor is a fraction, the numerator of which is the total amount paid during  
30 the tax period by the company for compensation at such relocated facility,  
31 office, department or other relocated operation in Kansas, and the  
32 denominator of which is the total compensation paid by the company in  
33 this state during the tax period. The sales factor is a fraction, the numerator  
34 of which is the total sales of the relocated facility, office, department or  
35 other relocated operation in this state during the tax period, and the  
36 denominator of which is the total sales of the company in this state during  
37 the tax period.

38 (c) This credit shall not be available to any taxpayer making a  
39 modification under (b)(xix) or ~~(e)(xxi)~~ (c)(xx) of K.S.A. 79-32,117, and  
40 amendments thereto.

41 (d) The secretary of revenue shall adopt rules and regulations  
42 regarding the filing of documents that support the qualifications of the  
43 taxpayer for the credit claimed pursuant to this section.

1       Sec. 6. K.S.A. 2012 Supp. 79-3620 is hereby amended to read as  
2 follows: 79-3620. (a) All revenue collected or received by the director of  
3 taxation from the taxes imposed by this act shall be remitted to the state  
4 treasurer in accordance with the provisions of K.S.A. 75-4215, and  
5 amendments thereto. Upon receipt of each such remittance, the state  
6 treasurer shall deposit the entire amount in the state treasury, less amounts  
7 withheld as provided in subsection (b) and amounts credited as provided in  
8 ~~subsection~~ *subsections* (c), (d) and (e), to the credit of the state general  
9 fund.

10       (b) A refund fund, designated as "sales tax refund fund" not to exceed  
11 \$100,000 shall be set apart and maintained by the director from sales tax  
12 collections and estimated tax collections and held by the state treasurer for  
13 prompt payment of all sales tax refunds ~~including refunds authorized~~  
14 ~~under the provisions of K.S.A. 79-3635, and amendments thereto.~~ Such  
15 fund shall be in such amount, within the limit set by this section, as the  
16 director shall determine is necessary to meet current refunding  
17 requirements under this act. In the event such fund as established by this  
18 section is, at any time, insufficient to provide for the payment of refunds  
19 due claimants thereof, the director shall certify the amount of additional  
20 funds required to the director of accounts and reports who shall promptly  
21 transfer the required amount from the state general fund to the sales tax  
22 refund fund, and notify the state treasurer, who shall make proper entry in  
23 the records.

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

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

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

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

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

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

11 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the  
12 revenue collected and received from the tax imposed by K.S.A. 79-3603,  
13 and amendments thereto, at the rate of 6.3%, and deposited as provided by  
14 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
15 the state highway fund, as well as such revenue collected and received at  
16 the rate of 6.3%, after June 30, 2013.

17 (8) On July 1, 2013, and thereafter, the state treasurer shall credit  
18 18.421% of the revenue collected and received from the tax imposed by  
19 K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and  
20 deposited as provided by subsection (a), exclusive of amounts credited  
21 pursuant to subsection (d), in the state highway fund.

22 (d) The state treasurer shall credit all revenue collected or received  
23 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as  
24 certified by the director, from taxpayers doing business within that portion  
25 of a STAR bond project district occupied by a STAR bond project or  
26 taxpayers doing business with such entity financed by a STAR bond  
27 project as defined in K.S.A. 2012 Supp. 12-17,162, and amendments  
28 thereto, that was determined by the secretary of commerce to be of  
29 statewide as well as local importance or will create a major tourism area  
30 for the state or the project was designated as a STAR bond project as  
31 defined in K.S.A. 2012 Supp. 12-17,162, and amendments thereto, to the  
32 city bond finance fund, which fund is hereby created. The provisions of  
33 this subsection shall expire when the total of all amounts credited  
34 hereunder and under subsection (d) of K.S.A. 79-3710, and amendments  
35 thereto, is sufficient to retire the special obligation bonds issued for the  
36 purpose of financing all or a portion of the costs of such STAR bond  
37 project.

38 (e) All revenue certified by the director of taxation as having been  
39 collected or received from the tax imposed by subsection (c) of K.S.A. 79-  
40 3603, and amendments thereto, on the sale or furnishing of gas, water,  
41 electricity and heat for use or consumption within the intermodal facility  
42 district described in this subsection, shall be credited by the state treasurer  
43 to the state highway fund. Such revenue may be transferred by the

1 secretary of transportation to the rail service improvement fund pursuant to  
2 law. The provisions of this subsection shall take effect upon certification  
3 by the secretary of transportation that a notice to proceed has been  
4 received for the construction of the improvements within the intermodal  
5 facility district, but not later than December 31, 2010, and shall expire  
6 when the secretary of revenue determines that the total of all amounts  
7 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3710, and  
8 amendments thereto, is equal to \$53,300,000, but not later than December  
9 31, 2045. Thereafter, all revenues shall be collected and distributed in  
10 accordance with applicable law. For all tax reporting periods during which  
11 the provisions of this subsection are in effect, none of the exemptions  
12 contained in K.S.A. 79-3601 et seq., and amendments thereto, shall apply  
13 to the sale or furnishing of any gas, water, electricity and heat for use or  
14 consumption within the intermodal facility district. As used in this  
15 subsection, "intermodal facility district" shall consist of an intermodal  
16 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and  
17 amendments thereto, located in Johnson county within the polygonal-  
18 shaped area having Waverly Road as the eastern boundary, 191<sup>st</sup> Street as  
19 the southern boundary, Four Corners Road as the western boundary, and  
20 Highway 56 as the northern boundary, and the polygonal-shaped area  
21 having Poplar Road as the eastern boundary, 183<sup>rd</sup> Street as the southern  
22 boundary, Waverly Road as the western boundary, and the BNSF mainline  
23 track as the northern boundary, that includes capital investment in an  
24 amount exceeding \$150 million for the construction of an intermodal  
25 facility to handle the transfer, storage and distribution of freight through  
26 railway and trucking operations.

27 Sec. 7. K.S.A. 2012 Supp. 79-4217 is hereby amended to read as  
28 follows: 79-4217. (a) There is hereby imposed an excise tax upon the  
29 severance and production of coal, oil or gas from the earth or water in this  
30 state for sale, transport, storage, profit or commercial use, subject to the  
31 following provisions of this section. Such tax shall be borne ratably by all  
32 persons within the term "producer" as such term is defined in K.S.A. 79-  
33 4216, and amendments thereto, in proportion to their respective beneficial  
34 interest in the coal, oil or gas severed. Such tax shall be applied equally to  
35 all portions of the gross value of each barrel of oil severed and subject to  
36 such tax and to the gross value of the gas severed and subject to such tax.  
37 The rate of such tax shall be 8% of the gross value of all oil or gas severed  
38 from the earth or water in this state and subject to the tax imposed under  
39 this act. The rate of such tax with respect to coal shall be \$1 per ton. For  
40 the purposes of the tax imposed hereunder the amount of oil or gas  
41 produced shall be measured or determined: (1) In the case of oil, by tank  
42 tables compiled to show 100% of the full capacity of tanks without  
43 deduction for overage or losses in handling; allowance for any reasonable

1 and bona fide deduction for basic sediment and water, and for correction of  
2 temperature to 60 degrees Fahrenheit will be allowed; and if the amount of  
3 oil severed has been measured or determined by tank tables compiled to  
4 show less than 100% of the full capacity of tanks, such amount shall be  
5 raised to a basis of 100% for the purpose of the tax imposed by this act;  
6 and (2) in the case of gas, by meter readings showing 100% of the full  
7 volume expressed in cubic feet at a standard base and flowing temperature  
8 of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is  
9 sold and purchased; correction to be made for pressure according to  
10 Boyle's law, and used for specific gravity according to the gravity at which  
11 the gas is sold and purchased, or if not so specified, according to the test  
12 made by the balance method.

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

15 (1) The severance and production of gas which is: (A) Injected into  
16 the earth for the purpose of lifting oil, recycling or repressuring; (B) used  
17 for fuel in connection with the operation and development for, or  
18 production of, oil or gas in the lease or production unit where severed; (C)  
19 lawfully vented or flared; (D) severed from a well having an average daily  
20 production during a calendar month having a gross value of not more than  
21 \$87 per day, which well has not been significantly curtailed by reason of  
22 mechanical failure or other disruption of production; in the event that the  
23 production of gas from more than one well is gauged by a common meter,  
24 eligibility for exemption hereunder shall be determined by computing the  
25 gross value of the average daily combined production from all such wells  
26 and dividing the same by the number of wells gauged by such meter; (E)  
27 inadvertently lost on the lease or production unit by reason of leaks,  
28 blowouts or other accidental losses; (F) used or consumed for domestic or  
29 agricultural purposes on the lease or production unit from which it is  
30 severed; or (G) placed in underground storage for recovery at a later date  
31 and which was either originally severed outside of the state of Kansas, or  
32 as to which the tax levied pursuant to this act has been paid;

33 (2) the severance and production of oil which is: (A) From a lease or  
34 production unit whose average daily production is five barrels or less per  
35 producing well, which well or wells have not been significantly curtailed  
36 by reason of mechanical failure or other disruption of production; (B) from  
37 a lease or production unit, the producing well or wells upon which have a  
38 completion depth of 2,000 feet or more, and whose average daily  
39 production is six barrels or less per producing well or, if the price of oil as  
40 determined pursuant to subsection (d) is \$16 or less, whose average daily  
41 production is seven barrels or less per producing well, or, if the price of oil  
42 as determined pursuant to subsection (d) is \$15 or less, whose average  
43 daily production is eight barrels or less per producing well, or, if the price

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

29 (3) (A) any taxpayer applying for an exemption pursuant to  
30 ~~subsection~~ *subsections* (b)(2)(A) and (B) shall make application biennially  
31 to the director of taxation therefor. Exemptions granted pursuant to  
32 ~~subsection~~ *subsections* (b)(2)(A) and (B) shall be valid for a period of two  
33 years following the date of certification thereof by the director of taxation;  
34 (B) any taxpayer applying for an exemption pursuant to ~~subsection~~  
35 *subsections* (b)(2)(D) or (E) shall make application biennially to the  
36 director of taxation therefor. Such application shall be accompanied by  
37 proof of the approval of an application for the utilization of a water flood  
38 process therefor by the corporation commission pursuant to rules and  
39 regulations adopted under the authority of K.S.A. 55-152, and  
40 amendments thereto, and proof that the oil produced therefrom is kept in a  
41 separate tank battery and that separate books and records are maintained  
42 therefor. Such exemption shall be valid for a period of two years following  
43 the date of certification thereof by the director of taxation; (C) any



1 exemption granted pursuant to subsections (b)(2)(A), (B), (D) or (E) with  
2 an odd lease number and an exemption termination date between June 1,  
3 2004, and May 31, 2005, inclusive, shall be valid for a period of one year  
4 following the date of certification; and (D) notwithstanding the provisions  
5 of paragraph (A) or (B), any exemption in effect on the effective date of  
6 this act affected by the amendments to subsection (b)(2) by this act shall  
7 be redetermined in accordance with such amendments. Any such  
8 exemption, and any new exemption established by such amendments and  
9 applied for after the effective date of this *act* shall be valid for a period  
10 commencing with May 1, 1998, and ending on April 30, 1999;

11 (4) the severance and production of gas or oil from any pool from  
12 which oil or gas was first produced on or after April 1, 1983, and prior to  
13 July 1, 2012, as determined by the state corporation commission and  
14 certified to the director of taxation, and continuing for a period of 24  
15 months from the month in which oil or gas was first produced from such  
16 pool as evidenced by an affidavit of completion of a well, filed with the  
17 state corporation commission and certified to the director of taxation.  
18 Exemptions granted for production from any well pursuant to this  
19 paragraph shall be valid for a period of 24 months following the month in  
20 which oil or gas was first produced from such pool. The term "pool"  
21 means an underground accumulation of oil or gas in a single and separate  
22 natural reservoir characterized by a single pressure system so that  
23 production from one part of the pool affects the reservoir pressure  
24 throughout its extent;

25 (5) the severance and production of oil from any *well within a* pool  
26 from which oil was first produced on or after July 1, 2012, *as certified by*  
27 *the state corporation commission to the director of taxation*, and from  
28 which the *average daily* severance and production of oil *during the initial*  
29 *six months of production from the date of first production* from such ~~pool~~  
30 ~~producing well, which well has not been significantly curtailed by reason~~  
31 ~~of mechanical failure or other disruption of production~~, does not exceed  
32 50 barrels per day ~~as certified by the state corporation commission and~~  
33 ~~certified to the director of taxation~~, and continuing for a period of 24  
34 months from the month in which oil was first produced from such pool as  
35 evidenced by an affidavit of completion of a well, filed with the state  
36 corporation commission and certified to the director of taxation.  
37 Exemptions granted for production from any well pursuant to this  
38 subsection shall be valid for a period of 24 months following the month in  
39 which oil was first produced from such pool. The term "pool" means an  
40 underground accumulation of oil in a single and separate natural reservoir  
41 characterized by a single pressure system so that production from one part  
42 of the pool affects the reservoir pressure throughout its extent. *For any*  
43 *such well that has qualified for exemption, if the average daily severance*

1 *and production of oil from such well exceeds 50 barrels per day within any*  
2 *qualifying one-month production period after the initial qualifying*  
3 *production period, the exemption for such well shall be terminated as of*  
4 *the commencement of such one-month production period;*

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

20 (7) (A) The incremental severance and production of oil or gas which  
21 results from a production enhancement project begun on or after July 1,  
22 1998, shall be exempt for a period of seven years from the start-up date of  
23 such project. As used in this paragraph:

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

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

1 but is not capable of production on the project beginning date shall have a  
2 base production equal to zero. The calculation of the base production  
3 amount shall be evidenced by an affidavit and supporting documentation  
4 filed by the applying taxpayer with the state corporation commission.

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

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

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

34 (B) The state corporation commission shall adopt rules and  
35 regulations necessary to efficiently and properly administer the provisions  
36 of this paragraph including rules and regulations for the qualification of  
37 production enhancement projects, the procedures for determining the  
38 monthly rate of production decline, criteria for determining the share of  
39 incremental production attributable to each well when a production  
40 enhancement project includes a group of wells, criteria for determining the  
41 start-up date for any project for which an exemption is claimed, and  
42 determining new qualifying technologies for the purposes of subsection (b)  
43 (7)(A)(4)(vii).

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

10 (D) The exemptions provided for in this paragraph shall not apply for  
11 12 months beginning July 1 of the year subsequent to any calendar year  
12 during which: (1) In the case of oil, the secretary of revenue determines  
13 that the weighted average price of Kansas oil at the wellhead has exceeded  
14 \$20.00 per barrel; or (2) in the case of natural gas the secretary of revenue  
15 determines that the weighted average price of Kansas gas at the wellhead  
16 has exceeded \$2.50 per Mcf.

17 (E) The provisions of this paragraph shall not affect any other  
18 exemption allowable pursuant to this section; and

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

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

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

36 Sec. 8. K.S.A. 79-32,109 and 79-3632 and K.S.A. 2012 Supp. 79-  
37 32,117, 79-32,117n, 79-32,118, 79-32,266, 79-3620, 79-3639a and 79-  
38 4217 are hereby repealed.

39 Sec. 9. On July 1, 2013, K.S.A. 2012 Supp. 75-5162 is hereby  
40 repealed.

41 Sec. 10. This act shall take effect and be in force from and after its  
42 publication in the Kansas register.