

As Amended by House Committee

Session of 2015

HOUSE BILL No. 2430

By Committee on Taxation

5-5

1 AN ACT concerning income taxation; relating to determination of income,
2 subtraction modifications; rates for resident individuals with income
3 from certain businesses ~~who employ one or more persons~~; amending
4 K.S.A. 2014 Supp. 79-32,110, 79-32,111 and 79-32,117 and repealing
5 the existing sections.
6

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

8 New Section 1. (a) As used in this section:

9 (1) "Business entity" means a limited liability company, S
10 corporation, partnership, association, sole proprietorship, joint venture or
11 other similar form of business organization. The term "business entity"
12 shall not include any business organization subject to the income tax on
13 corporations under K.S.A. 79-32,110(c), and amendments thereto, the
14 privilege tax as measured by net income of financial institutions imposed
15 pursuant to chapter 79, article 11 of the Kansas Statutes Annotated, and
16 amendments thereto, or the premium tax or privilege fees imposed
17 pursuant to K.S.A. 40-252, and amendments thereto;

18 (2) ~~"employee" means:~~

19 ~~(A) Any natural person employed by a business entity and~~
20 ~~performing duties for such business entity for compensation subject to~~
21 ~~employer withholding taxes pursuant to K.S.A. 79-3295 et seq., and~~
22 ~~amendments thereto; and~~

23 ~~(B) any natural person who performs duties for the business entity but~~
24 ~~is employed by a third-party employer for compensation subject to~~
25 ~~employer withholding taxes pursuant to K.S.A. 79-3295 et seq., and~~
26 ~~amendments thereto, who serves as the legal employer while furnishing~~
27 ~~such employee to such business entity;~~

28 ~~(3) (A) "qualified income" means:~~

29 (i) Net profit from business as determined under the federal internal
30 revenue code and reported from schedule C and on line 12 of the
31 taxpayer's form 1040 federal individual income tax return;

32 (ii) net income from partnerships, S corporations, estates and trusts as
33 determined under the federal internal revenue code and reported from parts
34 II or III of schedule E and on line 17 of the taxpayer's form 1040 federal
35 individual income tax return; and

36 (iii) net farm profit as determined under the federal internal revenue

1 code and reported from schedule F and on line 18 of the taxpayer's form
2 1040 federal income tax return;

3 (B) qualified income shall not include any rental income or royalties
4 paid to the taxpayer, including royalties from intellectual property; and

5 ~~(4)~~(3) "qualified loss" means:

6 (A) Net loss from business as determined under the federal internal
7 revenue code and reported from schedule C and on line 12 of the
8 taxpayer's form 1040 federal individual income tax return;

9 (B) net loss from partnerships, S corporations, estates and trusts as
10 determined under the federal internal revenue code and reported from
11 schedule E and on line 17 of the taxpayer's form 1040 federal individual
12 income tax return; and

13 (C) net farm loss as determined under the federal internal revenue
14 code and reported from schedule F and on line 18 of the taxpayer's form
15 1040 federal income tax return.

16 ~~(b)(1)~~—For tax year 2015, and all tax years thereafter, any individual
17 who has an ownership interest in a business entity shall be eligible for the
18 lowest marginal individual income tax rate applicable under K.S.A. ~~2014~~
19 ~~Supp.~~ 79-32,110, and amendments thereto, with respect to qualified
20 income received from such business ~~entity under paragraph (2) if such~~
21 ~~business entity has at least one employee who has been compensated for~~
22 ~~at least 2080 hours of work or paid time off for the business entity in the~~
23 ~~previous tax year.~~

24 ~~(2)(A)~~ Any qualified income of the individual received from a
25 business entity ~~meeting the requirements of subsection (b)(1)~~ shall be
26 taxed at the lowest rate for resident individuals pursuant to, and computed
27 in accordance with, the tax schedules listed in K.S.A. 79-32,110, and
28 amendments thereto. Remaining income of the individual shall be taxed
29 pursuant to, and computed in accordance with, the tax schedules listed in
30 K.S.A. 79-32,110, and amendments thereto, without regard to the
31 provisions of this section.

32 ~~(B)~~ ~~To the extent permitted under federal income tax law, any~~
33 ~~qualified loss of the individual received from a business entity meeting the~~
34 ~~requirements of subsection (b)(1) may be claimed against any qualified~~
35 ~~income of the individual received from a business entity that meets the~~
36 ~~requirements of subsection (b)(1).~~

37 ~~(c)(1)~~ Any business entity that employs one or more persons shall
38 certify to the secretary of revenue that: (A) The business entity has at least
39 one employee; (B) the business entity employed at least one person who
40 has been compensated as an employee of such business entity for at least
41 2080 hours of work or paid time off in the previous calendar year; (C) any
42 qualified income of the individual received from such business entity is
43 eligible for the lowest marginal individual income tax rate applicable

1 under K.S.A. 2014 Supp. 79-32,110, and amendments thereto; and (D) any
 2 qualified loss of the individual received from such business entity is
 3 eligible to be claimed against any qualified income pursuant to subsection
 4 (b)(1)(B).

5 ~~(2) The certification required by this subsection shall include: (A)~~
 6 ~~The name, social security number, position, location of employment, name~~
 7 ~~of employer, employer FEIN and annual hours compensated for the~~
 8 ~~employee being relied upon for qualification for benefits; and (B) the~~
 9 ~~name, address and social security number of each individual owner of the~~
 10 ~~business entity. Any taxpayer seeking benefits under this section shall~~
 11 ~~provide a copy of the certification with the taxpayer's individual income~~
 12 ~~tax return. The director of taxation shall not assess any penalties or~~
 13 ~~interest arising from the underpayment of taxes under this section~~
 14 ~~which occurs before January 1, 2016.~~

15 (d) The secretary of revenue shall adopt all necessary rules and
 16 regulations to implement and administer the provisions of this section.

17 Sec. 2. K.S.A. 2014 Supp. 79-32,110 is hereby amended to read as
 18 follows: 79-32,110.(a) *Resident Individuals*. Except as otherwise provided
 19 by ~~subsection (a) of K.S.A. 79-3220(a) and section 1~~, and amendments
 20 thereto, a tax is hereby imposed upon the Kansas taxable income of every
 21 resident individual, which tax shall be computed in accordance with the
 22 following tax schedules:

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

24 (A) For tax year 2012:

If the taxable income is:	The tax is:
25 Not over \$30,000.....	26 3.5% of Kansas taxable income
27 Over \$30,000 but not over	28 \$1,050 plus 6.25% of excess
28 \$60,000	29 over \$30,000
29 Over \$60,000.....	30 \$2,925 plus 6.45% of excess
	31 over \$60,000

31 (B) For tax year 2013:

If the taxable income is:	The tax is:
32 Not over \$30,000.....	33 3.0% of Kansas taxable income
34 Over \$30,000.....	35 \$900 plus 4.9% of excess over
	36 \$30,000

36 (C) For tax year 2014:

If the taxable income is:	The tax is:
37 Not over \$30,000.....	38 2.7% of Kansas taxable income
39 Over \$30,000.....	40 \$810 plus 4.8% of excess over
	41 \$30,000

41 (D) For tax year 2015:

If the taxable income is:	The tax is:
42 Not over \$30,000.....	43 2.7% of Kansas taxable income

1	Over \$30,000.....	\$810 plus 4.6% of excess over
2		\$30,000
3	(E) For tax year 2016:	
4	If the taxable income is:	The tax is:
5	Not over \$30,000.....	2.4% of Kansas taxable income
6	Over \$30,000.....	\$720 plus 4.6% of excess over
7		\$30,000
8	(F) For tax year 2017:	
9	If the taxable income is:	The tax is:
10	Not over \$30,000.....	2.3% of Kansas taxable income
11	Over \$30,000.....	\$690 plus 4.6% of excess over
12		\$30,000
13	(G) For tax year 2018, and all tax years thereafter:	
14	If the taxable income is:	The tax is:
15	Not over \$30,000.....	2.3% of Kansas taxable income
16	Over \$30,000.....	\$690 plus 3.9% of excess over
17		\$30,000
18	(2) <i>All other individuals.</i>	
19	(A) For tax year 2012:	
20	If the taxable income is:	The tax is:
21	Not over \$15,000.....	3.5% of Kansas taxable income
22	Over \$15,000 but not over	\$525 plus 6.25% of excess
23	\$30,000.....	over \$15,000
24	Over \$30,000.....	\$1,462.50 plus 6.45% of excess
25		over \$30,000
26	(B) For tax year 2013:	
27	If the taxable income is:	The tax is:
28	Not over \$15,000.....	3.0% of Kansas taxable income
29	Over \$15,000.....	\$450 plus 4.9% of excess over
30		\$15,000
31	(C) For tax year 2014:	
32	If the taxable income is:	The tax is:
33	Not over \$15,000.....	2.7% of Kansas taxable income
34	Over \$15,000.....	\$405 plus 4.8% of excess over
35		\$15,000
36	(D) For tax year 2015:	
37	If the taxable income is:	The tax is:
38	Not over \$15,000.....	2.7% of Kansas taxable income
39	Over \$15,000.....	\$405 plus 4.6% of excess over
40		\$15,000
41	(E) For tax year 2016:	
42	If the taxable income is:	The tax is:
43	Not over \$15,000.....	2.4% of Kansas taxable income

1 Over \$15,000.....\$360 plus 4.6% of excess over
 2 \$15,000

3 (F) For tax year 2017:

4 If the taxable income is: The tax is:
 5 Not over \$15,000.....2.3% of Kansas taxable income
 6 Over \$15,000.....\$345 plus 4.6% of excess over
 7 \$15,000

8 (G) For tax year 2018, and all tax years thereafter:

9 If the taxable income is: The tax is:
 10 Not over \$15,000.....2.3% of Kansas taxable income
 11 Over \$15,000.....\$345 plus 3.9% of excess over
 12 \$15,000

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

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

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

24 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
 25 3.1% of the Kansas taxable income of such corporation in excess of
 26 \$50,000;

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

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

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

36 (e) Tax rates provided in this section shall be adjusted pursuant to the
 37 provisions of K.S.A. 2014 Supp. 79-32,269, and amendments thereto.

38 Sec. 3. K.S.A. 2014 Supp. 79-32,111 is hereby amended to read as
 39 follows: 79-32,111. (a) The amount of income tax paid to another state by
 40 a resident individual, resident estate or resident trust on income derived
 41 from sources in another state, ~~and included in Kansas adjusted gross~~
 42 ~~income~~, shall be allowed as a credit against the tax computed under the
 43 provisions of this act. Such credit shall not be greater in proportion to the

1 tax computed under this act than the Kansas adjusted gross income for
2 such year derived in another state while such taxpayer is a resident of this
3 state is to the total Kansas adjusted gross income of the taxpayer. As used
4 in this subsection, "state" shall have the meaning ascribed thereto by
5 ~~subsection (h) of K.S.A. 79-3271(h)~~, and amendments thereto. The credit
6 allowable hereunder for income tax paid to a foreign country or political
7 subdivision thereof shall not exceed the difference of such income tax paid
8 less the credit allowable for such income tax paid by the federal internal
9 revenue code. No redetermination of income tax paid for the purposes of
10 determining the credit allowed by this subsection shall be required for the
11 taxable year for which an income tax refund payment pursuant to the
12 provisions of section 18 of article 10 of the Missouri constitution is made,
13 but the income tax paid allowable for credit in the next following taxable
14 year shall be reduced by the amount of such refund amount, except that,
15 for tax year 1998, the income tax paid allowable for credit shall be reduced
16 by the amount of such refunds made for all taxable years prior to tax year
17 1998.

18 (b) There shall be allowed as a credit against the tax computed under
19 the provisions of the Kansas income tax act, and amendments thereto, on
20 the Kansas taxable income of an individual, corporation or fiduciary the
21 amount determined under the provisions of K.S.A. 79-32,153 to 79-
22 32,158, and amendments thereto.

23 Sec. 4. K.S.A. 2014 Supp. 79-32,117 is hereby amended to read as
24 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
25 means such individual's federal adjusted gross income for the taxable year,
26 with the modifications specified in this section.

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

28 (i) Interest income less any related expenses directly incurred in the
29 purchase of state or political subdivision obligations, to the extent that the
30 same is not included in federal adjusted gross income, on obligations of
31 any state or political subdivision thereof, but to the extent that interest
32 income on obligations of this state or a political subdivision thereof issued
33 prior to January 1, 1988, is specifically exempt from income tax under the
34 laws of this state authorizing the issuance of such obligations, it shall be
35 excluded from computation of Kansas adjusted gross income whether or
36 not included in federal adjusted gross income. Interest income on
37 obligations of this state or a political subdivision thereof issued after
38 December 31, 1987, shall be excluded from computation of Kansas
39 adjusted gross income whether or not included in federal adjusted gross
40 income.

41 (ii) Taxes on or measured by income or fees or payments in lieu of
42 income taxes imposed by this state or any other taxing jurisdiction to the
43 extent deductible in determining federal adjusted gross income and not

1 credited against federal income tax. This paragraph shall not apply to taxes
2 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
3 amendments thereto, for privilege tax year 1995, and all such years
4 thereafter.

5 (iii) The federal net operating loss deduction, *except that the federal*
6 *net operating loss deduction shall not be added to an individual's federal*
7 *adjusted gross income for any tax year beginning after December 31,*
8 *2014.*

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

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

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

32 (vii) The amount of any charitable contribution made to the extent the
33 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
34 32,196, and amendments thereto.

35 (viii) The amount of any costs incurred for improvements to a swine
36 facility, claimed for deduction in determining federal adjusted gross
37 income, to the extent the same is claimed as the basis for any credit
38 allowed pursuant to K.S.A. 2014 Supp. 79-32,204, and amendments
39 thereto.

40 (ix) The amount of any ad valorem taxes and assessments paid and
41 the amount of any costs incurred for habitat management or construction
42 and maintenance of improvements on real property, claimed for deduction
43 in 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. 79-32,203,
2 and amendments thereto.

3 (x) Amounts received as nonqualified withdrawals, as defined by
4 K.S.A. 2014 Supp. 75-643, and amendments thereto, if, at the time of
5 contribution to a family postsecondary education savings account, such
6 amounts were subtracted from the federal adjusted gross income pursuant
7 to ~~paragraph (xv) of subsection (e) of~~ K.S.A. 79-32,117(c)(xv), and
8 amendments thereto, or if such amounts are not already included in the
9 federal adjusted gross income.

10 (xi) The amount of any contribution made to the same extent the
11 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2014
12 Supp. 74-50,154, and amendments thereto.

13 (xii) For taxable years commencing after December 31, 2004,
14 amounts received as withdrawals not in accordance with the provisions of
15 K.S.A. 2014 Supp. 74-50,204, and amendments thereto, if, at the time of
16 contribution to an individual development account, such amounts were
17 subtracted from the federal adjusted gross income pursuant to ~~paragraph~~
18 ~~(xiii) of subsection (c)(xiii),~~ or if such amounts are not already included in
19 the federal adjusted gross income.

20 (xiii) The amount of any expenditures claimed for deduction in
21 determining federal adjusted gross income, to the extent the same is
22 claimed as the basis for any credit allowed pursuant to K.S.A. 2014 Supp.
23 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

24 (xiv) The amount of any amortization deduction claimed in
25 determining federal adjusted gross income to the extent the same is
26 claimed for deduction pursuant to K.S.A. 2014 Supp. 79-32,221, and
27 amendments thereto.

28 (xv) The amount of any expenditures claimed for deduction in
29 determining federal adjusted gross income, to the extent the same is
30 claimed as the basis for any credit allowed pursuant to K.S.A. 2014 Supp.
31 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
32 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
33 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

34 (xvi) The amount of any amortization deduction claimed in
35 determining federal adjusted gross income to the extent the same is
36 claimed for deduction pursuant to K.S.A. 2014 Supp. 79-32,227, 79-
37 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
38 thereto.

39 (xvii) The amount of any amortization deduction claimed in
40 determining federal adjusted gross income to the extent the same is
41 claimed for deduction pursuant to K.S.A. 2014 Supp. 79-32,256, and
42 amendments thereto.

43 (xviii) For taxable years commencing after December 31, 2006, the

1 amount of any ad valorem or property taxes and assessments paid to a state
2 other than Kansas or local government located in a state other than Kansas
3 by a taxpayer who resides in a state other than Kansas, when the law of
4 such state does not allow a resident of Kansas who earns income in such
5 other state to claim a deduction for ad valorem or property taxes or
6 assessments paid to a political subdivision of the state of Kansas in
7 determining taxable income for income tax purposes in such other state, to
8 the extent that such taxes and assessments are claimed as an itemized
9 deduction for federal income tax purposes.

10 (xix) For all taxable years beginning after December 31, 2012, *and*
11 *ending prior to January 1, 2015*, the amount of any: (1) Loss from
12 business as determined under the federal internal revenue code and
13 reported from schedule C and on line 12 of the taxpayer's form 1040
14 federal individual income tax return; (2) loss from rental real estate,
15 royalties, partnerships, S corporations, except those with wholly owned
16 subsidiaries subject to the Kansas privilege tax, estates, trusts, residual
17 interest in real estate mortgage investment conduits and net farm rental as
18 determined under the federal internal revenue code and reported from
19 schedule E and on line 17 of the taxpayer's form 1040 federal individual
20 income tax return; and (3) farm loss as determined under the federal
21 internal revenue code and reported from schedule F and on line 18 of the
22 taxpayer's form 1040 federal income tax return; all to the extent deducted
23 or subtracted in determining the taxpayer's federal adjusted gross income.
24 For purposes of this subsection, references to the federal form 1040 and
25 federal schedule C, schedule E, and schedule F, shall be to such form and
26 schedules as they existed for tax year 2011, and as revised thereafter by the
27 internal revenue service.

28 (xx) For all taxable years beginning after December 31, 2012, *and*
29 *ending prior to January 1, 2015*, the amount of any deduction for self-
30 employment taxes under section 164(f) of the federal internal revenue
31 code as in effect on January 1, 2012, and amendments thereto, in
32 determining the federal adjusted gross income of an individual taxpayer, to
33 the extent the deduction is attributable to income reported on schedule C,
34 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
35 tax return.

36 (xxi) For all taxable years beginning after December 31, 2012, *and*
37 *ending prior to January 1, 2015*, the amount of any deduction for pension,
38 profit sharing, and annuity plans of self-employed individuals under
39 section 62(a)(6) of the federal internal revenue code as in effect on January
40 1, 2012, and amendments thereto, in determining the federal adjusted gross
41 income of an individual taxpayer.

42 (xxii) For all taxable years beginning after December 31, 2012, *and*
43 *ending prior to January 1, 2015*, the amount of any deduction for health

1 insurance under section 162(l) of the federal internal revenue code as in
2 effect on January 1, 2012, and amendments thereto, in determining the
3 federal adjusted gross income of an individual taxpayer.

4 (xxiii) For all taxable years beginning after December 31, 2012, *and*
5 *ending prior to January 1, 2015*, the amount of any deduction for domestic
6 production activities under section 199 of the federal internal revenue code
7 as in effect on January 1, 2012, and amendments thereto, in determining
8 the federal adjusted gross income of an individual taxpayer.

9 (xxiv) For taxable years commencing after December 31, 2013, that
10 portion of the amount of any expenditure deduction claimed in
11 determining federal adjusted gross income for expenses paid for medical
12 care of the taxpayer or the taxpayer's spouse or dependents when such
13 expenses were paid or incurred for an abortion, or for a health benefit plan,
14 as defined in K.S.A. 2014 Supp. 65-6731, and amendments thereto, for the
15 purchase of an optional rider for coverage of abortion in accordance with
16 K.S.A. 2014 Supp. 40-2,190, and amendments thereto, to the extent that
17 such taxes and assessments are claimed as an itemized deduction for
18 federal income tax purposes.

19 (xxv) For taxable years commencing after December 31, 2013, that
20 portion of the amount of any expenditure deduction claimed in
21 determining federal adjusted gross income for expenses paid by a taxpayer
22 for health care when such expenses were paid or incurred for abortion
23 coverage, a health benefit plan, as defined in K.S.A. 2014 Supp. 65-6731,
24 and amendments thereto, when such expenses were paid or incurred for
25 abortion coverage or amounts contributed to health savings accounts for
26 such taxpayer's employees for the purchase of an optional rider for
27 coverage of abortion in accordance with K.S.A. 2014 Supp. 40-2,190, and
28 amendments thereto, to the extent that such taxes and assessments are
29 claimed as a deduction for federal income tax purposes.

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

31 (i) Interest or dividend income on obligations or securities of any
32 authority, commission or instrumentality of the United States and its
33 possessions less any related expenses directly incurred in the purchase of
34 such obligations or securities, to the extent included in federal adjusted
35 gross income but exempt from state income taxes under the laws of the
36 United States.

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

40 (iii) The portion of any gain or loss from the sale or other disposition
41 of property having a higher adjusted basis for Kansas income tax purposes
42 than for federal income tax purposes on the date such property was sold or
43 disposed of in a transaction in which gain or loss was recognized for

1 purposes of federal income tax that does not exceed such difference in
2 basis, but if a gain is considered a long-term capital gain for federal
3 income tax purposes, the modification shall be limited to that portion of
4 such gain which is included in federal adjusted gross income.

5 (iv) The amount necessary to prevent the taxation under this act of
6 any annuity or other amount of income or gain which was properly
7 included in income or gain and was taxed under the laws of this state for a
8 taxable year prior to the effective date of this act, as amended, to the
9 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
10 the right to receive the income or gain, or to a trust or estate from which
11 the taxpayer received the income or gain.

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

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

19 (vii) Amounts received as annuities under the federal civil service
20 retirement system from the civil service retirement and disability fund and
21 other amounts received as retirement benefits in whatever form which
22 were earned for being employed by the federal government or for service
23 in the armed forces of the United States.

24 (viii) Amounts received by retired railroad employees as a
25 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
26 228c (a)(1) et seq.

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

32 (x) For taxable years beginning after December 31, 1976, the amount
33 of the federal tentative jobs tax credit disallowance under the provisions of
34 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
35 amount of the targeted jobs tax credit and work incentive credit
36 disallowances under 26 U.S.C. § 280 C.

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

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

43 (xiii) For taxable years beginning after December 31, 2004, amounts

1 contributed to and the amount of income earned on contributions deposited
2 to an individual development account under K.S.A. 2014 Supp. 74-50,201
3 et seq., and amendments thereto.

4 (xiv) For all taxable years commencing after December 31, 1996, that
5 portion of any income of a bank organized under the laws of this state or
6 any other state, a national banking association organized under the laws of
7 the United States, an association organized under the savings and loan
8 code of this state or any other state, or a federal savings association
9 organized under the laws of the United States, for which an election as an
10 S corporation under subchapter S of the federal internal revenue code is in
11 effect, which accrues to the taxpayer who is a stockholder of such
12 corporation and which is not distributed to the stockholders as dividends of
13 the corporation. For all taxable years beginning after December 31, 2012,
14 *and ending prior to January 1, 2015*, the amount of modification under
15 this subsection shall exclude the portion of income or loss reported on
16 schedule E and included on line 17 of the taxpayer's form 1040 federal
17 individual income tax return.

18 (xv) For all taxable years beginning after December 31, 2006,
19 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
20 joint return, for each designated beneficiary which are contributed to a
21 family postsecondary education savings account established under the
22 Kansas postsecondary education savings program or a qualified tuition
23 program established and maintained by another state or agency or
24 instrumentality thereof pursuant to section 529 of the internal revenue
25 code of 1986, as amended, for the purpose of paying the qualified higher
26 education expenses of a designated beneficiary at an institution of
27 postsecondary education. The terms and phrases used in this paragraph
28 shall have the meaning respectively ascribed thereto by the provisions of
29 K.S.A. 2014 Supp. 75-643, and amendments thereto, and the provisions of
30 such section are hereby incorporated by reference for all purposes thereof.

31 (xvi) For all taxable years beginning after December 31, 2004,
32 amounts received by taxpayers who are or were members of the armed
33 forces of the United States, including service in the Kansas army and air
34 national guard, as a recruitment, sign up or retention bonus received by
35 such taxpayer as an incentive to join, enlist or remain in the armed services
36 of the United States, including service in the Kansas army and air national
37 guard, and amounts received for repayment of educational or student loans
38 incurred by or obligated to such taxpayer and received by such taxpayer as
39 a result of such taxpayer's service in the armed forces of the United States,
40 including service in the Kansas army and air national guard.

41 (xvii) For all taxable years beginning after December 31, 2004,
42 amounts received by taxpayers who are eligible members of the Kansas
43 army and air national guard as a reimbursement pursuant to K.S.A. 48-

1 281, and amendments thereto, and amounts received for death benefits
2 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
3 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
4 amendments thereto, to the extent that such death benefits are included in
5 federal adjusted gross income of the taxpayer.

6 (xviii) For the taxable year beginning after December 31, 2006,
7 amounts received as benefits under the federal social security act which
8 are included in federal adjusted gross income of a taxpayer with federal
9 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
10 status is single, head of household, married filing separate or married filing
11 jointly; and for all taxable years beginning after December 31, 2007,
12 amounts received as benefits under the federal social security act which
13 are included in federal adjusted gross income of a taxpayer with federal
14 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
15 status is single, head of household, married filing separate or married filing
16 jointly.

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

19 (xx) For all taxable years beginning after December 31, 2012, *and*
20 *ending prior to January 1, 2015*, the amount of any: (1) Net profit from
21 business as determined under the federal internal revenue code and
22 reported from schedule C and on line 12 of the taxpayer's form 1040
23 federal individual income tax return; (2) net income from rental real estate,
24 royalties, partnerships, S corporations, estates, trusts, residual interest in
25 real estate mortgage investment conduits and net farm rental as determined
26 under the federal internal revenue code and reported from schedule E and
27 on line 17 of the taxpayer's form 1040 federal individual income tax
28 return; and (3) net farm profit as determined under the federal internal
29 revenue code and reported from schedule F and on line 18 of the taxpayer's
30 form 1040 federal income tax return; all to the extent included in the
31 taxpayer's federal adjusted gross income. For purposes of this subsection,
32 references to the federal form 1040 and federal schedule C, schedule E,
33 and schedule F, shall be to such form and schedules as they existed for tax
34 year 2011 and as revised thereafter by the internal revenue service.

35 (xxi) For all taxable years beginning after December 31, 2013,
36 amounts equal to the unreimbursed travel, lodging and medical
37 expenditures directly incurred by a taxpayer while living, or a dependent
38 of the taxpayer while living, for the donation of one or more human organs
39 of the taxpayer, or a dependent of the taxpayer, to another person for
40 human organ transplantation. The expenses may be claimed as a
41 subtraction modification provided for in this section to the extent the
42 expenses are not already subtracted from the taxpayer's federal adjusted
43 gross income. In no circumstances shall the subtraction modification

1 provided for in this section for any individual, or a dependent, exceed
2 \$5,000. As used in this section, "human organ" means all or part of a liver,
3 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
4 paragraph shall take effect on the day the secretary of revenue certifies to
5 the director of the budget that the cost for the department of revenue of
6 modifications to the automated tax system for the purpose of
7 implementing this paragraph will not exceed \$20,000.

8 (xxii) For all taxable years beginning after December 31, 2012, *and*
9 *ending prior to January 1, 2015*, the amount of net gain from the sale of:

10 (1) Cattle and horses, regardless of age, held by the taxpayer for draft,
11 breeding, dairy or sporting purposes, and held by such taxpayer for 24
12 months or more from the date of acquisition; and (2) other livestock,
13 regardless of age, held by the taxpayer for draft, breeding, dairy or
14 sporting purposes, and held by such taxpayer for 12 months or more from
15 the date of acquisition. The subtraction from federal adjusted gross income
16 shall be limited to the amount of the additions recognized under the
17 provisions of ~~paragraph (xix)~~ of subsection (b)(*xix*) attributable to the
18 business in which the livestock sold had been used. As used in this
19 paragraph, the term "livestock" shall not include poultry.

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

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

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

34 Sec. 5. K.S.A. 2014 Supp. 79-32,110, 79-32,111 and 79-32,117 are
35 hereby repealed.

36 Sec. 6. This act shall take effect and be in force from and after its
37 publication in the statute book.