

**HOUSE BILL No. 2023**

By Committee on Taxation

1-10

1 AN ACT concerning income taxation; relating to the determination of  
2 Kansas adjusted gross income, modifications; amending K.S.A. 2016  
3 Supp. 79-32,117 and repealing the existing section.  
4

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

6 Section 1. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as  
7 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
8 means such individual's federal adjusted gross income for the taxable year,  
9 with the modifications specified in this section.

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

11 (i) Interest income less any related expenses directly incurred in the  
12 purchase of state or political subdivision obligations, to the extent that the  
13 same is not included in federal adjusted gross income, on obligations of  
14 any state or political subdivision thereof, but to the extent that interest  
15 income on obligations of this state or a political subdivision thereof issued  
16 prior to January 1, 1988, is specifically exempt from income tax under the  
17 laws of this state authorizing the issuance of such obligations, it shall be  
18 excluded from computation of Kansas adjusted gross income whether or  
19 not included in federal adjusted gross income. Interest income on  
20 obligations of this state or a political subdivision thereof issued after  
21 December 31, 1987, shall be excluded from computation of Kansas  
22 adjusted gross income whether or not included in federal adjusted gross  
23 income.

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

31 (iii) The federal net operating loss deduction, *except that the federal*  
32 *net operating loss deduction shall not be added to an individual's federal*  
33 *adjusted gross income for tax years beginning after December 31, 2016.*

34 (iv) Federal income tax refunds received by the taxpayer if the  
35 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
36 income tax purposes during a prior taxable year. Such refunds shall be

1 included in income in the year actually received regardless of the method  
2 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall  
3 be deemed to have resulted if the amount of the tax had been deducted in  
4 determining income subject to a Kansas income tax for a prior year  
5 regardless of the rate of taxation applied in such prior year to the Kansas  
6 taxable income, but only that portion of the refund shall be included as  
7 bears the same proportion to the total refund received as the federal taxes  
8 deducted in the year to which such refund is attributable bears to the total  
9 federal income taxes paid for such year. For purposes of the foregoing  
10 sentence, federal taxes shall be considered to have been deducted only to  
11 the extent such deduction does not reduce Kansas taxable income below  
12 zero.

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

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

21 (vii) The amount of any charitable contribution made to the extent the  
22 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
23 32,196, and amendments thereto.

24 (viii) The amount of any costs incurred for improvements to a swine  
25 facility, claimed for deduction in determining federal adjusted gross  
26 income, to the extent the same is claimed as the basis for any credit  
27 allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments  
28 thereto.

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

35 (x) Amounts received as nonqualified withdrawals, as defined by  
36 K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of  
37 contribution to a family postsecondary education savings account, such  
38 amounts were subtracted from the federal adjusted gross income pursuant  
39 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts  
40 are not already included in the federal adjusted gross income.

41 (xi) The amount of any contribution made to the same extent the  
42 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2016  
43 Supp. 74-50,154, and amendments thereto.

1 (xii) For taxable years commencing after December 31, 2004,  
2 amounts received as withdrawals not in accordance with the provisions of  
3 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of  
4 contribution to an individual development account, such amounts were  
5 subtracted from the federal adjusted gross income pursuant to subsection  
6 (c)(xiii), or if such amounts are not already included in the federal adjusted  
7 gross income.

8 (xiii) The amount of any expenditures claimed for deduction in  
9 determining federal adjusted gross income, to the extent the same is  
10 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.  
11 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

12 (xiv) The amount of any amortization deduction claimed in  
13 determining federal adjusted gross income to the extent the same is  
14 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and  
15 amendments thereto.

16 (xv) The amount of any expenditures claimed for deduction in  
17 determining federal adjusted gross income, to the extent the same is  
18 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.  
19 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
20 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
21 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

22 (xvi) The amount of any amortization deduction claimed in  
23 determining federal adjusted gross income to the extent the same is  
24 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-  
25 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
26 thereto.

27 (xvii) The amount of any amortization deduction claimed in  
28 determining federal adjusted gross income to the extent the same is  
29 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and  
30 amendments thereto.

31 (xviii) For taxable years commencing after December 31, 2006, the  
32 amount of any ad valorem or property taxes and assessments paid to a state  
33 other than Kansas or local government located in a state other than Kansas  
34 by a taxpayer who resides in a state other than Kansas, when the law of  
35 such state does not allow a resident of Kansas who earns income in such  
36 other state to claim a deduction for ad valorem or property taxes or  
37 assessments paid to a political subdivision of the state of Kansas in  
38 determining taxable income for income tax purposes in such other state, to  
39 the extent that such taxes and assessments are claimed as an itemized  
40 deduction for federal income tax purposes.

41 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
42 *ending before January 1, 2017*, the amount of any: (1) Loss from business  
43 as determined under the federal internal revenue code and reported from

1 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
2 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
3 corporations, except those with wholly owned subsidiaries subject to the  
4 Kansas privilege tax, estates, trusts, residual interest in real estate  
5 mortgage investment conduits and net farm rental as determined under the  
6 federal internal revenue code and reported from schedule E and on line 17  
7 of the taxpayer's form 1040 federal individual income tax return; and (3)  
8 farm loss as determined under the federal internal revenue code and  
9 reported from schedule F and on line 18 of the taxpayer's form 1040  
10 federal income tax return; all to the extent deducted or subtracted in  
11 determining the taxpayer's federal adjusted gross income. For purposes of  
12 this subsection, references to the federal form 1040 and federal schedule  
13 C, schedule E, and schedule F, shall be to such form and schedules as they  
14 existed for tax year 2011, and as revised thereafter by the internal revenue  
15 service.

16 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
17 *ending before January 1, 2017*, the amount of any deduction for self-  
18 employment taxes under section 164(f) of the federal internal revenue  
19 code as in effect on January 1, 2012, and amendments thereto, in  
20 determining the federal adjusted gross income of an individual taxpayer, to  
21 the extent the deduction is attributable to income reported on schedule C,  
22 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income  
23 tax return.

24 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
25 *ending before January 1, 2017*, the amount of any deduction for pension,  
26 profit sharing, and annuity plans of self-employed individuals under  
27 section 62(a)(6) of the federal internal revenue code as in effect on January  
28 1, 2012, and amendments thereto, in determining the federal adjusted gross  
29 income of an individual taxpayer.

30 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
31 *ending before January 1, 2017*, the amount of any deduction for health  
32 insurance under section 162(l) of the federal internal revenue code as in  
33 effect on January 1, 2012, and amendments thereto, in determining the  
34 federal adjusted gross income of an individual taxpayer.

35 (xxiii) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
36 *ending before January 1, 2017*, the amount of any deduction for domestic  
37 production activities under section 199 of the federal internal revenue code  
38 as in effect on January 1, 2012, and amendments thereto, in determining  
39 the federal adjusted gross income of an individual taxpayer.

40 (xxiv) For taxable years commencing after December 31, 2013, that  
41 portion of the amount of any expenditure deduction claimed in  
42 determining federal adjusted gross income for expenses paid for medical  
43 care of the taxpayer or the taxpayer's spouse or dependents when such

1 expenses were paid or incurred for an abortion, or for a health benefit plan,  
2 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the  
3 purchase of an optional rider for coverage of abortion in accordance with  
4 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that  
5 such taxes and assessments are claimed as an itemized deduction for  
6 federal income tax purposes.

7 (xxv) For taxable years commencing after December 31, 2013, that  
8 portion of the amount of any expenditure deduction claimed in  
9 determining federal adjusted gross income for expenses paid by a taxpayer  
10 for health care when such expenses were paid or incurred for abortion  
11 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,  
12 and amendments thereto, when such expenses were paid or incurred for  
13 abortion coverage or amounts contributed to health savings accounts for  
14 such taxpayer's employees for the purchase of an optional rider for  
15 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and  
16 amendments thereto, to the extent that such taxes and assessments are  
17 claimed as a deduction for federal income tax purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (xiii) For taxable years beginning after December 31, 2004, amounts  
32 contributed to and the amount of income earned on contributions deposited  
33 to an individual development account under K.S.A. 2016 Supp. 74-50,201  
34 et seq., and amendments thereto.

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

1 the corporation. For all taxable years beginning after December 31, 2012,  
2 *and ending before January 1, 2017*, the amount of modification under this  
3 subsection shall exclude the portion of income or loss reported on schedule  
4 E and included on line 17 of the taxpayer's form 1040 federal individual  
5 income tax return.

6 (xv) For all taxable years beginning after December 31, 2006,  
7 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
8 joint return, for each designated beneficiary which are contributed to a  
9 family postsecondary education savings account established under the  
10 Kansas postsecondary education savings program or a qualified tuition  
11 program established and maintained by another state or agency or  
12 instrumentality thereof pursuant to section 529 of the internal revenue  
13 code of 1986, as amended, for the purpose of paying the qualified higher  
14 education expenses of a designated beneficiary at an institution of  
15 postsecondary education. The terms and phrases used in this paragraph  
16 shall have the meaning respectively ascribed thereto by the provisions of  
17 K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of  
18 such section are hereby incorporated by reference for all purposes thereof.

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

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

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

1 are included in federal adjusted gross income of a taxpayer with federal  
2 adjusted gross income of \$75,000 or less, whether such taxpayer's filing  
3 status is single, head of household, married filing separate or married filing  
4 jointly.

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

7 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*  
8 *ending before January 1, 2017*, the amount of any: (1) Net profit from  
9 business as determined under the federal internal revenue code and  
10 reported from schedule C and on line 12 of the taxpayer's form 1040  
11 federal individual income tax return; (2) net income, not including  
12 guaranteed payments as defined in section 707(c) of the federal internal  
13 revenue code and as reported to the taxpayer from federal schedule K-1,  
14 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal  
15 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,  
16 partnerships, S corporations, estates, trusts, residual interest in real estate  
17 mortgage investment conduits and net farm rental as determined under the  
18 federal internal revenue code and reported from schedule E and on line 17  
19 of the taxpayer's form 1040 federal individual income tax return; and (3)  
20 net farm profit as determined under the federal internal revenue code and  
21 reported from schedule F and on line 18 of the taxpayer's form 1040  
22 federal income tax return; all to the extent included in the taxpayer's  
23 federal adjusted gross income. For purposes of this subsection, references  
24 to the federal form 1040 and federal schedule C, schedule E, and schedule  
25 F, shall be to such form and schedules as they existed for tax year 2011  
26 and as revised thereafter by the internal revenue service.

27 (xxi) For all taxable years beginning after December 31, 2013,  
28 amounts equal to the unreimbursed travel, lodging and medical  
29 expenditures directly incurred by a taxpayer while living, or a dependent  
30 of the taxpayer while living, for the donation of one or more human organs  
31 of the taxpayer, or a dependent of the taxpayer, to another person for  
32 human organ transplantation. The expenses may be claimed as a  
33 subtraction modification provided for in this section to the extent the  
34 expenses are not already subtracted from the taxpayer's federal adjusted  
35 gross income. In no circumstances shall the subtraction modification  
36 provided for in this section for any individual, or a dependent, exceed  
37 \$5,000. As used in this section, "human organ" means all or part of a liver,  
38 pancreas, kidney, intestine, lung or bone marrow. The provisions of this  
39 paragraph shall take effect on the day the secretary of revenue certifies to  
40 the director of the budget that the cost for the department of revenue of  
41 modifications to the automated tax system for the purpose of  
42 implementing this paragraph will not exceed \$20,000.

43 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*



1 *ending before January 1, 2017*, the amount of net gain from the sale of: (1)  
2 Cattle and horses, regardless of age, held by the taxpayer for draft,  
3 breeding, dairy or sporting purposes, and held by such taxpayer for 24  
4 months or more from the date of acquisition; and (2) other livestock,  
5 regardless of age, held by the taxpayer for draft, breeding, dairy or  
6 sporting purposes, and held by such taxpayer for 12 months or more from  
7 the date of acquisition. The subtraction from federal adjusted gross income  
8 shall be limited to the amount of the additions recognized under the  
9 provisions of subsection (b)(xix) attributable to the business in which the  
10 livestock sold had been used. As used in this paragraph, the term  
11 "livestock" shall not include poultry.

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

17 (xxiv) For all taxable years beginning after December 31, 2013, the  
18 net gain from the sale from Christmas trees grown in Kansas and held by  
19 the taxpayer for six years or more.

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

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

29 (f) *Any taxpayer who is in compliance with the provisions of this*  
30 *section, as they appear on June 30, 2017, shall not be assessed penalties*  
31 *and interest arising from the underpayment of taxes due to changes to this*  
32 *section which became law on July 1, 2017, so long as such underpayment*  
33 *occurred prior to July 1, 2017, and is rectified on or before April 15, 2018.*

34 Sec. 2. K.S.A. 2016 Supp. 79-32,117 is hereby repealed.

35 Sec. 3. This act shall take effect and be in force from and after its  
36 publication in the statute book.