

HOUSE BILL No. 2794

By Committee on Taxation

4-2

1 AN ACT concerning income taxation; relating to certain deferred foreign
2 income and global intangible low-taxed income; modifications;
3 amending K.S.A. 2017 Supp. 79-32,117 and 79-32,138 and repealing
4 the existing sections.

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

7 Section 1. K.S.A. 2017 Supp. 79-32,117 is hereby amended to read as
8 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
9 means such individual's federal adjusted gross income for the taxable year,
10 with the modifications specified in this section.

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

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

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

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

35 (iv) Federal income tax refunds received by the taxpayer if the
36 deduction of the taxes being refunded resulted in a tax benefit for Kansas

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

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

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

22 (vii) The amount of any charitable contribution made to the extent the
23 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
24 32,196, and amendments thereto.

25 (viii) The amount of any costs incurred for improvements to a swine
26 facility, claimed for deduction in determining federal adjusted gross
27 income, to the extent the same is claimed as the basis for any credit
28 allowed pursuant to K.S.A. 2017 Supp. 79-32,204, and amendments
29 thereto.

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

36 (x) Amounts received as nonqualified withdrawals, as defined by
37 K.S.A. 2017 Supp. 75-643, and amendments thereto, if, at the time of
38 contribution to a family postsecondary education savings account, such
39 amounts were subtracted from the federal adjusted gross income pursuant
40 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
41 are not already included in the federal adjusted gross income.

42 (xi) The amount of any contribution made to the same extent the
43 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2017

1 Supp. 74-50,154, and amendments thereto.

2 (xii) For taxable years commencing after December 31, 2004,
3 amounts received as withdrawals not in accordance with the provisions of
4 K.S.A. 2017 Supp. 74-50,204, and amendments thereto, if, at the time of
5 contribution to an individual development account, such amounts were
6 subtracted from the federal adjusted gross income pursuant to subsection
7 (c)(xiii), or if such amounts are not already included in the federal adjusted
8 gross income.

9 (xiii) The amount of any expenditures claimed for deduction in
10 determining federal adjusted gross income, to the extent the same is
11 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.
12 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

13 (xiv) The amount of any amortization deduction claimed in
14 determining federal adjusted gross income to the extent the same is
15 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,221, and
16 amendments thereto.

17 (xv) The amount of any expenditures claimed for deduction in
18 determining federal adjusted gross income, to the extent the same is
19 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.
20 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
21 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
22 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

23 (xvi) The amount of any amortization deduction claimed in
24 determining federal adjusted gross income to the extent the same is
25 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,227, 79-
26 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
27 thereto.

28 (xvii) The amount of any amortization deduction claimed in
29 determining federal adjusted gross income to the extent the same is
30 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,256, and
31 amendments thereto.

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

42 (xix) For taxable years beginning after December 31, 2012, and
43 ending before January 1, 2017, the amount of any: (1) Loss from business

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

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

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

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

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

41 (xxiv) For taxable years commencing after December 31, 2013, that
42 portion of the amount of any expenditure deduction claimed in
43 determining federal adjusted gross income for expenses paid for medical

1 care of the taxpayer or the taxpayer's spouse or dependents when such
2 expenses were paid or incurred for an abortion, or for a health benefit plan,
3 as defined in K.S.A. 2017 Supp. 65-6731, and amendments thereto, for the
4 purchase of an optional rider for coverage of abortion in accordance with
5 K.S.A. 2017 Supp. 40-2,190, and amendments thereto, to the extent that
6 such taxes and assessments are claimed as an itemized deduction for
7 federal income tax purposes.

8 (xxv) For taxable years commencing after December 31, 2013, that
9 portion of the amount of any expenditure deduction claimed in
10 determining federal adjusted gross income for expenses paid by a taxpayer
11 for health care when such expenses were paid or incurred for abortion
12 coverage, a health benefit plan, as defined in K.S.A. 2017 Supp. 65-6731,
13 and amendments thereto, when such expenses were paid or incurred for
14 abortion coverage or amounts contributed to health savings accounts for
15 such taxpayer's employees for the purchase of an optional rider for
16 coverage of abortion in accordance with K.S.A. 2017 Supp. 40-2,190, and
17 amendments thereto, to the extent that such taxes and assessments are
18 claimed as a deduction for federal income tax purposes.

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

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

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

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

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

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

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

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

13 (viii) Amounts received by retired railroad employees as a
14 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
15 228c (a)(1) et seq.

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

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

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

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

32 (xiii) For taxable years beginning after December 31, 2004, amounts
33 contributed to and the amount of income earned on contributions deposited
34 to an individual development account under K.S.A. 2017 Supp. 74-50,201
35 et seq., and amendments thereto.

36 (xiv) For all taxable years commencing after December 31, 1996, that
37 portion of any income of a bank organized under the laws of this state or
38 any other state, a national banking association organized under the laws of
39 the United States, an association organized under the savings and loan
40 code of this state or any other state, or a federal savings association
41 organized under the laws of the United States, for which an election as an
42 S corporation under subchapter S of the federal internal revenue code is in
43 effect, which accrues to the taxpayer who is a stockholder of such

1 corporation and which is not distributed to the stockholders as dividends of
2 the corporation. For taxable years beginning after December 31, 2012, and
3 ending before January 1, 2017, the amount of modification under this
4 subsection shall exclude the portion of income or loss reported on schedule
5 E and included on line 17 of the taxpayer's form 1040 federal individual
6 income tax return.

7 (xv) For all taxable years beginning after December 31, 2006,
8 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
9 joint return, for each designated beneficiary which are contributed to a
10 family postsecondary education savings account established under the
11 Kansas postsecondary education savings program or a qualified tuition
12 program established and maintained by another state or agency or
13 instrumentality thereof pursuant to section 529 of the internal revenue
14 code of 1986, as amended, for the purpose of paying the qualified higher
15 education expenses of a designated beneficiary at an institution of
16 postsecondary education. The terms and phrases used in this paragraph
17 shall have the meaning respectively ascribed thereto by the provisions of
18 K.S.A. 2017 Supp. 75-643, and amendments thereto, and the provisions of
19 such section are hereby incorporated by reference for all purposes thereof.

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

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

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

1 amounts received as benefits under the federal social security act which
2 are included in federal adjusted gross income of a taxpayer with federal
3 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
4 status is single, head of household, married filing separate or married filing
5 jointly.

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

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

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

1 (xxii) For taxable years beginning after December 31, 2012, and
2 ending before January 1, 2017, the amount of net gain from the sale of: (1)
3 Cattle and horses, regardless of age, held by the taxpayer for draft,
4 breeding, dairy or sporting purposes, and held by such taxpayer for 24
5 months or more from the date of acquisition; and (2) other livestock,
6 regardless of age, held by the taxpayer for draft, breeding, dairy or
7 sporting purposes, and held by such taxpayer for 12 months or more from
8 the date of acquisition. The subtraction from federal adjusted gross income
9 shall be limited to the amount of the additions recognized under the
10 provisions of subsection (b)(xix) attributable to the business in which the
11 livestock sold had been used. As used in this paragraph, the term
12 "livestock" shall not include poultry.

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

18 (xxiv) For taxable years beginning after December 31, 2013, and
19 ending before January 1, 2017, the net gain from the sale from Christmas
20 trees grown in Kansas and held by the taxpayer for six years or more.

21 (xxv) *For all taxable years beginning after December 31, 2016, 80%*
22 *of deferred foreign income. Deferred foreign income shall include income*
23 *under section 965(a) of the federal internal revenue code of 1986, after*
24 *any deductions allowed under section 965(c) of the code. The provisions*
25 *of this paragraph shall only apply if such income is already included in*
26 *the taxpayer's federal adjusted gross income.*

27 (xxvi) *For all taxable years beginning after December 31, 2017, 80%*
28 *of global intangible low-taxed income. Global intangible low-taxed*
29 *income shall include income under section 250(b)(1) of the federal*
30 *internal revenue code of 1986, after any deductions allowed under section*
31 *250(b)(3) of the code.*

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

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

41 (f) No taxpayer shall be assessed penalties and interest from the
42 underpayment of taxes due to changes to this section that became law on
43 July 1, 2017, so long as such underpayment is rectified on or before April

1 17, 2018.

2 Sec. 2. K.S.A. 2017 Supp. 79-32,138 is hereby amended to read as
3 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
4 under this act shall be the corporation's federal taxable income for the
5 taxable year with the modifications specified in this section.

6 (b) There shall be added to federal taxable income: (i) The same
7 modifications as are set forth in K.S.A. 79-32,117(b), and amendments
8 thereto, with respect to resident individuals, except subsections (b)(xix),
9 (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

10 (ii) the amount of all depreciation deductions claimed for any
11 property upon which the deduction allowed by K.S.A. 2017 Supp. 79-
12 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
13 32,255 or 79-32,256, and amendments thereto, is claimed;

14 (iii) the amount of any charitable contribution deduction claimed for
15 any contribution or gift to or for the use of any racially segregated
16 educational institution;

17 (iv) for taxable years commencing December 31, 2013, that portion
18 of the amount of any expenditure deduction claimed in determining federal
19 adjusted gross income for expenses paid by a taxpayer for health care
20 when such expenses were paid or incurred for abortion coverage, a health
21 benefit plan, as defined in K.S.A. 2017 Supp. 65-6731, and amendments
22 thereto, when such expenses were paid or incurred for abortion coverage
23 or amounts contributed to health savings accounts for such taxpayer's
24 employees for the purchase of an optional rider for coverage of abortion in
25 accordance with K.S.A. 2017 Supp. 40-2,190, and amendments thereto;

26 (v) the amount of any charitable contribution deduction claimed for
27 any contribution or gift made to a scholarship granting organization to the
28 extent the same is claimed as the basis for the credit allowed pursuant to
29 K.S.A. 2017 Supp. 72-4357, and amendments thereto; ~~and~~

30 (vi) the federal net operating loss deduction; *and*

31 (vii) *for all taxable years commencing after December 31, 2016, 20%*
32 *of deferred foreign income. Deferred foreign income shall include income*
33 *under section 965(a) of the federal internal revenue code of 1986, after*
34 *any deductions allowed under section 965(c) of the code. The provisions*
35 *of this paragraph shall not apply if such income is already included in the*
36 *taxpayer's federal taxable income.*

37 (c) There shall be subtracted from federal taxable income: (i) The
38 same modifications as are set forth in K.S.A. 79-32,117(c), and
39 amendments thereto, with respect to resident individuals, except
40 subsection (c)(xx);

41 (ii) the federal income tax liability for any taxable year commencing
42 prior to December 31, 1971, for which a Kansas return was filed after
43 reduction for all credits thereon, except credits for payments on estimates

1 of federal income tax, credits for gasoline and lubricating oil tax, and for
2 foreign tax credits if, on the Kansas income tax return for such prior year,
3 the federal income tax deduction was computed on the basis of the federal
4 income tax paid in such prior year, rather than as accrued. Notwithstanding
5 the foregoing, the deduction for federal income tax liability for any year
6 shall not exceed that portion of the total federal income tax liability for
7 such year which bears the same ratio to the total federal income tax
8 liability for such year as the Kansas taxable income, as computed before
9 any deductions for federal income taxes and after application of
10 subsections (d) and (e) of this section as existing for such year, bears to the
11 federal taxable income for the same year;

12 (iii) an amount for the amortization deduction allowed pursuant to
13 K.S.A. 2017 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
14 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto;

15 (iv) for all taxable years commencing after December 31, 1987, the
16 amount included in federal taxable income pursuant to the provisions of
17 section 78 of the internal revenue code; and

18 (v) for all taxable years commencing after December 31, 1987, 80%
19 of dividends from corporations incorporated outside of the United States
20 or the District of Columbia which are included in federal taxable income.

21 (d) If any corporation derives all of its income from sources within
22 Kansas in any taxable year commencing after December 31, 1979, its
23 Kansas taxable income shall be the sum resulting after application of
24 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
25 taxable income in any such taxable year, after excluding any refunds of
26 federal income tax and before the deduction of federal income taxes
27 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
28 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any
29 refund of federal income tax as determined under K.S.A. 79-32,117(b)(iv),
30 and amendments thereto, and minus the deduction for federal income taxes
31 as provided by subsection (c)(ii) shall be such corporation's Kansas taxable
32 income.

33 (e) A corporation may make an election with respect to its first
34 taxable year commencing after December 31, 1982, whereby no addition
35 modifications as provided for in subsection (b)(ii) and subtraction
36 modifications as provided for in subsection (c)(iii) as those subsections
37 existed prior to their amendment by this act, shall be required to be made
38 for such taxable year.

39 Sec. 3. K.S.A. 2017 Supp. 79-32,117 and 79-32,138 are hereby
40 repealed.

41 Sec. 4. This act shall take effect and be in force from and after its
42 publication in the statute book.