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House Taxation Committee

Briefing on Various State General Fund Taxes

by Richard Cram

Representative Marvin Kleeb, Chairman, and Members of the Committee:

Attached are documents excerpted from the Department's FY 2014 Annual Report, 2013 Tax Expenditure Report, and KLRD Consensus Revenue Estimate Short Memo (Nov. 2015), and KLRD 2015 Kansas Legislator Briefing Book, provided as part of the briefing and explanation of the following taxes administered by the Department of Revenue:

Individual income tax
Corporate income tax
Financial institution privilege tax
Cigarette tax
Tobacco products tax
Liquor taxes (gallonage, enforcement, drink)
Mineral severance taxes

Table 1
State General Fund Receipts
(Dollars in Thousands)

			Consensus Estimate November 10, 2014					
	FY 2014 (Actual)		FY 2015 (Revised)		FY 2016		FY 2017	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax/Fee:								
Motor Carrier	$ 35,708	23.8 %	$ 12,000	(66.4) %	$ 12,000	-- %	$ 12,000	-- %
Income Taxes:								
Individual	$ 2,218,239	(24.3) %	$ 2,280,000	2.8 %	$ 2,300,000	0.9 %	$ 2,315,000	0.7 %
Corporation	399,383	7.6	455,000	13.9	470,000	3.3	485,000	3.2
Financial Inst.	32,439	1.1	38,000	17.1	39,000	2.6	41,000	5.1
Total	$ 2,650,061	(20.5) %	$ 2,773,000	4.6 %	$ 2,809,000	1.3 %	$ 2,841,000	1.1 %
Excise Taxes:								
Retail Sales	$ 2,102,239	(3.8) %	$ 2,180,000	3.7 %	$ 2,270,000	4.1 %	$ 2,360,000	4.0 %
Compensating Use	344,017	1.2	365,000	6.1	380,000	4.1	400,000	5.3
Cigarette	90,612	(1.4)	89,000	(1.8)	88,000	(1.1)	87,000	(1.1)
Tobacco Products	7,201	2.0	7,500	4.2	7,700	2.7	7,900	2.6
Cereal Malt Bev.	1,685	(9.2)	1,700	0.9	1,700	--	1,700	--
Liquor Gallonage	19,081	0.1	19,200	0.6	19,300	0.5	19,400	0.5
Liquor Enforcement	64,538	6.7	67,000	3.8	68,000	1.5	69,000	1.5
Liquor Drink	10,155	3.6	10,400	2.4	10,500	1.0	10,600	1.0
Corp. Franchise	6,632	259.1	6,700	1.0	6,900	3.0	7,100	2.9
Severance	125,758	25.6	121,600	(3.3)	115,900	(4.7)	114,200	(1.5)
Gas	37,003	14.1	32,600	(11.9)	31,400	(3.7)	28,700	(8.6)
Oil	88,755	31.1	89,000	0.3	84,500	(5.1)	85,500	1.2
Total	$ 2,771,918	(1.4) %	$ 2,868,100	3.5 %	$ 2,968,000	3.5 %	$ 3,076,900	3.7 %
Other Taxes:								
Insurance Prem.	$ 172,758	10.1 %	$ 176,000	1.9 %	$ 180,000	2.3 %	$ 182,000	1.1 %
Miscellaneous	1,634	(18.7)	1,600	(2.1)	1,600	--	1,600	--
Total	$ 174,392	9.7 %	$ 177,600	1.8 %	$ 181,600	2.3 %	$ 183,600	1.1 %
Total Taxes	$ 5,632,080	(11.1) %	$ 5,830,700	3.5 %	$ 5,970,600	2.4 %	$ 6,113,500	2.4 %
Other Revenues:								
Interest	$ 11,525	4.2 %	$ 12,000	4.1 %	$ 8,000	(33.3) %	$ 8,100	1.3 %
Net Transfers	(39,957)	34.5	(129,300)	(223.6)	(222,500)	(72.1)	(301,700)	(35.6)
Agency Earnings	49,550	(14.4)	55,300	11.6	55,300	--	56,700	2.5
Total	$ 21,117	166.4 %	$ (62,000)	(393.6) %	$ (159,200)	(156.8) %	$ (236,900)	(48.8) %
Total Receipts	$ 5,653,197	(10.8) %	$ 5,768,700	2.0 %	$ 5,811,400	0.7 %	$ 5,876,600	1.1 %

Selected Kansas Tax Rates with Statutory Citation

Tax	Rate	Details	K.S.A.:
Bingo Tax			79-4704
Bingo faces	$0.002		
Retail price - Instant	1.00%		
Car Line Tax/gross earnings	2.5%		79-907
Cigarette Tax	Package of 20 $0.79	Package of 25 $0.99	79-3310
Corporation Tax	total taxable income @ 4.00%	plus 3.00% surtax on taxable income over $50,000 7.000% (TY 11 and thereafter)	79-32,110
Drycleaning			
Environmental Surcharge/gross receipts	2.5%		65-34,141
Solvent Fee (chlorinated)/gallon	$5.50		65-34,150
Solvent Fee (non-chlorinated)/gallon	$0.55		65-34-151
Drug Stamp Tax			79-5202
Marijuana: Processed -	$3.50 per gram or portion of gram	Controlled Substance: Cont. Substance/gram or portion of gram- $200/gram or portion of gram	
Wet Plant -	$0.40 per gram or portion of gram	Cont. Substance/50 dose unit or portion of unit- $2,000/50 dose unit or portion of unit	
Dry Plant -	$0.90 per gram or portion of gram		
Environ. Fee/gallon petroleum product	$0.01	each of two funds has maximum and minimum limits	65-34,117
Individual Income Tax			79-32,110

TY 12	TY 13	TY 14
Tax Rates, Resident, married, joint	Tax Rates, Resident, married, joint	Tax Rates, Resident, married, joint
taxable income not over $30,000 @ 3.50%	taxable income not over $30,000 @ 3.0%	taxable income not over $30,000 @ 2.7%
taxable income not over $60,000 @ $1,050 + 6.25% over $30,000	taxable income over $30,000 @ $900 + 4.9% over $30,000	taxable income over $30,000 @ $810 + 4.8% over $30,000
taxable income over $60,000 @ $2,925 + 6.45% over $60,000		
Tax Rates, Resident, others	Tax Rates, Resident, others	Tax Rates, Resident, others
taxable income not over $15,000 @ 3.50%	taxable income not over $15,000 @ 3.0%	taxable income not over $15,000 @ 2.7%
taxable income not over $30,000 @ $525 + 6.25% over $15,000	taxable income over $15,000 @ $450 + 4.9% over $15,000	taxable income over $15,000 @ $405 + 4.8% over $15,000
taxable income over $30,000 @ $1,462.50 + 6.45% over $30,000		

Tax	Rate	Details	K.S.A.:
Liquor Gallonage Tax			
Strong Beer and CMB/gallon	$0.18		41-501
Alcohol & Sprits/gallon	$2.50		41-501
Light Wine/gallon	$0.30		41-501
Fortified Wine/gallon	$0.75		41-501
Liquor Excise Tax (Drinking Establishments)	10.00%	Gross receipts	79-41a02
Liquor Enforcement (Liquor Stores)	8.00%	Gross receipts	79-4101
Mineral Tax			79-4217, 4219
Oil/gross taxable value	8.00%	with 3.67% property tax credit	
Gas/gross taxable value	8.00%	with 3.67% property tax credit	
Coal/ton	$1.00		
Motor Fuel Tax/per Gallon			
Regular Motor Fuel/gallon		$0.24	79-34,141
Gasohol/gallon		$0.24	79-34,141
Diesel/gallon		$0.26	79-34,141
LP-Gas/gallon		$0.23	79-34,141
E-85/gallon		$0.17	79-34,141
Compress Nat Gas/126.67 CF or 5.66 pounds=GGE (gasoline gallon equivalent)		$0.24	79-34,141
Liquefied Nat Gas/6.06 pounds=DGE (diesel gallon equivalent)		$0.26	79-34,141
Trip Permits/each		$13.00/24 hr; $25.00/72 hr (eff 7/1/2006)	79-34,118
Oil Inspection Fee/barrel (50 gallons)	$0.015/barrel		55-426
Prepaid Wireless 911 Fee	1.06% per retail transaction		75-5133
Privilege Tax			
Banks	total net income @ 2.25%	plus 2.125% surtax on taxable income over $25,000 4.375%	79-1107
Trusts and S&Ls	total net income @ 2.25%	plus 2.25% surtax on taxable income over $25,000 4.50%	79-1108
Property Tax (State levy) Assessed Valuation		1.5 mills	76-6b01
State School District Finance Levy		20 mills	76-6b02
Sales and Use Tax			
State Retailers Sales Tax	6.15%	eff July 1 2013	79-3603
State Compensating Use Taxes	6.15%	eff July 1 2013	79-3703
Local Retailers Sales Tax	up to 1% general & 1% special for counties; up to 2% general & 1% special for cities		12-189
Local Use Sales Tax	up to 1% general & 1% special for counties; up to 2% general & 1% special for cities		12-191
Sand Royalty/per ton	$0.15/ton		70a-102
Tire Tax/per tire (New Tires)	$0.25		65-3424
Tobacco Tax (wholesale price)	10.00%		79-3371
Vehicle Rental Excise Tax/gross receipts	3.5%	for rentals not exceeding 28 days	79-5117
Water Protection Fee/1,000 gallons	$0.032		82a-954
($0.03 is collected for the Kansas Water Office and $.002 is collected for H&E, K.A.R. 28-15-12.)			
Clean Drinking Water Fee/1,000 gallons	$0.030		82a-2101

FY 2014 After-Refund Distribution of Selected State Taxes and Fees Collected by Kansas Department of Revenue

Tax or Fee	Fund Amount	Fund	Transfer	Fund	Transfer Dates	K.S.A.: (a)
Bingo Enforcement Tax	2/3	State General Fund	*	*	*	79-4710
(Call and Instant Bingo)	1/3	State Bingo Regulation Fund	*	*	*	79-4710
Cigarette & Tobacco Taxes	*	State General Fund	*	*	*	79-3387
Corporate Income	*	State General Fund	*	*	*	79-32,105
Drug Stamp Tax	*	State General Fund	*	*	*	79-5211
*	*	then, of assessments and penalties	75%	County and/or City Law Enforcement Fund	April, July, Oct, Jan	79-5211
Drycleaning Envir Surcharge	*	Drycleaning Facility Release Trust Fund	*	*	*	65-34,141
Drycleaning Solvent Fees	*	Drycleaning Facility Release Trust Fund	*	*	*	65-34,141
Environmental Assurance Fee	*	Above and Below Ground Petroleum Storage Tank Release Trust Funds		*	*	65-34,114
Estate Tax	*	State General Fund	*	*	*	79-15,100
Individual Income	*	State General Fund	*	*	*	79-32,105
*	*	then Eff July 1, 2012, 2% of withholding goes to the Job Creation Program Fund		*	*	74-50,107
Liquor Gallonage Tax (d)	10%	of alcohol & spirits to Community Alcoholism and Intoxication Programs Fund (KSA 41-1126)			*	41-501
*	balance	State General Fund	*	*	*	41-501
Liquor Enforcement Tax		State General Fund	*	*	*	79-4108
Liquor Excise Tax	25%	State General Fund, then	*	*	*	79-41a03
*	70%	Local Alcoholic Liquor Fund	*	to city/county where collected	15th of Mar, June, Sept, Dec	79-41a04
*	5%	Community Alcoholism and Intoxication Programs Fund (KSA 41-1126)		*	15th of Mar, June, Sept, Dec	79-41a03
Minerals (Severance) Tax	93%	State General Fund (less amount to the Oil and Gas Valuation Depletion Trust Fund, 12.41%-distribution made in October)				79-4227
*	7%	County Mineral Production Tax Fun	*	*	1st of Dec, March, June, Sept	79-4227
Oil Inspection Fee	2/3	State General Fund	*	*	*	55-427
*	1/3	Petroleum Inspection Fee Fund until $100,000 in SGF then all to Petroleum Inspection Fee Fund			*	55-427(d)(1)
Motor Fuel Taxes	$875 thousand/qrtr	Kansas Qualified Alcohol Producers' Incentive Fund		*	1st of Oct, Jan, April, July	79-34,161
*	$50 thousand/qrtr	Kansas Qualified Biodiesel Fuel Producer Incentive Fu		*	*	79-34,156
*	$625 thousand/qrtr	County Equalization & Adjustment Fund		*	15th of Jan, April, July, Oct	79-3425c
*	*	33.63% Special City/County Highway Fund		*	*	79-34,142
*	*	66.37% State Highway Fund		*	*	79-34,142
Motor Veh Rental Excise Tax	*	ntal Motor Vehicle Excise Tax Fund		*	*	79-5117
*	*	then	100%	treasurer of county where collected	30th of June, Nov	79-5117
Prepaid Wireless 911 Fee	*	Local Collection Point Administrato	*	*	*	75-5133
Privilege Tax	*	State General Fund	*	*	*	79-1112
Property Tax (Statewide	1 mill	Educational Building Fund	*	*	*	76-6b01, 76-6b02
Assessed Value)	.5 mill	Institutional Building Fund	*	*	*	76-6b04
Property Tax - Motor Carrier	*	State General Fund	*	*	*	79-6a04, 6a10
*	*	then	100%	Special City/County Highway Fund	15th of Jan, July	79-3425e, 3425i
Property Tax - Motor Vehicle		County Treasurers	*	*	*	79-5109
*		then, of State's 1.5 mills	2/3	Educational Building Fund	Oct 31, Jan 20, Mar 5, May 20,	79-5109
*		*	1/3	Institutional Building Fund	July 20 and Sep 5	79-5109
Private Car Line Tax		Car Company Tax Fund	*	*	*	79-917
		then		State General Fund	four months after deposit to CCTF	79-917
Sand Royalty		Sand Royalty Fund, then	75% to State Water Plan Fund, after expenses		15th of each month	70a-105
*		State Water Plan Fund	25% to counties and drainage districts, after expenses		*	82a-309
*		*	2/3 of 50% is to drainage district on the river		yearly	82a-309
*		*	1/3 of 50% to other drainage districts in county		yearly	82a-309

FY 2014 After-Refund Distribution of Selected State Taxes and Fees Collected by Kansas Department of Revenue

Tax or Fee		Fund	Transfer	Fund	Transfer Dates	K.S.A.: (a)
Sales and Use (State)		*	82.927%	State General Fund	*	79-3620, 3710
*		*	17.073%	State Highway Fund	*	79-3620, 3710
Tires Excise Tax (New Tires)		Waste Tire Management Fund	*	*	*	65-3424
*		*	*	*	*	65-3424
Transient Guest	98%	County/City Transient Guest Tax Fu	*	Counties/Cities Imposing Tax	at least quarterly	12-1694
*	2%	State General Fund	*	*	*	12-1694
*		*	*	*	*	12-1694
Water Protection Fee		State Water Plan Fund	*	*	*	82a-951, KAR 28-15-12
Clean Water Drinking Fee	95.3%	State Water Plan Fund	*	*	*	82a-2101
	4.7%	State Highway Fund	*	*	*	82a-2101
Vehicle Title and		County Treasurers	*	*	*	8-145, 8-145d
Registration Fees (b)		then remainder to State Highway Fund & $3.50 per title to Kansas Highway Patrol Mtr Veh Fund			*	8-145
Vehicle Dealers	50%	Dealers and Mfgr Fee Fund	*	*	*	8-2425
Full-Privilege Plates	50%	County Treasurer Veh Lic Fee Fund	*	*	*	8-2524
Veh Dealers Regular Plates		State Highway Fund	*	*	*	8-2418
Driver License Fees (c)	37.5% class C &	*	*	*	*	8-267
*	20% classes A, B, M	*	*	*	*	8-267
*	& 20% CDL	State Safety Fund	*	*	*	8-267
*	20% class M	Motorcycle Safety Fund	*	*	*	8-267
*	$2 each CDL	Truck Driver Training Fund	*	*	*	8-267
*	balance	State Highway Fund	*	*	*	8-267
DUI Reinstatement Fee	26%	Alcohol Intoxication Program	12% Forensic Lab/Mat Fee Fund	33% Judicial Branch Nonjudicial Salary Adj		8-241
*	12%	Juvenile Detention Facility	17% Driving Under Influence Fund	*	*	8-241
Failure to Comply	50%	Vehicle Operating Fund	*	*	*	8-2110
Reinstatement Fee	37.5%	Alcohol Intoxication Program	*	*	*	8-2110
(collected by court)	12.5%	Juvenile Detention Facility	*	*	*	8-2110
DUI License Modification Fee	$100,000	Vehicle Operating Fund	*	*	*	8-1015
*		then remainder to Community Corrections Supervision Fund		*	*	8-1015

Notes:

(a) Kansas Statutes Annotated. Abreviations: Sess = Session Laws of Kansas; Ch = Chapter; § = Section; ¶ = Paragraph.

(b) County retains: 75¢ for each registration; $2 for each title; $5.00 registration service fee; and up to $15,000/year for extra compensation. (KSA 8-145)

$5 fee for registration of antique vehicles is retained (K.S.A. 8-167(b)). $3.00 of each title application goes to the VIPS/CAMA Technology Hardware Fund and after January 1, 2013, the $4 vehicles modernization surcharge credited to SHF. (KSA 145-d(1))

Financial institutions seeking certificates of title on motor vehicles based upon repossession pay an additional $3.00 fee. All of this fee is deposited into the Repossessed Certificates of Title Fee Fund. (KSA 8 145-d(2))

(c) 20% of CDL Classes A, B and C (after a $2 credit to Truck Driver Training Fund) goes to the State Safety Fund. (KSA 8-267)

(d) the 10% is from alcohol and spirits collections only. (KSA 41-501)

Income Tax

2013 HB 2059 – See Notice 13-10

Income Tax Rates Lowered for Individuals, Estates & Trusts

Married Filing Joint	TY2014	TY2015	TY2016	TY2017	TY2018
$0 - $30,000	**2.7%**	2.7%	2.4%	2.3%	2.3%
$30,001 and over	**4.8%**	4.6%	4.6%	4.6%	3.9%
Single, Head of Household, or Married filing separate					
$0 - $15,000	**2.7%**	2.7%	2.4%	2.3%	2.3%
$15,001 and over	**4.8%**	4.6%	4.6%	4.6%	3.9%

❖ Commencing fiscal year 2018, if general funds receipts are greater than 2% of the previous years general funds, income tax rates will be reduced by 0.5% rounded down to nearest 0.1%. When tax rate reaches amount less than 0.4% tax rate will be set at 0%.

2013 HB 2059 Section 1. On July 1, 2013, K.S.A. 2012 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110. (a) *Resident Individuals.* Except as otherwise provided by subsection (a) of K.S.A. 79-3220, and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

(1) Married individuals filing joint returns.
(B) For tax year 2013,
If the taxable income is: The tax is:
Not over $30,000 ....3.0% of Kansas taxable income
Over $30,000 ....$900 plus 4.9% of excess over $30,000
(C) For tax year 2014:
If the taxable income is: The tax is:
Not over $30,000 ....2.7% of Kansas taxable income
Over $30,000 ....$810 plus 4.8% of excess over $30,000
(D) For tax year 2015:
If the taxable income is: The tax is:
Not over $30,000 ....2.7% of Kansas taxable income
Over $30,000 ....$810 plus 4.6% of excess over $30,000
(E) For tax year 2016:
If the taxable income is: The tax is:
Not over $30,000 ....2.4% of Kansas taxable income
Over $30,000 ....$720 plus 4.6% of excess over $30,000
(F) For tax year 2017:
If the taxable income is: The tax is:
Not over $30,000 ....2.3% of Kansas taxable income
Over $30,000 ....$690 plus 4.6% of excess over $30,000
(G) For tax year 2018, and all tax years thereafter:
If the taxable income is: The tax is:
Not over $30,000 ....2.3% of Kansas taxable income
Over $30,000 ....$690 plus 3.9% of excess over $30,000

(2) All other individuals.
(B) For tax year 2013,
If the taxable income is: The tax is:
Not over $15,000 ....3.0% of Kansas taxable income
Over $15,000 ....$450 plus 4.9% of excess over $15,000
(C) For tax year 2014:
If the taxable income is: The tax is:
Not over $15,000 ....2.7% of Kansas taxable income
Over $15,000 ....$405 plus 4.8% of excess over $15,000
(D) For tax year 2015:
If the taxable income is: The tax is:
Not over $15,000 ....2.7% of Kansas taxable income
Over $15,000 ....$405 plus 4.6% of excess over $15,000
(E) For tax year 2016:
If the taxable income is: The tax is:
Not over $15,000 ....2.4% of Kansas taxable income
Over $15,000 ....$360 plus 4.6% of excess over $15,000
(F) For tax year 2017:
If the taxable income is: The tax is:
Not over $15,000 ....2.3% of Kansas taxable income
Over $15,000 ....$345 plus 4.6% of excess over $15,000
(G) For tax year 2018, and all tax years thereafter:
If the taxable income is: The tax is:
Not over $15,000 ....2.3% of Kansas taxable income
Over $15,000 ....$345 plus 3.9% of excess over $15,000

(e) Tax rates provided in this section shall be adjusted pursuant to the provisions of section 6, and amendments thereto.

Income Tax

2013 HB 2059 – See Notice 13-14
Effective Tax Year 2013

STANDARD DEDUCTION CHANGES

Individual Income
Tax Standard Deduction Amounts

▪ Single	$3,000
▪ Married Filing Separate	$3,750
▪ Head of Household	$5,500
▪ Married Filing Joint	$7,500

Additional deduction amounts for people over 65 and or blind are Not affected by this new legislation

House Bill No. 2059.
Sec. 11. On July 1, 2013, K.S.A. 2012 Supp. 79-32,119 is hereby amended to read as follows: 79-32,119. The Kansas standard deduction of an individual, including a husband and wife who are either both residents or who file a joint return as if both were residents, shall be equal to the sum of the standard deduction amount allowed pursuant to this section, and the additional standard deduction amount allowed pursuant to this section for each such deduction allowable to such individual or to such husband and wife under the federal internal revenue code. For tax year 1998 through tax year 2012, the standard deduction amount shall be as follows: Single individual filing status, $3,000; married filing status,$6,000; and head of household filing status, $4,500. For tax year 1998, and all tax years thereafter, the additional standard deduction amount shall be as follows: Single individual and head of household filing status, $850; and married filing status, $700. For tax year 2013, and all tax years thereafter, the standard deduction amount of an individual, including husband and wife who are either both residents or who file a joint return as if both were residents, shall be as follows: Single individual filing status, $3,000; married filing status, *$7,500 ;* and head of household filing status, *$5,500*. For purposes of the foregoing, the federal standard deduction allowable to a husband and wife filing separate Kansas income tax returns shall be determined on the basis that separate federal returns were filed, and the federal standard deduction of a husband and wife filing a joint Kansas income tax return shall be determined on the basis that a joint federal income tax return was filed.

Income Tax

2013 HB 2059 – See Notice 13-11

ITEMIZED DEDUCTION

- HAIRCUT ON ITEMIZED DEDUCTIONS
  - 30% effective TY2013
  - **35% effective TY2014**
  - 40% effective TY2015
  - 45% effective TY2016
  - 50% effective TY2017 and thereafter
- No haircut on amounts for Charitable Contributions included in the federal itemized deductions.
- **Wagering losses are excluded from itemized deductions effective TY2014.**

House Bill No. 2059.

Sec. 2. On July 1, 2013, K.S.A. 2012 Supp. 79-32,120 is hereby amended to read as follows: 79-32,120. (a) *(1)* If federal taxable income of an individual is determined by itemizing deductions from such individual's federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction.

(2) For the tax year commencing on January 1, 2013, *the Kansas itemized deduction of an individual means 70% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.*

(3) For the tax year commencing on January 1, 2014, *the Kansas itemized deduction of an individual means 65% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.*

(4) For the tax year commencing on January 1, 2015, *the Kansas itemized deduction of an individual means 60% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.*

(5) For the tax year commencing on January 1, 2016, *the Kansas itemized deduction of an individual means 55% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.*

(6) For tax years commencing on and after January 1, 2017, *the Kansas itemized deduction of an individual means 50% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section. (b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A. 2012 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed. (c) The provisions of this section that provide for a reduction in the total amount of deductions from federal adjusted gross income shall not apply to contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code, and amendments thereto. (d) Notwithstanding any provision of this section to the contrary, for taxable years commencing after January 1, 2013, the total amount of deductions from federal adjusted gross income shall be reduced by the total amount of wagering losses claimed as an itemized deduction in section 165(d) of the federal internal revenue code, and amendments thereto.*

Income Tax

2014 HB 2643 – See Notice 14-07

Kansas Rural Opportunity Zone Expanded

- **Now 77 ROZ counties**
- **4 counties added to the existing 73 ROZ counties**

Allen, Anderson, Barber, Bourbon, Brown, Chase, Chautauqua, Cherokee, Cheyenne, Clark, Clay, Cloud, Coffey, Comanche, Decatur, Doniphan, Edwards, Elk, Ellsworth, Gove, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Haskell, Hodgeman, Jackson, Jewell, Kearny, Kingman, Kiowa, Labette, Lane, Lincoln, Linn, Logan, Marion, Marshall, Meade, Mitchell, Montgomery, Morris, Morton, Nemaha, Neosho, Ness, Norton, Osborne, Ottawa, Pawnee, Phillips, Pratt, Rawlins, Republic, Rice, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stafford, Stanton, Stevens, Sumner, Trego, Thomas, Wabaunsee, Wallace, Washington, Wichita, Wilson or Woodson counties;

- Kansas Income Tax Credit (KDOR) provided to the original 50 counties selected during 2011 Legislative Session (Tax years 2012 – 2016), to the 23 counties added during 2013 Legislative Session (Tax years 2013-2016) and to the 4 new counties added during 2014 Legislative Session (Tax Years 2014-2016) resident taxpayers would receive a full credit against their Kansas Income Tax liability provided they have been:
  - Domiciled outside Kansas for five or more years immediately prior to establishing domicile in a ROZ on or after July 1, 2011;
  - Had Kansas source income of less than $10,000 for EACH of the 5 years immediately prior to establishing residency in a ROZ; and
  - Were domiciled in a ROZ during the ENTIRE year for which the credit is to be claimed.
  - Credit may be claimed only between tax years 2012 to 2016. Credit is NOT retroactive. The more years the taxpayer is domiciled in Kansas between 2012 and 2016, the more years the taxpayer can claim the credit.
- Assistance with Student Loan Repayment (KDOC)
  - A ROZ county would have to pass a resolution to participate in the program.
  - Kansas will offer to pay 20% of the outstanding loan balance up to $3,000 per year maximum benefit $15,000. May be graduates of an in-state or out-of-state institution. *Contact the Kansas Department of Commerce for more details.*

2014 HB 2643 Section 19(b) "rural opportunity zone" means Allen, Anderson, Barber, Bourbon, Brown, Chase, Chautauqua, *Cherokee,* Cheyenne, Clark, Clay, Cloud, Coffey, Comanche, Decatur, Doniphan, Edwards, Elk, Ellsworth, Gove, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Haskell, Hodgeman, Jackson, Jewell, Kearny, Kingman, Kiowa, *Labette,* Lane, Lincoln, Linn, Logan, Marion, Marshall, Meade, Mitchell, *Montgomery,* Morris, Morton, Nemaha, Neosho, Ness, Norton, Osborne, Ottawa, Pawnee, Phillips, Pratt, Rawlins, Republic, Rice, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stafford, Stanton, Stevens, *Sumner,* Trego, Thomas, Wabaunsee, Wallace, Washington, Wichita, Wilson or Woodson counties;

2013 HB 2059 (b) "rural opportunity zone" means Allen, Anderson, Barber, Bourbon, Brown, Chase, Chautauqua, Cheyenne, Clark, Clay, Cloud, Coffey, Comanche, Decatur, Doniphan, Edwards, Elk, Ellsworth, Gove, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Haskell, Hodgeman, Jackson, Jewell, Kearny, Kingman, Kiowa, Lane, Lincoln, Linn, Logan, Marion, Marshall, Meade, Mitchell, Morris, Morton, Nemaha, Neosho, Ness, Norton, Osborne, Ottawa, Pawnee, Phillips, Pratt, Rawlins, Republic, Rice, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stafford, Stanton, Stevens, Trego, Thomas, Wabaunsee, Wallace, Washington, Wichita, Wilson or Woodson counties;

2011 SB 198

AN ACT concerning economic development; creating rural opportunity zones; relating to income taxation, credit for certain taxpayers, amount and requirements; student loan repayment program. *Be it enacted by the Legislature of the State of Kansas:*

Section 1. As used in sections 1 through 3, and amendments thereto: (a) "Institution of higher education" means a public or private nonprofit educational institution that meets the requirements of participation in programs under the higher education act of 1965, as amended, 34 C.F.R. 600; (c) "secretary" means the secretary of commerce; and (d) "student loan" means a federal student loan program supported by the federal government and a nonfederal loan issued by a lender such as a bank, savings and loan or credit union to help students and parents pay school expenses for attendance at an institution of higher education. Sec. 2. (a) For taxable years commencing after December 31, 2011, and before January 1, 2017, there shall be allowed as a credit against the tax liability of a resident individual taxpayer an amount equal to the resident individual's income tax liability under the provisions of the Kansas income tax act, when the resident individual: (1) Establishes domicile in a rural opportunity zone on or after July 1, 2011, and prior to January 1, 2016, and was domiciled outside this state for five or more years immediately prior to establishing their domicile in a rural opportunity zone in this state; (2) had Kansas source income less than $10,000 in any one year for five or more years immediately prior to establishing their domicile in a rural opportunity zone in this state; and (3) was domiciled in a rural opportunity zone during the entire taxable year for which such credit is claimed. (b) A resident individual may claim the credit authorized by this section for not more than five consecutive years following establishment of their domicile in a rural opportunity zone. (c) The maximum amount of any refund under this section shall be equal to the amount withheld from the resident individual's wages or payments other than wages pursuant to K.S.A. 79-3294 et seq., and amendments thereto, or paid by the resident individual as estimated taxes pursuant to K.S.A. 79-32,101 et seq., and amendments thereto. (d) No credit shall be allowed under this section if: (1) The resident individual's income tax return on which the credit is claimed is not timely filed, including any extension; or (2) the resident individual is delinquent in filing any return with, or paying any tax due to, the state of Kansas or any political subdivision thereof. (a) This section shall be part of and supplemental to the Kansas income tax act.Sec. 3. (a) Any county that has been designated a rural opportunity zone pursuant to section 1, and amendments thereto, may participate in the program provided in this section by authorizing such participation by the county commission of such county through a duly enacted written resolution. Such county shall provide a certified copy of such resolution to the secretary of commerce on or before January 1, 2012, for calendar year 2012, or on or before January 1 for each calendar year thereafter, in which a county chooses to participate. Such resolution shall obligate the county to participate in the program provided by this section for a period of five years, and shall be irrevocable. Such resolution shall specify the maximum amount of outstanding student loan balance for each resident individual to be repaid as provided in subsection (b), except the maximum amount of such balance shall be $15,000. (b) If a county submits a resolution as provided in subsection (a), under the program provided in this section, subject to subsection (d), the state of Kansas and such county which chooses to participate as provided in sub S section (a), shall agree to pay in equal shares the outstanding student loan balance of any resident individual who qualifies to have such individual's student loans repaid under the provisions of subsection (c) over a five-year period, except that the maximum amount of such balance shall be $15,000. The amount of such repayment shall be equal to 20% of the outstanding student loan balance of the individual in a year over the five-year repayment period. The state of Kansas is not obligated to pay the student loan balance of any resident individual who qualifies pursuant to subsection (c) prior to the county submitting a resolution to the secretary pursuant to subsection (a). Each such county shall certify to the secretary that such county has made the payment required by this subsection. (c) A resident individual shall be entitled to have such individual's outstanding student loan balance paid for attendance at an institution of higher education where such resident individual earned an associate, bachelor or post-graduate degree under the provisions of this section when such resident individual establishes domicile in a county designated as a rural opportunity zone which participates in the program as provided in subsection (a), on and after the date in which such county commenced such participation, and prior to July 1, 2016. Such resident individual may enroll in this program in a form and manner prescribed by the secretary. Subject to subsection (d), once enrolled such resident individual shall be entitled to full participation in the program for five years, except that if the resident individual relocates outside the rural opportunity zone for which the resident individual first qualified, such resident individual forfeits such individual's eligibility to participate, and obligations under this section of the state and the county terminate. No resident individual shall enroll and be eligible to participate in this program after June 30, 2016. (d) The provisions of this act shall be subject to appropriation acts. Nothing in this act guarantees a resident individual a right to the benefits provided in this section. The county may continue to participate even if the state does not participate.(e) The secretary shall adopt rules and regulations necessary to administer the provisions of this section. (f) On January 1, 2012, and annually thereafter until January 1, 2017, the secretary of commerce shall report to the senate committee on assessment and taxation and the house of representatives committee on taxation as to how many residents applied for the rural opportunity zone tax credit. Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

INCOME TAX

New Small Business Income & Farm Income Subtractions

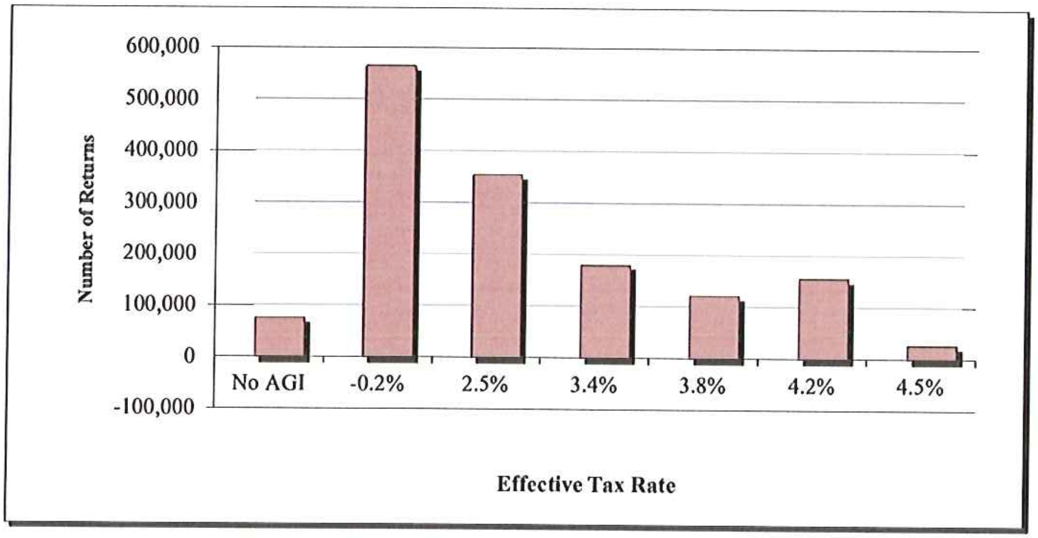
Effective Tax Year 2013, there will be a subtraction modification available on certain nonwage business income for small business owners, income reported by LLCs, S corps, sole proprietor, and farmers. These new subtraction modifications will be allowed for the following:

- Net profit from business as reported on Line 12 of Form 1040 from federal Schedule C
- Net income from rental real estate, royalties, partnerships, S corps, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental, as reported on Line 17 of Form 1040 from federal Schedule E
- Net farm profit from as reported on Line 18 of Form 1040 from federal Schedule F
- Add Back to FAGI on Kansas return include: Loss from business, Loss from rental real estate, partnerships, S corps, estates, etc., Farm loss, Deduction for self-employment taxes, Deduction for pension, profit- sharing and annuity plans for self-employed persons, Deduction for health insurance, Deduction for domestic production activities.

Kansas Individual Income Tax by Adjusted Gross Income Bracket

Resident Taxpayers, Tax Year 2012

Number of Returns Within Each Effective Tax Rate



Effective Tax Rate on Adjusted Gross Income *	Kansas Adjusted Gross Income Brackets	Number of Returns	Kansas Adjusted Gross Income	Tax Liability After All Credits
	No KAGI -	76,504	($1,742,108,451)	($6,901,962)
-0.25%	$0 - $25,000	565,310	$6,674,988,032	($16,393,650)
2.50%	$25,000 - $50,000	354,014	$12,768,161,146	$319,230,819
3.42%	$50,000 - $75,000	181,024	$11,109,355,229	$379,976,334
3.81%	$75,000 - $100,000	123,188	$10,651,988,359	$405,961,216
4.23%	$100,000 - $250,000	156,010	$21,968,308,985	$929,432,351
4.48%	$250,000 - Over	28,066	$20,117,069,158	$901,328,159
3.57%	Total Kansas Residents	1,484,116	$81,547,762,458	$2,912,633,267

* Effective rate is the tax liability (after all credits) divided by the adjusted gross income.

KDOR Checkoff donations	Number of Taxpayers	Dollars Donated
Meals on Wheels	7,354	$123,303
Non Game Wildlife	7,264	$100,794
Hometown Hero	3,297	$41,252
Military Emergency Relief	4,881	$72,970
Breast Cancer Research	5,039	$66,116
Total	27,835	$404,434

CORPORATE INCOME TAX

Year Enacted: 1933
Statutory Citation: K.S.A. Chapter 79, Article 32

All corporations doing business within or deriving income from sources within Kansas that are required to file a federal income tax return, shall also be required to file a Kansas corporate income tax return

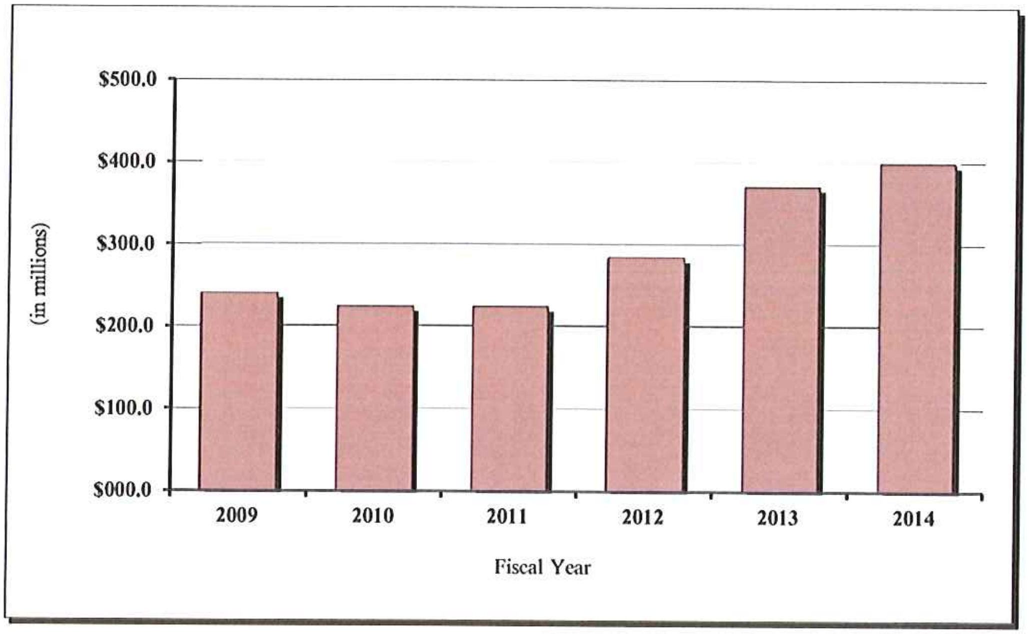
Kansas begins its corporate income tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

Corporations not based in Kansas in many cases have a small percentage of income from Kansas sources and use a three factor formula of payroll, sales and property to determine the amount of income apportioned to Kansas. The tax expenditures presented for corporations not based in Kansas have had the apportionment percentage applied in order to provide the reader with truer cost of expenditures associated with these filers.

For process year 2013, tax year 2012, the normal tax for Kansas corporate income tax is imposed at the rate of 4% and a surtax at the rate of 3% is imposed on those corporations where the Kansas taxable income is in excess of $50,000.

Corporate Income Tax Amount to the State General Fund after Refunds

The tax is levied on the portion of a corporation's adjusted federal taxable income allocated to Kansas.



Fiscal Year	Amount Collected	Percent Change
2009	$240,258,082	-44.4%
2010	$224,940,015	-6.4%
2011	$224,865,499	0.0%
2012	$284,465,835	26.5%
2013	$371,324,171	30.5%
2014	$399,383,241	7.6%

Corporate Income and Financial Institution Tax Liabilities by Bracket

Tax Year 2012 Returns Filed In Calendar Year 2013

Corporate Income Tax Liability By Taxable Income Bracket

Taxable Income Brackets	Number Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
No Taxable Income	15,481	57.0%	($18,889,196)	-5.4%
$0 - $75,000	10,950	40.3%	$42,817,953	12.2%
$75,000.01 - $100,000	112	0.4%	$8,893,376	2.5%
$100,000.01 - $500,000	455	1.7%	$91,575,213	26.1%
$500,000.01 - $1,000,000	80	0.3%	$42,580,438	12.2%
$1,000,000.01 - Over	90	0.3%	$183,325,196	52.3%
Total	27,168	100.0%	$350,302,980	100.0%

Bank Tax Liability By Taxable Income Bracket

Taxable Income Brackets	Number Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
No Taxable Income	88	22.5%	($2,968)	0.0%
$0 - $500,000	111	28.4%	$1,078,658	4.8%
$500,000.01 - $1,000,000	58	14.8%	$1,749,126	7.8%
$1,000,000.01 - Over	134	34.3%	$19,651,478	87.4%
Total	391	100.0%	$22,476,294	100.0%

Savings and Loan Tax Liability By Taxable Income Bracket

Taxable Income Brackets	Number Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
No Taxable Income	10	32.3%	($2,092)	0.0%
$0 - $500,000	7	22.6%	$38,539	0.7%
$500,000.01 - $1,000,000	2	6.5%	$28,679	0.5%
$1,000,000.01 - Over	12	38.7%	$5,281,607	98.8%
Total	31	100.0%	$5,346,732	100.0%

PRIVILEGE TAX

Year Enacted: 1963
Statutory Citation: K.S.A. Chapter 79, Article 11

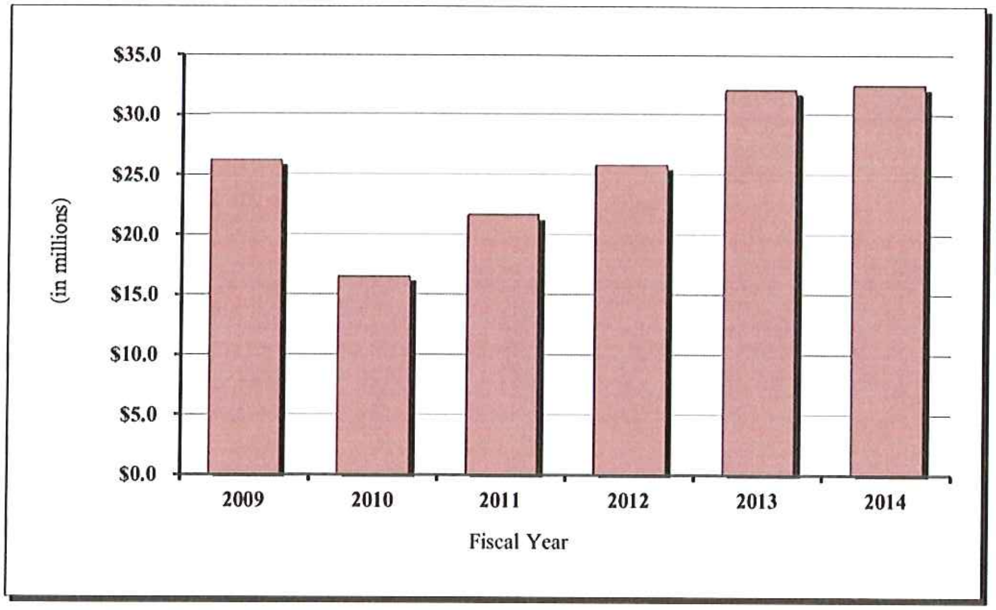
Every national banking association, bank, trust company, federally chartered savings bank, and savings and loan association located or doing business within the state shall be required to file a privilege tax return and pay a tax according to or measured by its net income for the next preceding taxable year.

Kansas begins its privilege tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

For process year 2013, tax year 2012, a tax consisting of a normal tax and a surtax shall be imposed for privilege tax filers. The normal tax shall be an amount equal to 2.25% of Kansas taxable income and a surtax in an amount equal to 2.125% of Kansas taxable income that is in excess of $25,000 for banks and 2.25% of Kansas taxable income that is in excess of $25,000 for savings & loans and trust companies.

Financial Institution Privilege Tax Amount to the State General Fund after Refunds

The privilege tax is imposed on financial institutions doing business in Kansas. The tax is levied on an institution's taxable income for the preceding year; the surtax on taxable income over $25,000. For all tax years after December 31, 1997 the normal tax for all privilege taxpayers is 2.25% of net income. The surtax is 2.125% for banks and 2.25% for savings and loans and trust companies.



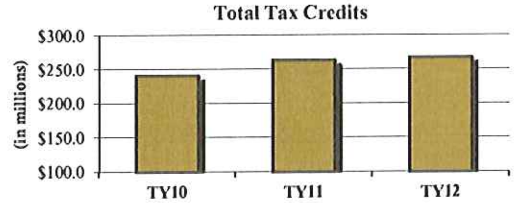
Fiscal Year	Amount Collected	Percent Change
2009	$26,192,327	-21.0%
2010	$16,514,735	-36.9%
2011	$21,651,339	31.1%
2012	$25,848,967	19.4%
2013	$32,073,164	24.1%
2014	$32,438,777	1.1%

Tax Year 2012 Kansas Department of Revenue Tax Credits

Tax Credits Allowed on Returns in Tax Years

	TY 2010	TY 2011	TY 2012
Corporate Income Tax	$ 65,863,492	$ 82,244,941	$ 73,594,663
Individual Income Tax	$ 171,455,718	$ 177,685,951	$ 187,618,734
Privilege Tax	$ 3,565,473	$ 3,817,308	$ 6,244,324
Total Tax Credits	$ 240,884,683	$ 263,748,200	$ 267,457,721

Totals include confidential amounts.



Adoption Credit - $1,838,656
K.S.A. 79-32,202 - First effective for taxable years commencing after 12/31/95.
Residents of Kansas who adopt a child can receive a credit of 25% of the adoption credit allowed against the federal income tax liability on the federal return.

Agricultural Loan Interest Reduction Credit - $0
K.S.A. 79-32,181a; 79-1126a - Effective for taxable years commencing after 12/31/99.
A state bank, national banking association, production credit association, or agricultural credit association chartered by the Farm Credit Administration which extends or renews an agricultural production loan to an eligible agricultural production borrower at an interest rate which is at least one whole percentage point (1%) less than the lowest interest rate made on loans with equivalent collateral or which reduces the rate of interest being charged on any outstanding agricultural production loan to an eligible agricultural borrower by at least one whole percentage point (1%) shall receive a credit against their tax liability.

Agritourism Liability Insurance Credit - $5,405
K.S.A. 74-50,173 - Effective for all taxable years commencing after 12/31/03.
An income tax credit shall be allowed in an amount equal to 20% of the cost of liability insurance paid by a registered agritourism operator who operates an agritourism acitivity.

Alternative-Fuel Tax Credit - $24,707
K.S.A. 79-32,201 - Effective for taxable years commencing after 12/31/95.
A credit is allowed for any person, association, partnership, limited liability company, limited partnership, or corporation who makes expenditures for a qualified alternative-fuel fueling station or who makes expenditures for a qualified alternative-fueled motor vehicle licensed in the state of Kansas.

Angel Investor Credit - $4,749,050
K.S.A. 74-8133 - Effective for taxable years commencing after 12/31/04.
Any angel investor that makes a cash investment in the qualified securities of a qualified Kansas business shall receive a credit of 50% of the amount invested.

Assistive Technology Contribution Credit - $0
K.S.A. 65-7108 - Effective for taxable years commencing after 12/31/02.
A taxpayer that makes a contribution to an individual development account reserve fund may qualify for an income tax credit in the amount of 20% of the amount contributed.

Biomass to Energy Credit - Amount withheld for confidentiality.
K.S.A. 79-32,233 - Effective for taxable years commencing after 12/31/05 and prior to 1/1/11.
A taxpayer that makes a qualified investment in a biomass-to-energy plant shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first $250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds $250,000,000.

Business and Job Development Credit (carryover) - $2,458,386
K.S.A. 79-32,160a - Effective for taxable years commencing after 12/31/95.
Any manufacturing or nonmanufacturing business which invests in a qualified business facility and hires a minimum number of employees as a result of that investment may be entitled to a tax credit.

Business and Job Development Credit (noncarryover) - $953,877
K.S.A. 79-32,153 - First effective for all taxable years commencing after 12/31/76.
A taxpayer who invests in a qualified business facility and hires at least two employees as a result of the investment may be eligible for a credit.

Business Machinery and Equipment Credit - $3,738,545
K.S.A. 79-32,206 - Effective for taxable years commencing after 12/31/97.
A taxpayer may be allowed a credit in an amount equal to 20% of the personal property tax levied and timely paid on commercial and industrial machinery and equipment classified for property taxation purposes pursuant to section 1 of article 11 of the Kansas Constitution in subclass (5) or (6) of class 2 and machinery and equipment classified for such purposes in subclass (2) of class 2.

Child Day Care Assistance Credit - $101,097
K.S.A. 79-32,190 - Effective for taxable years commencing after 12/31/88.
A taxpayer may be eligible for a credit if they pay for child day care services for its employees, located child day care services for its employees, or provide facilities and necessary equipment for child day care services to its employees.

Child Dependent Care Credit - $9,053,810
K.S.A. 79-32,111a - Effective for taxable years commencing after 12/31/77.
This credit is available only to residents and part-year residents filing as residents. The credit is equal to 25% of the federal credit allowed.

Community Entrepreneurship Investor Credit - $1,309,601
K.S.A. 74-99c09 - Effective for taxable years commencing after 12/31/05.
An investor making a cash donation of $250 or more in the Kansas community entrepreneurship fund shall receive a credit of 50% of the total amount of cash donation.

Community Service Credit - $4,006,556
K.S.A. 79-32,197 - Effective for taxable years commencing after 12/31/93.
Any business firm which contributes to an approved community service organization engaged in providing community services may be eligible to receive a tax credit of at least 50% of the total contribution made.

Declared Disaster Capital Investment Credit - $273,187
K.S.A. 79-32,262 - Effective for taxable years 2008, 2009, and 2010.
An investment credit shall be available for any business that constructs, equips, reconstructs, maintains, repairs, enlarges, or furnishes a business facility located in the city of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie Kansas, or within one mile of the city limits of any such cities as long as the buisness is located in Kansas. The investment tax credit is up to 10% of the capital investment made in the business facility and is limited to $100,000 per taxpayer.

Disabled Access Credit - $56,688
K.S.A. 79-32,176, 177 - Effective for taxable years commencing after 12/31/77.
Individual and business taxpayers who incur certain expenditures to make their property accessible to the disabled; or to employ individuals with a disability may be eligible to receive a tax credit.

Earned Income Credit - $94,107,077
K.S.A. 79-32, 205 - Effective for taxable years commencing after 12/31/97.
The credit is available to resident taxpayers in an amount equal to 18% of the earned income tax credit allowed against the taxpayer's federal income tax liability.

Electric Cogeneration Credit - $5,469
K.S.A. 79-32,246 - Effective for taxable years commencing after 12/31/06 and prior to 1/1/12
A taxpayer that makes investment in a new renewable electric cogeneration facility shall be allowed a credit equal to 10% of the taxpayer's qualified investment for the first $50,000,000 invested and 5% of the amount of the taxpayer's qualified investment that exceeds $50,000,000.

Environmental Compliance Credit - $0
K.S.A. 79-32,222 - Effective for taxable years commencing after 12/31/06.
A taxpayer that makes required expenditures in an existing refinery to comply with environmental standards or requirements established pursuant to federal or state statutes or regulations, adopted after December 31, 2006, shall be allowed a credit equal to 100% of the taxpayer's qualified expenditures.

Film Production Credit - Amount withheld for confidentiality.
K.S.A. 79-32,258 - Effective for taxable years commencing after 12/31/06 and prior to 1/1/13.
An eligible film production company that makes direct production expenditures in Kansas that are directly attributable to the production of a film in Kansas may receive an income tax credit of 30% of the direct production expenditures.

Food Sales Tax Refund - $60,754,843
K.S.A. 79-3635 - First effective for calendar year 1978 and forward.
The credit is for sales tax paid on food. There is a $72 credit per exemption claim for a Kansas Adjusted Gross Income of $0 to $13,800; and a $36 credit per exemption claim for a Kansas Adjusted Gross Income of $13,801 to $27,600.

High Performance Incentive Program - $59,132,521
K.S.A. 74-50,132; K.S.A. 79-32,160a(e) - Effective for taxable years commencing after 12/31/92.
A qualified firm making a cash investment in the training and education of its employees may be eligible to receive a tax credit. A credit may also be available for those qualified firms that make an investment in a qualified business facility.

Higher Education Deferred Maintenance Tax Credit - $1,411,153
K.S.A. 74-32,261 - Effective for taxable years 2008, 2009, 2010, 2011, and 2012.
A taxpayer that makes a contribution to a designated community college for capital improvement or a designated technical college for deferred maintenance or the purchase of technology or equipment may receive a tax credit in the amount of 60% of the contribution. A taxpayer that makes a contribution to a designated university for deferred maintenance may receive a tax credit in the amount of 50% of the contribution.

Historic Preservation Credit - $14,005,147

K.S.A. 79-32,211 - Effective for taxable years commencing after 12/31/00.

A tax credit is allowed for expenditures incurred in the restoration and preservation of a qualified historic structure.

Historic Site Contribution Credit - $40,612

K.S.A. 79-32,211a - Effective for taxable years commencing after 12/31/06 and prior to 7/1/12.

Any taxpayer which contributes, gifts, or donates to a stateowned historic site or an organization which is exempt from federal icome taxation pursuant to Section 50(c)(3) of the federal internal revenue code of 1986, which such organization owns and operates an historic site, to be used for the purpose of restoration, preservation or operation of such state-owned historic site or historic site of the establishment or maintenance of an endowment to provide for the future stability of such state-owned historic site or historic site shall be allowed a credit equal to 50% of the contribution, gift, or donation. The amount of the credit shall not exceed $2500 for any one taxpayer in any taxable year.

Individual Development Account Credit - $294,641

K.S.A. 74-50,208 - Effective for taxable years commencing after 12/31/04.

Any program contributor that contributes to an individual development account reserve fund may be eligible for a credit of 50% of the amount contributed.

Integrated Coal Gasification Power Plant Credit - $0

K.S.A. 79-32,239 - Effective for taxable years commencing after 12/31/05 and prior to 1/1/11.

A taxpayer that makes a qualified investment in an integrated coal gasification power plant shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first $250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds $250,000,000.

Law Enforcement Training Center Credit - $0

K.S.A. 79-32,242 - Effective for taxable years commencing after 12/31/05.

Any business firm which contributes cash to the Kansas Law Enforcement Training Center to be used by the Center for the purpose of providing programs and courses of instruction for full-time police officers and law enforcement officers designed to fulfill the continuing education and training requirements of officers shall be allowed a credit that shall not exceed 50% of the total amount contributed.

National Guard and Reserve Employer Credit - $0

K.S.A. 79-32,244 - Effective for taxable years 2006, 2007, and 2008.

An income tax credit shall be allowed for employing a member of the Kansas Army and Air National Guard or a member of a Kansas unit of the Reserved Forces of the United States who was federally activated and deployed on or after August 7, 1990. The credit is 25% of the amount paid as salary or compensation, not to exceed $7,000 for each member employed.

Nitrogen Fertilizer Plant Credit - $0

K.S.A. 79-32,229 - Effective for taxable years commencing after 12/31/05 and prior to 1/1/11.

A taxpayer that makes a qualified investment in a nitrogen fertilizer plant shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first $250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds $250,000,000.

Owners Promoting Employment Across Kansas (PEAK) Credit - $0

K.S.A. 79-32,266 - Effective for all taxable years commencing after December 31, 2010.

An income tax credit shall be allowed in the amount of 95% of a resident individual's income tax liability for Kansas source income received from a qualified company that is business income attributable to business activities conducted at the business facility, office, department or other operation relocated to Kansas when the taxpayer owns such qualified company and materially participates in such business activities conducted at the relocated business facility, office, department or other operation of the qualified company which qualified for benefits under the provisions of subsection (a)(1) of K.S.A. 74-50,212.

Petroleum Refinery Credit - Amount withheld for confidentiality.

K.S.A. 79-32,218 - - Effective for taxable years commencing after 12/31/05 and prior to 1/1/11.

A taxpayer that makes a qualified investment in a refinery shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first $250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds $250,000,000.

Plugging of an Abandoned Oil or Gas Well Credit - Amount withheld for confidentiality.

K.S.A. 79-32, 207 - Effective for taxable years commencing after 12/31/97.

Taxpayers who make expenditures during the tax year to plug an abandoned oil or gas well on their land in accordance with the rules and regulations of the Kansas Corporation Commission shall be allowed a credit in the amount of 50% of the expenditures made for taxable years

Qualifying Pipeline Credit - Amount withheld for confidentialty.

K.S.A. 79-32,224 - Effective for taxable years commencing after 12/31/05 and prior to 1/1/11.

A taxpayer that makes a qualified investment in a new qualifying pipeline shall be allowed a credit equal to 10% of the taxpayer's qualified investment on the first $250,000,000 invested and 5% of the taxpayer's qualified investment that exceeds $250,000,000.

Regional Foundation Credit - $255,709

K.S.A. 74-50,154 - Effective for taxable years commencing after 12/31/03 and prior to 1/1/13.

Any taxpayer that contributes to an organization designated as a regional foundation may be eligible to receive a credit of 75% of the total amount

Research & Development Credit - $2,322,455

K.S.A. 79-32,182; K.S.A. 79-32,182a - Effective for taxable years commencing after 12/31/86.

A taxpayer with qualifying expenditures in research and development activities conducted within Kansas may be eligible to receive a credit of 6 1/2% of the amount expended for the research.

Rural Opportunity Zone Credit - $272,216

K.S.A. 79-32,267 - Effective for all taxable years commencing after December 31, 2011 and before January 1, 2017.

A resident individual taxpayer shall be allowed an income tax credit in the amount of the resident individual's income tax liability if the taxpayer (1) establishes domicile in a rural opportunity zone on or after July 1, 2011 and prior to January 1, 2016 and was domiciled outside Kansas for five or more years immediately prior to establishing their domicile in a rural opportunity zone in Kansas; had Kansas source income of less than $10,000 in any one year for five or more years immediately prior to establishing their domicile in a rural opportunity zone in Kansas; and was domiciled in a rural opportunity zone during the entire taxable year for which the credit is claimed.

Single City Port Authority Credit - Amount withheld for confidentiality.

K.S.A. 79-32,212 - Effective for taxable years 2002 - 2021.

An income tax credit is allowed equal to 100% of the amount attributable to the retirement of indebtedness authorized by a single city port authority established before January 1, 2002.

Small Employer Health Insurance Credit - $108,270

K.S.A. 40-2246 - First effective for taxable years commencing after 12/31/91 and prior to 1/1/93; second effective for taxable years commencing after 12/31/99.

An income tax credit is allowed for any two or more employers who establish a small employer health benefit plan for the purpose of providing a health benefit.

Storage and Blending Equipment Credit - $0

K.S.A. 79-32,252 - Effective for taxable years commencing after 12/31/06 and prior to 1/1/12.

A taxpayer that makes a qualified investment in equipment which is used for storing and blending petroleum-based fuel and biodiesel, ethanol or other biofuel and is installed at a fuel terminal, refinery or biofuel production plant shall be allowed a credit equal to 10% of the taxpayer's qualified investment for the first $10,000,000 invested and 5% of the amount of the taxpayer's qualified investment that exceeds $10,000.000.

Swine Facility Improvement Credit - $0

K.S.A. 79-32,204 - Effective for taxable years commencing after 12/31/97.

A credit is allowed for the costs incurred to make required improvements to a qualified swine facility.

TAF Family Contribution Credit - $0

K.S.A. 79-32,200 - Effective for taxable years commencing after 12/31/93.

Any individual, corporation, partnership, trust, estate and other legal entity required to pay income tax under the Kansas Income Tax Act who enters into an agreement with the Secretary of Social and Rehabilitation Services to provide financial support to a person who receives Temporary Assistance for Families (TAF) is allowed a credit against their Kansas tax liability.

Telecommunications Credit - $2,845,959

K.S.A. 79-32,210 - Effective for taxable years commencing after 12/31/01.

A credit is allowed for property tax paid by telecommunications companies on property initially acquired and first placed into service after January 1, 2001 that has an assessment rate of 33%.

Venture and Local Seed Capital Credits - $40,766

K.S.A. 74-8205, -8206,- 8304, -8316, and -8401 - Effective for taxable years commencing after 12/31/85.

A credit may be deducted from a taxpayer's income or privilege tax liability if the taxpayer invests in stock issued by Kansas Venture Capital, Inc.; and a credit may be deducted from a taxpayer's income tax liability if the taxpayer invests in a certified Kansas venture capital company; and a credit may also be deducted from a taxpayer's income tax liability if the taxpayer invests in a certified local seed capital pool. The amount of credit will be 25% of the total amount of cash investment in such stock.

Amounts are withheld for confidentiality if there are four or fewer filers within any given tax area of a credit.

YOU MAY BE ELIGIBLE FOR A HOMESTEAD OR SAFE SENIOR PROPERTY TAX REFUND FOR TAX YEAR 2014

HOMESTEAD PROPERTY TAX REFUND
A property tax refund for eligible homeowners.

To Qualify

As a Kansas resident for all of 2014 who **owned and occupied** a homestead, you are eligible for a refund of up to $700 if your total "**household** income" is $33,400 or less, AND you:

- were born before January 1, 1959; OR
- were totally and permanently disabled or blind for the entire year of 2014; OR
- have a dependent child who lived with you the entire year that was born before January 1, 2014, and was under the age of 18 all of 2014; OR
- are a disabled veteran (50% or more disability), or the surviving spouse of a disabled veteran who has not remarried, or the surviving spouse of an active duty military personnel who died in the line of duty and not remarried.

"Household income" is generally **all-taxable** and **non-taxable** income received by all members of the household.

"SAFE SENIOR" PROPERTY TAX REFUND
A property tax refund for eligible homeowners.

To Qualify

As a Kansas resident for all of 2014 who **owned and occupied** a homestead, you are eligible for a refund of 75% of your property taxes paid if your total "**household** income" including social security is $18,900 or less, AND you:

- were 65 years or older all of 2014; AND
- did not have any delinquent property taxes in 2014.

NOTE: You may claim either a Safe Senior property tax refund or a Homestead refund **(not both)**.

How can I use my expected homestead or safe senior refund to help pay up to the first half of my property tax?

Homeowners who received a Homestead or Safe Senior refund last year and do not have any outstanding balances with the Kansas Department of Revenue and who checked the Advancement Box on their 2013 Homestead or Safe Senior return are eligible for an advancement. The advancement information was sent electronically to the County Treasurer's office and may appear on your 2014 property tax statement. **NOTE**: A Homestead Refund Claim (Form K-40H) or a Safe Senior Refund Claim (Form K-40PT) must be filed between January 1 and April 15, 2015.

HOW TO CLAIM YOUR REFUND

Homestead Refund: Complete a Kansas Homestead Claim (Form K-40H) electronically at *WebTax.org* or mail a paper K-40H to the Kansas Department of Revenue anytime between January 1 and April 15, 2015. **NOTE**: Renting does not qualify for a homestead refund – you must be a homeowner who **owns and occupies** your homestead to qualify.

Safe Senior Property Tax Refund: Complete a Kansas Property Tax Relief Claim for Low Income Seniors (Form K-40PT) electronically at *WebTax.org* or mail a paper K-40PT to the Kansas Department of Revenue anytime between January 1 and April 15, 2015.

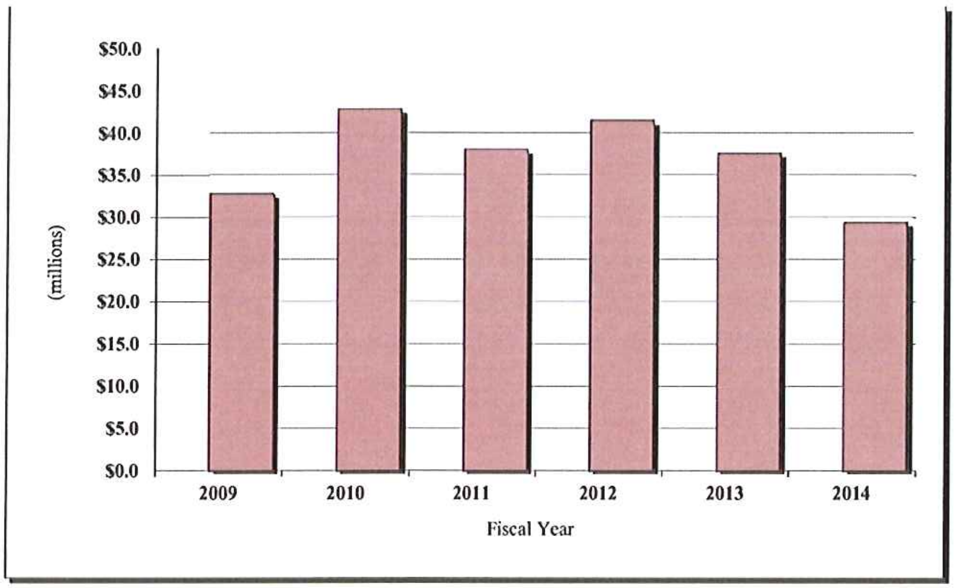
Taxpayer Assistance. If you have questions about these refunds, contact our Tax Assistance Center or your local county clerk's office. If you are eligible, free tax preparation is available through programs such as VITA (offered by the IRS), AARP-Tax Aide, and TCE. These programs have sites throughout the state of Kansas. To find a site near you, call 1-800-829-1040 or visit a local IRS office. To find an AARP site, call 1-888-227-7669 or visit their web site at: **aarp.org/money/taxes/aarp_taxaide**

Kansas Department of Revenue
Docking State Office Building, 1st floor
915 SW Harrison St.
Topeka KS 66612-1588
(785) 368-8222

Homestead Property Tax Refunds

The Homestead Refund is a rebate of a portion of the property taxes paid on a Kansas resident's homestead. Your refund percentage is based on your total household income. If you own your home, the refund is a percentage of your general property tax. If you rent your home, a percentage of the rent paid for occupancy is used as the property tax amount. *(Effective Tax Year 2013, renters will no longer qualify for this refund.)* In Tax Year 2012, the maximum refund was $700 and the maximum household income was $32,400.

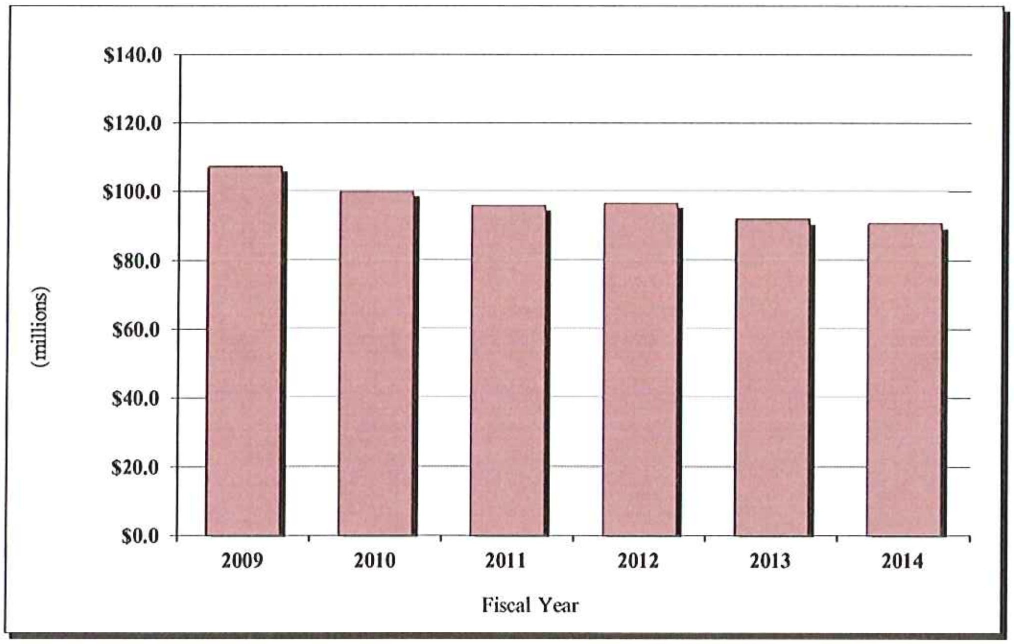
In 2008, the legislature enacted the Selective Assistance for Effective Senior Relief (SAFE SENIOR), which is a property tax refund program administered under the provisions of the Kansas Homestead Act. The refund is a percentage of the general property tax paid or to be paid. In Tax Year 2012, the maximum household income is $18,200. A claimant may receive either a Homestead or a SAFE SENIOR refund, but not both. During the year, the Kansas Department of Revenue issued $4,867,645.00 in SAFE SENIOR refunds to 4,758 homeowners. This is reported as a portion of the total homestead refunds issued.



Fiscal Year	Number of Claims Allowed	Amount Paid	Percent Change
2009	102,586	$32,818,510	5.4%
2010	132,136	$42,871,586	30.6%
2011	120,029	$38,084,917	-11.2%
2012	126,762	$41,506,807	9.0%
2013	115,719	$37,586,043	-9.4%
2014	86,082	$29,414,518	-21.7%

Cigarette Tax Collections to State General Fund after Refunds

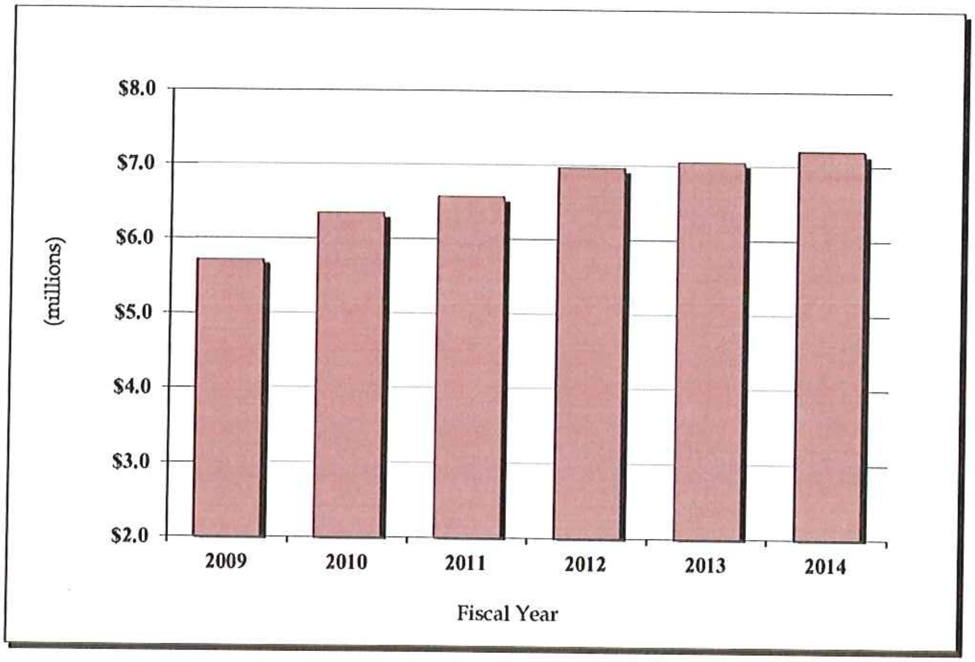
The cigarette tax is paid upon the purchase of tax stamps. In Fiscal Year 2003, the tax rate increased from 24 cents per pack to 79 cents per pack.



Fiscal Year	Amount Collected	Percent Change
2009	$107,215,614	-4.9%
2010	$99,828,625	-6.9%
2011	$95,922,881	-3.9%
2012	$96,661,472	0.8%
2013	$91,928,001	-4.9%
2014	$90,611,583	-1.4%

Tobacco Products Tax to State General Fund after Refunds

The tobacco products tax was reenacted in 1972. The tax rate is 10% on the wholesale price of tobacco products.



Fiscal Year	Amount Collected	Percent Change
2009	$5,727,860	3.2%
2010	$6,352,388	10.9%
2011	$6,572,849	3.5%
2012	$6,978,181	6.2%
2013	$7,056,779	1.1%
2014	$7,201,144	2.0%

Kansas Legislative Research Department

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Taxation

T-2 Liquor Taxes

Kansas has three levels of liquor taxation, each of which imposes different rates and provides for a different disposition of revenue.

Liquor Gallonage Tax. The first level of taxation is the gallonage tax, which is imposed upon the person who first manufactures, sells, purchases, or receives the liquor or cereal malt beverage (CMB).

Liquor Enforcement of Sales Tax. The second level of taxation is the enforcement or sales tax, which is imposed on the gross receipts from the sale of liquor or CMB to consumers by retail liquor dealers and grocery and convenience stores; and to clubs, drinking establishments, and caterers by distributors.

Liquor Drink Tax. The third level of taxation is levied on the gross receipts from the sale of liquor by clubs, caterers, and drinking establishments.

Gallonage

Since the tax is imposed upon the person who first manufactures, uses, sells, stores, purchases, or receives the alcoholic liquor or CMB, the tax has already been paid by the time the product has reached the retail liquor store – or in the case of CMB, grocery or convenience store.

When the liquor store owner purchases a case of light wine from a distributor, the 30 cents per gallon tax has already been built in as part of that store owner's acquisition cost.

Rates

	Per Gallon
Beer and CMB	$0.18
Light Wine	$0.30
Fortified Wine	$0.75
Alcohol and Spirits	$2.50

Gallonage tax receipts in FY 2014 were approximately $21.8 million. Of this amount, nearly $9.7 million was attributed to the beer and CMB tax.

Gallonage Tax – Disposition of Revenue		
	State General Fund	Community Alcoholism and Intoxication Programs Fund (CAIPF)
Alcohol and Spirits	90%	10%
All Other Gallonage Taxes	100%	--

Liquor gallonage tax rates have not been increased since 1977.

Enforcement and Sales

Enforcement. Enforcement Tax is an in-lieu-of sales tax imposed at the rate of 8 percent on the gross receipts of the sale of liquor to consumers and on the gross receipts from the sale of liquor and CMB to clubs, drinking establishments, and caterers by distributors.

- A consumer purchasing a $10 bottle of wine at a liquor store is going to pay 80 cents in enforcement tax.

The club owner buying the case of light wine (who already had paid the 30 cents per gallon gallonage tax as part of his acquisition cost) also would now pay the 8 percent enforcement tax.

Sales. CMB purchases in grocery or convenience stores are not subject to the enforcement tax, but rather are subject to state and local sales taxes. The state sales tax rate is 6.15 percent, and combined local sales tax rates range as high as 5.0 percent. ***CMB sales, therefore, are taxed at rates ranging from 6.15 to 11.15 percent.***

Besides the rate differential between sales of strong beer (and other alcohol) by liquor stores and CMB by grocery and convenience stores, there is a major difference in the disposition of revenue.

Enforcement and Sales Tax Disposition of Revenue			
	SGF	**State Highway Fund**	**Local Units**
Enforcement (8 percent)	100.00%	---	---
State Sales (6.15 percent)	82.93%	17.07%	---
Local Sales (up to 5 percent)	---	---	100.00%

Enforcement tax receipts in FY 2014 were approximately $64.5 million. Grocery and convenience store sales tax collections from CMB are unknown.

The liquor enforcement tax rate has not been increased since 1983.

Drink

The liquor drink tax is imposed at the rate of 10 percent on the gross receipts from the sale of alcoholic liquor by clubs, caterers, and drinking establishments.

The club owner (who had previously paid the gallonage tax and then the enforcement tax when acquiring the case of light wine) next is required to charge the drink tax on sales to its customers. Assuming the club charged $4.00 for a glass of light wine, the drink tax on such a transaction would be 40 cents.

Drink Tax – Disposition of Revenue

	SGF	CAIPF	Local Alcoholic Liquor Fund
Drink Tax (10 percent)	25%	5%	70%

Liquor drink tax revenues in FY 2014 were about $40.5 million, of which $10.2 million were deposited in the SGF.

The liquor drink tax rate has remained unchanged since imposition in 1979.

For more information, please contact:

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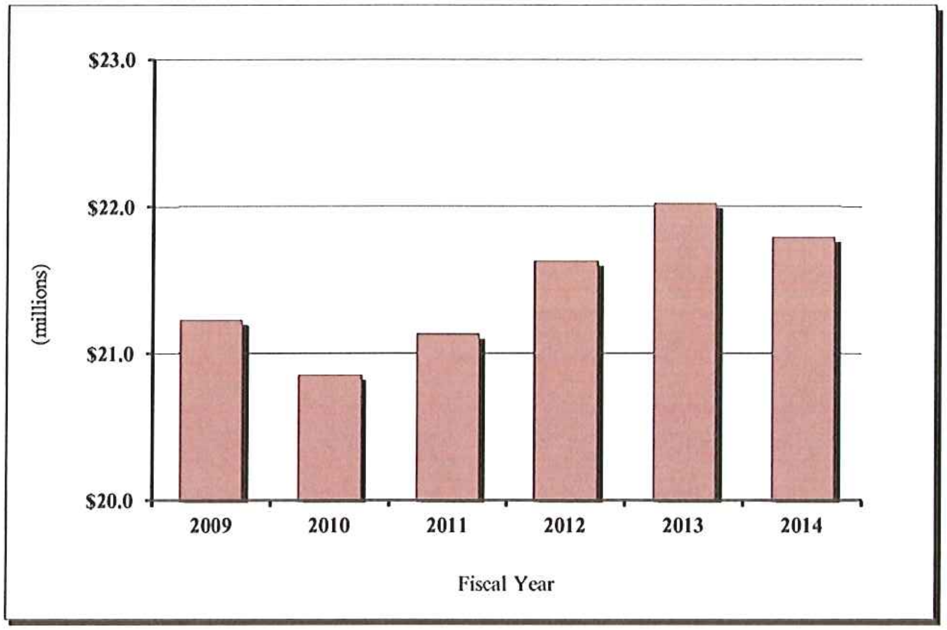
Gallonage Tax Receipts by Components and Fiscal Year

Gross Gallonage Tax by Components

	Fiscal Year 2013	Fiscal Year 2014	Percent Change
Alcohol and Spirits	$11,088,716	$10,225,181	-7.8%
Fortified and Light Wine	$1,555,781	$1,818,040	16.9%
Strong Beer	$7,522,175	$8,060,576	7.2%
Cereal Malt Beverage	$1,855,093	$1,685,221	-9.2%
Total	$22,021,765	$21,789,018	-1.1%

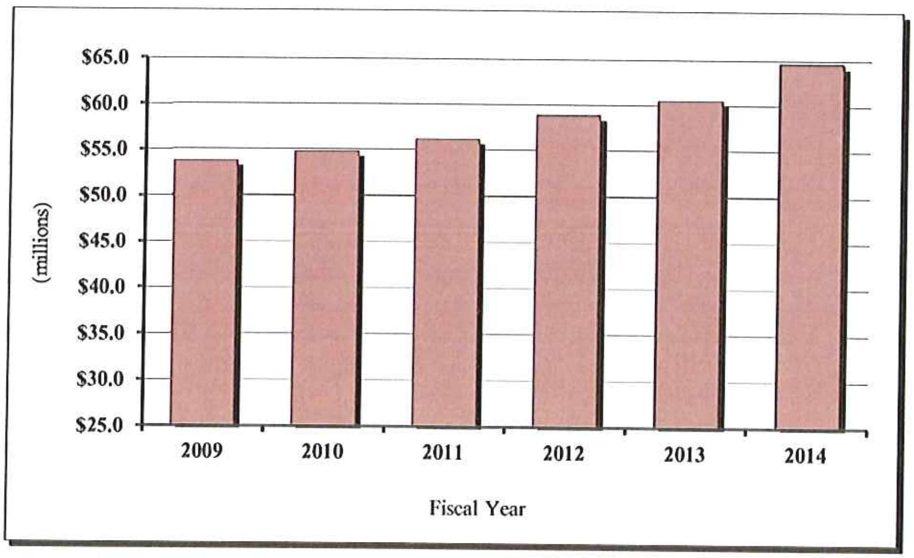


Total Gallonage Tax by Fiscal Year

Fiscal Year	Amount Collected	Percent Change
2009	$21,228,889	2.5%
2010	$20,857,620	-1.7%
2011	$21,135,864	1.3%
2012	$21,628,333	2.3%
2013	$22,021,765	1.8%
2014	$21,789,018	-1.1%

Liquor Enforcement Tax Gross Receipts

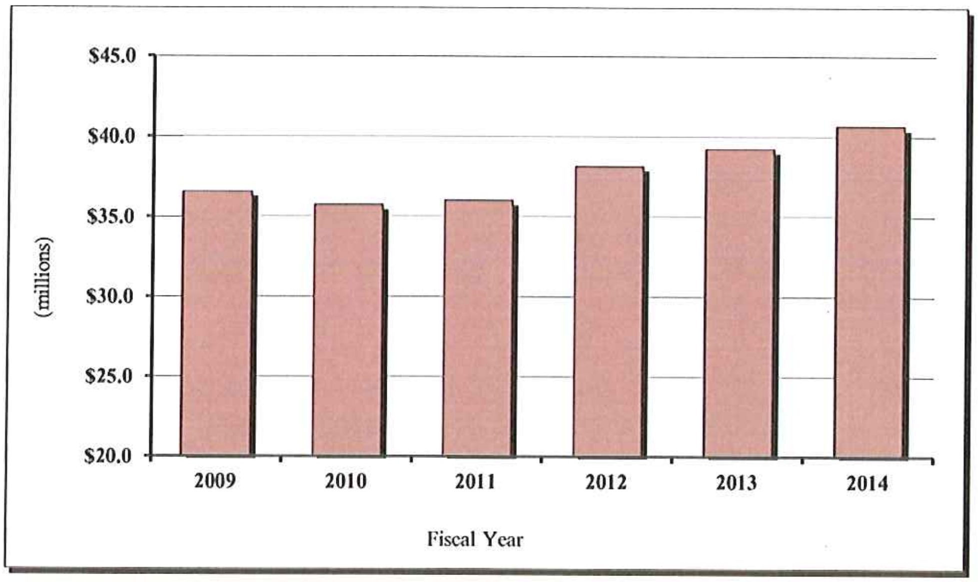
The liquor enforcement tax is imposed upon the gross receipts from the sale of liquor to consumers by retailers, microbreweries, and farm wineries. Also on the gross receipts from the sale of liquor and cereal malt beverage to clubs, drinking establishments, and caterers by distributors. This tax is collected by the Division of Tax Operations, rather than the Division of Alcoholic Beverage Control.



Fiscal Year	Amount Collected	Percent Change
2009	$53,836,004	7.6%
2010	$54,854,273	1.9%
2011	$56,224,767	2.5%
2012	$58,878,961	4.7%
2013	$60,561,426	2.9%
2014	$64,564,302	6.6%

Liquor Excise Tax Gross Receipts

The liquor excise tax is a 10% retail tax on gross receipts from the sale of liquor on-premises at private clubs, drinking establishments open to the public and caterers. It is imposed on all alcoholic beverages, including cereal malt. Seventy percent of the collection is returned to the locality from which collected, 25% is credited to the State General Fund and 5% to the Community Alcoholism and Intoxication Programs Fund. This tax is collected by the Division of Tax Operations rather than the Division of Alcoholic Beverage Control.



Fiscal Year	Amount Collected	Percent Change
2009	$36,578,860	2.6%
2010	$35,764,829	-2.2%
2011	$36,050,400	0.8%
2012	$38,158,615	5.8%
2013	$39,258,226	2.9%
2014	$40,661,294	3.6%

KANSAS MINERAL TAX

Year Enacted: 1983
Statutory Citation: K.S.A. Chapter 79, Article 42

Gas and oil are taxed on the gross value at the time of removal from the earth or water. The tax rate is 8% less property tax credits equal to 3.67%, making the tax rate 4.33% after the credit.

Tax exemptions for oil are based on the average price per barrel, average daily productions, depth of the well, new pools and inactive wells.

Tax exemptions for gas wells are for wells with an average daily production valued at $87 or less, as used for domestic or agricultural purposes on the production unit, and gas from any new pool.

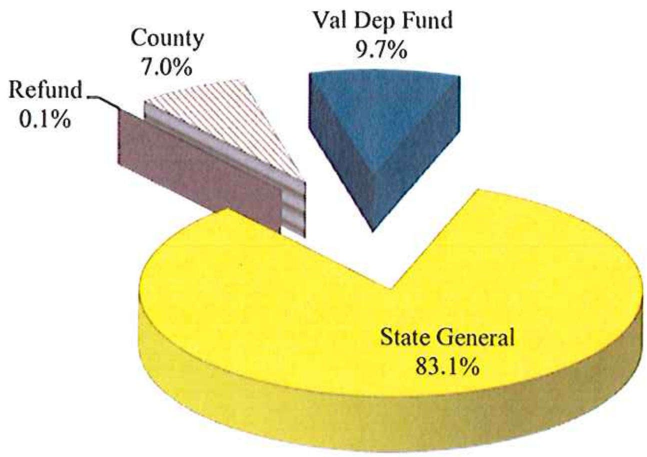
The state general fund receives 93% of the total collection and counties receive the remaining 7%.

Description	Number of Filers	*Tax Expenditure
Oil	46	($73,339,765)
Gas	204	($5,851,735)
Special Co. Mineral Production Fund	--	($10,575,784)
Depletion Trust Fund	--	($19,165,119)
Property Tax Credit	--	($203,597,030)

*Tax expenditure computed using a rate of 4.33%

Mineral Tax Distributions by Product and Fund

Taxes on minerals are distributed first into a Refund Fund, then into the State General Fund and the Special County Mineral Tax Production Fund. Beginning in FY 2009, a portion of the SGF Severance Tax Receipts is earmarked for the Oil and Gas Valuation Depletion Trust Fund. The first transfer to this fund was in October 2009.

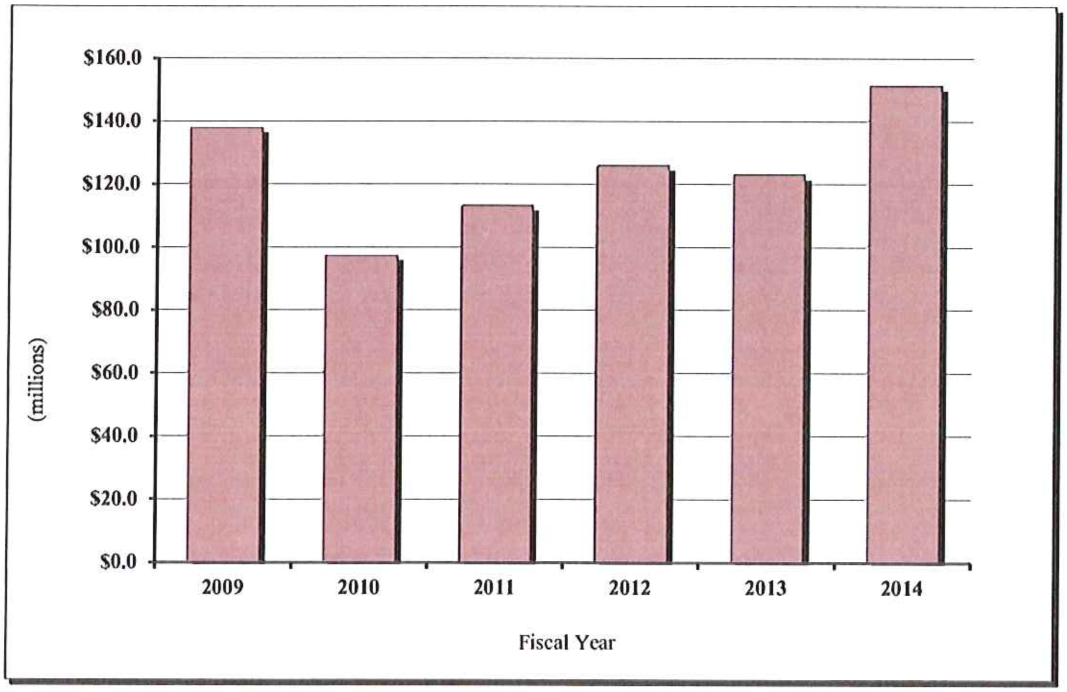


Mineral Tax Distribution to Funds, Fiscal Year 2014

Product Type	State General Fund	Refund Fund	Special County Mineral Tax Production Fund	Oil and Gas Valuation Depletion Trust Fund
Oil	$88,754,890	$610	$7,487,787	
Natural Gas	$37,003,210	$190,250	$3,087,997	
Total	$125,758,100	$190,860	$10,575,784	$14,748,753

Gross Total All Funds	$151,273,497

Gross (before Refunds) Mineral Tax Collections by Product



Fiscal Year	Oil	Natural Gas	Total	Total Percent Change
2009	$56,683,869	$81,078,831	$137,762,700	-13.7%
2010	$49,416,301	$47,982,088	$97,398,389	-29.3%
2011	$65,336,737	$47,649,701	$112,986,438	16.0%
2012	$78,424,950	$47,283,720	$125,708,670	11.3%
2013	$83,115,866	$39,812,080	$122,927,946	-2.2%
2014	$106,969,003	$44,304,495	$151,273,498	23.1%