

HOUSE BILL No. 2374

By Committee on Taxation

2-23

1 AN ACT concerning education; relating to the tax credit for low income
2 students scholarship program act; relating to certain eligible students;
3 amending K.S.A. 2016 Supp. 72-99a02, 72-99a03, 72-99a04, 72-99a07
4 and 79-32,117 and repealing the existing sections.

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

7 Section 1. K.S.A. 2016 Supp. 72-99a02 is hereby amended to read as
8 follows: 72-99a02. As used in the tax credit for low income students
9 scholarship program act:

10 (a) *"At-risk state aid amount" means an amount that is equal to the*
11 *sum of the following received by the eligible student's resident school*
12 *district in the school year immediately preceding the school year in which*
13 *the student receives an educational scholarship:*

14 (A) *The base state aid per pupil;*

15 (B) *the amount of general state aid per pupil directly attributable to*
16 *the at-risk pupil weighting of the resident school district; and*

17 (C) *the amount of general state aid per pupil directly attributable to*
18 *the high-density at-risk pupil weighting of the resident school district.*

19 (b) *"Contributions" means monetary gifts or donations and in-kind*
20 *contributions, gifts or donations that have an established market value.*

21 (b) (c) *"Department" means the Kansas department of revenue.*

22 (c) (d) *"Educational scholarship" means an amount not to exceed*
23 ~~\$8,000~~ *the amount set forth in K.S.A. 2016 Supp. 72-99a03, and*
24 *amendments thereto, per school year that is provided to an eligible student,*
25 *or to a qualified school with respect to an eligible student, to cover all or a*
26 *portion of the costs of education including tuition, fees and expenses of a*
27 *qualified school and, if applicable, the costs of transportation to a qualified*
28 *school if provided by such qualified school.*

29 (d) (e) *"Eligible student" means a child who:*

30 (1) (A) ~~Qualifies as an at-risk pupil as defined in K.S.A. 72-6407,~~
31 ~~prior to its repeal, and who is attending a public school; or (B) has been~~
32 ~~eligible to receive an educational scholarship under this program and has~~
33 ~~not graduated from high school or reached 21 years of age (i) Who was~~
34 ~~enrolled in a school district in the immediately preceding school year in~~
35 ~~which an educational scholarship is first sought for the child; and (ii)~~
36 ~~whose family household income does not exceed 130% of the federal~~

1 *poverty level established under the most recent poverty income guidelines*
 2 *published in the calendar year by the United States department of health*
 3 *and human services;*

4 *(B) (i) who was enrolled in a school district or is eligible to be*
 5 *enrolled in a public school district in the immediately succeeding school*
 6 *year; and (ii) whose family household income does not exceed 185% of the*
 7 *federal poverty level established under the most recent poverty income*
 8 *guidelines published in the calendar year by the United States department*
 9 *of health and human services; or*

10 *(C) who has been eligible to receive an educational scholarship*
 11 *under this section and has not graduated from high school or reached 21*
 12 *years of age; and*

13 (2) resides in Kansas while eligible for an educational scholarship;
 14 and

15 ~~(3) (A) was enrolled in any public school in the previous school year~~
 16 ~~in which an educational scholarship is first sought for the child; or (B) is~~
 17 ~~eligible to be enrolled in any public school in the school year in which an~~
 18 ~~educational scholarship is first sought for the child and the child is under~~
 19 ~~the age of six years.~~

20 ~~(e) (f)~~ "Parent" includes a guardian, custodian or other person with
 21 authority to act on behalf of the child.

22 ~~(f)~~ (g) "Program" means the tax credit for low income students
 23 scholarship program established in K.S.A. 2016 Supp. 72-99a01 through
 24 72-99a07, and amendments thereto.

25 ~~(g)~~ "Public school" means a school that would qualify as either a title
 26 I focus school or a title I priority school as described by the state board
 27 under the elementary and secondary education act flexibility waiver as
 28 amended in January 2013 and is operated by a school district.

29 (h) "Qualified school" means any nonpublic school that provides
 30 education to elementary or secondary students, has notified the state board
 31 of its intention to participate in the program and complies with the
 32 requirements of the program.

33 (i) "Resident school district" means the school district in which the
 34 eligible student resides.

35 ~~(j)~~ (j) "Scholarship granting organization" means an organization that
 36 complies with the requirements of this program and provides educational
 37 scholarships to eligible students or to qualified schools in which parents
 38 have enrolled eligible students.

39 ~~(k)~~ (k) "School district" or "district" means any unified school district
 40 organized and operating under the laws of this state.

41 ~~(l)~~ (l) "School year" shall have the meaning ascribed thereto in
 42 K.S.A. 2016 Supp. 72-6464, and amendments thereto.

43 ~~(m)~~ (m) "Secretary" means the secretary of revenue.

1 ~~(m)~~ (n) "State board" means the state board of education.

2 Sec. 2. K.S.A. 2016 Supp. 72-99a03 is hereby amended to read as
3 follows: 72-99a03. (a) There is hereby established the tax credit for low
4 income students scholarship program. The program shall provide eligible
5 students with an opportunity to attend schools of their parents' choice.

6 (b) Each scholarship granting organization shall issue a receipt, in a
7 form prescribed by the secretary, to each contributing taxpayer indicating
8 the value of the contribution received. Each taxpayer shall provide a copy
9 of such receipt when claiming the tax credit established in K.S.A. 2016
10 Supp. 72-99a07, and amendments thereto.

11 (c) Prior to awarding an educational scholarship with respect to an
12 eligible student, unless such student is under the age of six years, the
13 scholarship granting organization shall receive written verification from
14 the state board that such student is an eligible student under this program,
15 provided the state board and the board of education of the school district in
16 which the eligible student was enrolled the previous school year have
17 received written consent from such eligible student's parent authorizing the
18 release of such information.

19 (d) Upon receipt of information in accordance with K.S.A. 2016
20 Supp. 72-99a04(a)(2), and amendments thereto, the state board shall
21 inform the scholarship granting organization whether an educational
22 scholarship has been awarded by another scholarship granting organization
23 with respect to the eligible student.

24 (e) In each school year, no more ~~than \$8,000 in educational~~
25 ~~scholarships~~ *an amount equal to 90% of the at-risk state aid amount* may
26 be awarded *in an educational scholarship* under this program with respect
27 to an eligible student.

28 Sec. 3. K.S.A. 2016 Supp. 72-99a04 is hereby amended to read as
29 follows: 72-99a04. (a) To be eligible to participate in the program, a
30 scholarship granting organization shall comply with the following:

31 (1) The scholarship granting organization shall notify the secretary
32 and the state board of the scholarship granting organization's intent to
33 provide educational scholarships;

34 (2) upon granting an educational scholarship, the scholarship granting
35 organization shall report such information to the state board;

36 (3) the scholarship granting organization shall provide verification to
37 the secretary that the scholarship granting organization is exempt from
38 federal income taxation pursuant to section 501(c)(3) of the federal
39 internal revenue code of 1986;

40 (4) upon receipt of contributions in an aggregate amount or value in
41 excess of \$50,000 during a school year, a scholarship granting
42 organization shall file with the state board either:

43 (A) A surety bond payable to the state in an amount equal to the

1 aggregate amount of contributions expected to be received during the
2 school year; or

3 (B) financial information demonstrating the scholarship granting
4 organization's ability to pay an aggregate amount equal to the amount of
5 the contributions expected to be received during the school year, which
6 must be reviewed and approved of in writing by the state board;

7 (5) scholarship granting organizations that provide other nonprofit
8 services in addition to providing educational scholarships shall not
9 commingle contributions made under the program with other contributions
10 made to such organization. A scholarship granting organization under this
11 subsection shall also file with the state board, prior to the commencement
12 of each school year, either:

13 (A) A surety bond payable to the state in an amount equal to the
14 aggregate amount of contributions expected to be received during the
15 school year; or

16 (B) financial information demonstrating the nonprofit organization's
17 ability to pay an aggregate amount equal to the amount of the
18 contributions expected to be received during the school year, which must
19 be reviewed and approved of in writing by the state board;

20 (6) each qualified school receiving educational scholarships from the
21 scholarship granting organization shall annually certify to the scholarship
22 granting organization its compliance with the requirements of the program;

23 (7) at the end of the calendar year, the scholarship granting
24 organization shall have its accounts examined and audited by a certified
25 public accountant. Such audit shall include, but not be limited to,
26 information verifying that the educational scholarships awarded by the
27 scholarship granting organization were distributed to qualified schools
28 with respect to eligible students determined by the state board under
29 K.S.A. 2016 Supp. 72-99a03(c), and amendments thereto, and information
30 specified in this section. Prior to filing a copy of the audit with the state
31 board, such audit shall be duly verified and certified by a certified public
32 accountant; and

33 (8) if a scholarship granting organization decides to limit the number
34 or type of qualified schools who will receive educational scholarships, the
35 scholarship granting organization shall provide, in writing, the name or
36 names of those qualified schools to any contributor and the state board.

37 (b) (1) *A scholarship granting organization shall award at least 82%*
38 *of all educational scholarships in a school year to eligible students*
39 *described in K.S.A. 2016 Supp. 72-99a02(e)(1)(A).*

40 (2) *A scholarship granting organization shall not award scholarships*
41 *in any one school year to more than 1% of the students enrolled in a*
42 *school district in the immediately preceding school year.*

43 (b) (c) No scholarship granting organization shall provide an

1 educational scholarship with respect to any eligible student to attend any
2 qualified school with paid staff or paid board members, or relatives
3 thereof, in common with the scholarship granting organization.

4 (e) (d) The scholarship granting organization shall disburse not less
5 than 90% of contributions received pursuant to the program in the form of
6 educational scholarships within 36 months of receipt of such contributions.
7 If such contributions have not been disbursed within the applicable 36-
8 month time period, then the scholarship granting organization shall not
9 accept new contributions until 90% of the received contributions have
10 been disbursed in the form of educational scholarships. Any income earned
11 from contributions must be disbursed in the form of educational
12 scholarships.

13 (f) (e) A scholarship granting organization may continue to provide
14 an educational scholarship with respect to a student who was an eligible
15 student in the year immediately preceding the current school year.

16 (e) (f) A scholarship granting organization shall direct payments of
17 educational scholarships to the qualified school attended by the eligible
18 student or in which the eligible student is enrolled. Payment may be made
19 by check made payable to both the parent and the qualified school or to
20 only the qualified school. If an eligible student transfers to a new qualified
21 school during a school year, the scholarship granting organization shall
22 direct payment in a prorated amount to the original qualified school and
23 the new qualified school based on the eligible student's attendance. If the
24 eligible student transfers to a public school and enrolls in such public
25 school after September 20 of the current school year, the scholarship
26 granting organization shall direct payment in a prorated amount to the
27 original qualified school and the public school based on the eligible
28 student's attendance. The prorated amount to the public school shall be
29 considered a donation and shall be paid to the school district of such public
30 school in accordance with K.S.A. 72-8210, and amendments thereto.

31 (g) *On or before May 1 of each year, a scholarship granting*
32 *organization shall notify each school district of the number of*
33 *scholarships the organization will award to students residing in such*
34 *school district for the immediately succeeding school year. If a scholarship*
35 *granting organization will not award any scholarships to students residing*
36 *in a particular school district, then no notification of such district is*
37 *required under this subsection.*

38 (f) (h) By June 1 of each year, a scholarship granting organization
39 shall submit a report to the state board for the educational scholarships
40 provided in the immediately preceding 12 months. Such report shall be in
41 a form and manner as prescribed by the state board, approved and signed
42 by a certified public accountant, and shall contain the following
43 information:

- 1 (1) The name and address of the scholarship granting organization;
- 2 (2) the name and address of each eligible student with respect to
3 whom an educational scholarship was awarded by the scholarship granting
4 organization;
- 5 (3) the total number and total dollar amount of contributions received
6 during the 12-month reporting period; and
- 7 (4) the total number and total dollar amount of educational
8 scholarships awarded during the 12-month reporting period and the total
9 number and total dollar amount of educational scholarships awarded
10 during the 12-month reporting period with respect to eligible students who
11 qualified under K.S.A. 2016 Supp. ~~72-99a02(d)~~ 72-99a02(e), and
12 amendments thereto.

13 ~~(g)~~ (i) No scholarship granting organization shall:

- 14 (1) Provide an educational scholarship with respect to an eligible
15 student that is established by funding from any contributions made by any
16 relative of such eligible student; or
- 17 (2) accept a contribution from any source with the express or implied
18 condition that such contribution be directed toward an educational
19 scholarship for a particular eligible student.

20 Sec. 4. K.S.A. 2016 Supp. 72-99a07 is hereby amended to read as
21 follows: 72-99a07. (a) (1) There shall be allowed a credit against the
22 corporate income tax liability imposed upon a taxpayer pursuant to the
23 Kansas income tax act, the privilege tax liability imposed upon a taxpayer
24 pursuant to the privilege tax imposed upon any national banking
25 association, state bank, trust company or savings and loan association
26 pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and
27 amendments thereto, and the premium tax liability imposed upon a
28 taxpayer pursuant to the premiums tax and privilege fees imposed upon an
29 insurance company pursuant to K.S.A. 40-252, and amendments thereto,
30 for tax years commencing after December 31, 2014, an amount equal to
31 70% of the amount contributed to a scholarship granting organization
32 authorized pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and
33 amendments thereto.

34 ~~(b)~~ (2) The credit shall be claimed and deducted from the taxpayer's
35 tax liability during the tax year in which the contribution was made to any
36 such scholarship granting organization.

37 *(b) (1) There shall be allowed a credit against the income tax liability
38 imposed upon a taxpayer pursuant to the Kansas income tax act, the
39 privilege tax liability imposed upon a taxpayer pursuant to the privilege
40 tax imposed upon any national banking association, state bank, trust
41 company or savings and loan association pursuant to article 11 of chapter
42 79 of the Kansas Statutes Annotated, and amendments thereto, and the
43 premium tax liability imposed upon a taxpayer pursuant to the premiums*

1 *tax and privilege fees imposed upon an insurance company pursuant to*
2 *K.S.A. 40-252, and amendments thereto, for tax years commencing after*
3 *December 31, 2017, an amount equal to 90% of the amount contributed*
4 *pursuant to this section to a scholarship granting organization authorized*
5 *pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and amendments thereto.*

6 (2) (A) *For contributions made on and after January 1 through April*
7 *15 in any tax year, the credit shall be claimed and deducted from the*
8 *taxpayer's tax liability during the tax year in which the contribution was*
9 *made to any such scholarship granting organization.*

10 (B) *For contributions made after April 15 in any tax year, the credit*
11 *shall be claimed and deducted from the taxpayer's tax liability during the*
12 *tax year immediately following the tax year in which the contribution was*
13 *made to any such scholarship granting organization.*

14 (c) For each tax year, in no event shall the total amount of credits
15 allowed under this section exceed \$10,000,000 for any one tax year.
16 Except as otherwise provided, the allocation of such tax credits for each
17 scholarship granting organization shall be determined by the scholarship
18 granting organization in consultation with the secretary, and such
19 determination shall be completed prior to the issuance of any tax credits
20 pursuant to this section.

21 (d) If the amount of any such tax credit claimed by a taxpayer
22 exceeds the taxpayer's income, privilege or premium tax liability, such
23 excess amount may be carried over for deduction from the taxpayer's
24 income, privilege or premium tax liability in the next succeeding year or
25 years until the total amount of the credit has been deducted from tax
26 liability.

27 (e) The secretary shall adopt rules and regulations regarding filing of
28 documents that support the amount of credit claimed pursuant to this
29 section.

30 Sec. 5. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as
31 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
32 means such individual's federal adjusted gross income for the taxable year,
33 with the modifications specified in this section.

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

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

1 obligations of this state or a political subdivision thereof issued after
2 December 31, 1987, shall be excluded from computation of Kansas
3 adjusted gross income whether or not included in federal adjusted gross
4 income.

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

12 (iii) The federal net operating loss deduction.

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

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

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

36 (vii) The amount of any charitable contribution made to the extent the
37 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
38 32,196, and amendments thereto.

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

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

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

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

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

23 (xiii) The amount of any expenditures claimed for deduction in
24 determining federal adjusted gross income, to the extent the same is
25 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
26 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

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

31 (xv) The amount of any expenditures claimed for deduction in
32 determining federal adjusted gross income, to the extent the same is
33 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
34 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
35 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
36 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

37 (xvi) The amount of any amortization deduction claimed in
38 determining federal adjusted gross income to the extent the same is
39 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
40 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
41 thereto.

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

1 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and
2 amendments thereto.

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

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

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

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

42 (xxii) For all taxable years beginning after December 31, 2012, the
43 amount of any deduction for health insurance under section 162(l) of the

1 federal internal revenue code as in effect on January 1, 2012, and
2 amendments thereto, in determining the federal adjusted gross income of
3 an individual taxpayer.

4 (xxiii) For all taxable years beginning after December 31, 2012, the
5 amount of any deduction for domestic production activities under section
6 199 of the federal internal revenue code as in effect on January 1, 2012,
7 and amendments thereto, in determining the federal adjusted gross income
8 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. 2016 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. 2016 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. 2016 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. 2016 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 (xxvi) *For all taxable years beginning after December 31, 2017, the*
31 *amount of any charitable contribution made to the extent the same is*
32 *claimed as the basis for the credit allowed pursuant to K.S.A. 2016 Supp.*
33 *72-99a07, and amendments thereto, and is also claimed as an itemized*
34 *deduction for federal income tax purposes.*

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

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

42 (ii) Any amounts received which are included in federal adjusted
43 gross income but which are specifically exempt from Kansas income

1 taxation under the laws of the state of Kansas.

2 (iii) The portion of any gain or loss from the sale or other disposition
3 of property having a higher adjusted basis for Kansas income tax purposes
4 than for federal income tax purposes on the date such property was sold or
5 disposed of in a transaction in which gain or loss was recognized for
6 purposes of federal income tax that does not exceed such difference in
7 basis, but if a gain is considered a long-term capital gain for federal
8 income tax purposes, the modification shall be limited to that portion of
9 such gain which is included in federal adjusted gross income.

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

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

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

24 (vii) Amounts received as annuities under the federal civil service
25 retirement system from the civil service retirement and disability fund and
26 other amounts received as retirement benefits in whatever form which
27 were earned for being employed by the federal government or for service
28 in the armed forces of the United States.

29 (viii) Amounts received by retired railroad employees as a
30 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
31 228c (a)(1) et seq.

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

37 (x) For taxable years beginning after December 31, 1976, the amount
38 of the federal tentative jobs tax credit disallowance under the provisions of
39 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
40 amount of the targeted jobs tax credit and work incentive credit
41 disallowances under 26 U.S.C. § 280 C.

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

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

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

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

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

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

1 including service in the Kansas army and air national guard.

2 (xvii) For all taxable years beginning after December 31, 2004,
3 amounts received by taxpayers who are eligible members of the Kansas
4 army and air national guard as a reimbursement pursuant to K.S.A. 48-
5 281, and amendments thereto, and amounts received for death benefits
6 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
7 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
8 amendments thereto, to the extent that such death benefits are included in
9 federal adjusted gross income of the taxpayer.

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

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

23 (xx) For all taxable years beginning after December 31, 2012, the
24 amount of any: (1) Net profit from business as determined under the
25 federal internal revenue code and reported from schedule C and on line 12
26 of the taxpayer's form 1040 federal individual income tax return; (2) net
27 income, not including guaranteed payments as defined in section 707(c)
28 of the federal internal revenue code and as reported to the taxpayer from
29 federal schedule K-1, (form 1065-B), in box 9, code F or as reported to the
30 taxpayer from federal schedule K-1, (form 1065) in box 4, from rental real
31 estate, royalties, partnerships, S corporations, estates, trusts, residual
32 interest in real estate mortgage investment conduits and net farm rental as
33 determined under the federal internal revenue code and reported from
34 schedule E and on line 17 of the taxpayer's form 1040 federal individual
35 income tax return; and (3) net farm profit as determined under the federal
36 internal revenue code and reported from schedule F and on line 18 of the
37 taxpayer's form 1040 federal income tax return; all to the extent included
38 in the taxpayer's federal adjusted gross income. For purposes of this
39 subsection, references to the federal form 1040 and federal schedule C,
40 schedule E, and schedule F, shall be to such form and schedules as they
41 existed for tax year 2011 and as revised thereafter by the internal revenue
42 service.

43 (xxi) For all taxable years beginning after December 31, 2013,

1 amounts equal to the unreimbursed travel, lodging and medical
2 expenditures directly incurred by a taxpayer while living, or a dependent
3 of the taxpayer while living, for the donation of one or more human organs
4 of the taxpayer, or a dependent of the taxpayer, to another person for
5 human organ transplantation. The expenses may be claimed as a
6 subtraction modification provided for in this section to the extent the
7 expenses are not already subtracted from the taxpayer's federal adjusted
8 gross income. In no circumstances shall the subtraction modification
9 provided for in this section for any individual, or a dependent, exceed
10 \$5,000. As used in this section, "human organ" means all or part of a liver,
11 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
12 paragraph shall take effect on the day the secretary of revenue certifies to
13 the director of the budget that the cost for the department of revenue of
14 modifications to the automated tax system for the purpose of
15 implementing this paragraph will not exceed \$20,000.

16 (xxii) For all taxable years beginning after December 31, 2012, the
17 amount of net gain from the sale of: (1) Cattle and horses, regardless of
18 age, held by the taxpayer for draft, breeding, dairy or sporting purposes,
19 and held by such taxpayer for 24 months or more from the date of
20 acquisition; and (2) other livestock, regardless of age, held by the taxpayer
21 for draft, breeding, dairy or sporting purposes, and held by such taxpayer
22 for 12 months or more from the date of acquisition. The subtraction from
23 federal adjusted gross income shall be limited to the amount of the
24 additions recognized under the provisions of subsection (b)(xix)
25 attributable to the business in which the livestock sold had been used. As
26 used in this paragraph, the term "livestock" shall not include poultry.

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

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

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

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

1 Sec. 6. K.S.A. 2016 Supp. 72-99a02, 72-99a03, 72-99a04, 72-99a07
2 and 79-32,117 are hereby repealed.

3 Sec. 7. This act shall take effect and be in force on and after January
4 1, 2018, and its publication in the statute book.