

SENATE BILL No. 116

By Committee on Assessment and Taxation

1-31

1 AN ACT concerning taxation; repealing certain obsolete or expired
2 sections and revising certain sections related thereto; amending K.S.A.
3 2016 Supp. 74-50,136, 74-8947, 75-4275, 79-225, 79-255, 79-32,117,
4 79-32,138, 79-32,143a, 79-32,264, 79-32,266 and 79-4502 and
5 repealing the existing sections; also repealing K.S.A. 79-32,117a, 79-
6 32,117b, 79-32,117c, 79-32,117d, 79-32,117e, 79-32,181 and 79-
7 32,192 and K.S.A. 2016 Supp. 79-1705, 79-32,181a, 79-32,203, 79-
8 32,206, 79-32,214, 79-32,215, 79-32,238, 79-32,239, 79-32,240, 79-
9 32,241 and 79-32,244.

10

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

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Section 1. K.S.A. 2016 Supp. 74-50,136 is hereby amended to read as follows: 74-50,136. (a) The provisions of this section shall be known and may be cited as the "economic revitalization and reinvestment act."

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(b) The purpose of the economic revitalization and reinvestment act is to foster Kansas employment by encouraging product development and engineering leading to new manufactured products in Kansas.

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(c) As used in this act:

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(1) "Base eligibility period" means the three taxable years immediately preceding the date of application for benefits under this act.

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(2) "Eligible aviation business" means a person, corporation, partnership or other entity engaged in the aviation manufacturing or service industry and doing business in Kansas that satisfies conditions imposed by the secretary, which may include, among other conditions, that the person, corporation, partnership or other entity:

21

(A) Paid at least \$150,000,000 in average annual gross Kansas compensation, according to reports filed with the secretary of labor, during the base eligibility period;

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(B) paid at least \$50,000 of average annual gross compensation per Kansas employee during the base eligibility period;

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(C) has invested at least \$500,000,000 in real and tangible personal property located within and currently used in the operation of a business in Kansas; and

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(D) is described by the north American industrial classification system as being in the manufacturing or service sector.

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(3) "Eligible aviation project" means a research, development,

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1 engineering or manufacturing project: (A) Undertaken by an eligible
2 aviation business relating to the development of a new or improved
3 business component or product and may include, but not be limited to,
4 product development and design, applied research, manufacturing,
5 improvement, replacement or acquisition of real or personal property and
6 modernization and retooling of existing property in Kansas;; (B) for which
7 the eligible aviation business proposes to invest not less than \$500,000,000
8 in Kansas in direct connection with the eligible aviation project of not less
9 than \$500,000,000 in Kansas; and (C) for which the eligible aviation
10 business proposes to employ up to 4,000 full-time employees in Kansas, as
11 defined in K.S.A. 74-50,114, and amendments thereto.

12 (4) "Eligible business" means a person, corporation, partnership or
13 other entity doing business in Kansas that satisfies conditions imposed by
14 the secretary, which may include, among other conditions, that the person,
15 corporation, partnership or other entity:

16 (A) Paid at least \$600,000,000 in average annual gross Kansas
17 compensation, according to reports filed with the secretary of labor, during
18 the base eligibility period; and

19 (B) paid at least \$50,000 of average annual gross compensation per
20 Kansas employee during the base eligibility period; and

21 (C) has invested at least \$1,000,000,000 in real and tangible personal
22 property located within and currently used in the operation of a business in
23 Kansas; and

24 (D) is described by North American industrial classification system as
25 being in the manufacturing sector.

26 (5) "Eligible project" means a research, development, engineering or
27 manufacturing project: (A) Undertaken by an eligible business relating to
28 the development of a new or improved business component or product and
29 may include, but not be limited to, product development and design,
30 applied research, manufacturing, improvement, replacement or acquisition
31 of real or personal property and modernization and retooling of existing
32 property in Kansas;; (B) for which the eligible business proposes to invest
33 not less than \$500,000,000 in Kansas in direct connection with the eligible
34 project of not less than \$500,000,000 in Kansas; and (C) for which the
35 eligible business proposes to employ up to 4,000 full-time employees in
36 Kansas, as defined in K.S.A. 74-50,114, and amendments thereto.

37 (6) "Eligible wind or solar energy business" means a person,
38 corporation, partnership or other entity engaged in the wind or solar energy
39 manufacturing industry and doing business in Kansas that satisfies
40 conditions imposed by the secretary, which may include among other
41 conditions, that the person, corporation, partnership or other entity:

42 (A) Pay at least \$32,500 of average annual compensation per Kansas
43 employee; and

1 (B) is described by the North American industrial classification
2 system as being in the manufacturing sector.

3 (7) "Eligible wind or solar energy project" means a research,
4 development, engineering or manufacturing project: (A) Undertaken by an
5 eligible wind or solar energy business relating to the production of a
6 business component or product and may include, but not be limited to,
7 product development and design, applied research, manufacturing,
8 improvement, replacement or acquisition of real or personal property and
9 modernization and retooling of existing property in Kansas; (B) for which
10 the eligible wind or solar energy business proposes to invest not less than
11 \$30,000,000 in Kansas in direct connection with the eligible wind or solar
12 energy project of not less than \$30,000,000 in Kansas; and (C) for which
13 the eligible wind or solar energy business proposes to employ at least 200
14 full-time employees in Kansas within five years, as defined in K.S.A. 74-
15 50,114, and amendments thereto.

16 (8) "Gross compensation" means gross wages and benefits paid to or
17 on behalf of employees receiving wages.

18 (9) "Secretary" means the secretary of commerce.

19 (d) A person, corporation, partnership or other entity proposing to
20 undertake an eligible project, eligible aviation project or eligible wind or
21 solar energy project may apply to the secretary to enter into an agreement
22 for benefits under this act. The application shall include: (1) Evidence that
23 the applicant is an "eligible business," "eligible aviation business" or
24 "eligible wind or solar energy business" as defined in subsection (c); and
25 (2) a detailed description of the eligible project, eligible aviation project or
26 eligible wind or solar energy project.

27 (e) Upon receipt of an application described in subsection (d), if the
28 secretary finds that the application is from an eligible business, eligible
29 aviation business or eligible wind or solar energy business and that the
30 project constitutes an eligible project, eligible aviation project or eligible
31 wind or solar energy project, the secretary may enter into an agreement
32 with the eligible business, eligible aviation business or eligible wind or
33 solar energy business for benefits under this act. Such agreement for
34 benefits shall be subject to review and approval of the state finance council
35 created by K.S.A. 75-3708, and amendments thereto, acting on this matter
36 which is hereby characterized as a matter of legislative delegation and
37 subject to the guidelines prescribed in ~~subsection (e) of K.S.A. 75-~~
38 3711c(c), and amendments thereto. The agreement shall commit the
39 secretary to request that the Kansas development finance authority issue
40 bonds pursuant to the Kansas development finance authority act, K.S.A.
41 74-8901 et seq., and amendments thereto, to finance the eligible project for
42 the benefit of the eligible business in an aggregate principal amount not to
43 exceed \$500,000,000, plus costs of issuance, costs of credit enhancement,

1 reserve funds and capitalized interest, or in the case of an eligible aviation
2 project in a principal amount not to exceed \$33,000,000 for a single
3 eligible aviation project or in the case of an eligible wind or solar energy
4 project in a principal amount not to exceed \$5,000,000 for a single eligible
5 wind or solar energy project and in an aggregate principal amount not to
6 exceed \$150,000,000 for all eligible aviation, wind or solar energy
7 projects, plus costs of issuance, costs of credit enhancement, reserve funds
8 and capitalized interest, and shall commit the eligible business, eligible
9 aviation business or eligible wind or solar energy business to pay the
10 principal of and interest on such obligations, except that during the period
11 from the issuance of such bonds through the maturity of such obligations
12 but not to exceed 20 years revenue realized from withholding upon Kansas
13 wages paid by the eligible business, eligible aviation business or eligible
14 wind or solar energy business pursuant to K.S.A. 79-3294 et seq., and
15 amendments thereto, which is necessary to pay the principal and interest
16 on such obligations shall be credited to the special economic revitalization
17 fund created in subsection (h), and shall be transferred by the state
18 treasurer to pay principal and interest on such obligations as provided by
19 law. The agreement shall further specifically provide that if the revenue
20 from the withholding upon Kansas wages is insufficient to pay principal
21 and interest on the bonds, the eligible business, eligible aviation business
22 or eligible wind or solar energy business shall remain obligated to make
23 such payments. The terms and conditions with respect to the obligations
24 shall be set forth in the agreement or in the financing documents relating to
25 the issuance of the bonds. In the event the eligible business, eligible
26 aviation business or eligible wind or solar energy business terminates,
27 cancels or reduces the scope of the eligible project, eligible aviation
28 project or eligible wind or solar energy project approved by the secretary,
29 the agreement shall provide that with respect to debt service, the eligible
30 business, eligible aviation business or eligible wind or solar energy
31 business shall remain responsible for payment of the entire outstanding
32 principal as well as any interest still outstanding, and no moneys
33 remaining in the special economic revitalization fund shall be made
34 available for the purpose of paying the remaining principal and interest
35 portion of the eligible business', eligible aviation business' or eligible wind
36 or solar energy business' debt service obligation.

37 (f) Income tax refunds and balances due resulting from withholding
38 upon Kansas wages paid by the eligible business, eligible aviation business
39 or eligible wind or solar energy business pursuant to K.S.A. 79-3294 et
40 seq., and amendments thereto, shall be reconciled on at least an annual
41 basis by a method defined in the agreement described in subsection (e).

42 (g) The Kansas development finance authority is hereby authorized to
43 issue obligations, for the purpose of financing the eligible project, eligible

1 aviation project or eligible wind or solar energy project provided in
2 subsection (e), in a principal amount not to exceed the amount specified in
3 subsection (e). The maximum maturity of bonds issued pursuant to this act
4 shall be 20 years, unless the secretary shall find and determine that a
5 maturity greater than 20 years, but in no event greater than 30 years, is
6 necessary for economic feasibility of the eligible project, eligible aviation
7 project or eligible wind or solar energy *project* of the eligible business,
8 eligible aviation business or eligible wind or solar energy business.

9 (h) The state treasurer shall credit all revenue collected or received
10 from withholding upon Kansas wages paid by a taxpayer which is an
11 eligible business, eligible aviation business or eligible wind or solar energy
12 business with respect to an eligible project, eligible aviation project or
13 eligible wind or solar energy project, as certified by the secretary, to the
14 special economic revitalization fund, which fund is hereby created in the
15 custody of the state treasurer but shall not be a part of the state general
16 fund. Distributions from the special economic revitalization fund shall be
17 used to pay principal and interest on the bonds as authorized pursuant to
18 this act and shall not be subject to appropriation. On or before the 10th day
19 of each month, the director of accounts and reports shall transfer from the
20 state general fund to the special economic revitalization fund interest
21 earnings based on: (1) The average daily balance of moneys in the special
22 economic revitalization fund for the preceding month; and (2) the net
23 earnings rate of the pooled money investment portfolio for the preceding
24 month. The provisions of this section shall expire when all principal and
25 interest on obligations issued for the purpose of financing all or a portion
26 of the costs of an eligible project, eligible aviation project or eligible wind
27 or solar energy project has been paid. Moneys credited to the special
28 economic revitalization fund in accordance with the foregoing provisions
29 shall be distributed to or on the order of the Kansas development finance
30 authority to pay principal and interest on bonds issued to finance an
31 eligible project, eligible aviation project or eligible wind or solar energy
32 project. The state treasurer shall make such distributions on such dates as
33 mutually agreed to by the Kansas development finance authority, the
34 paying agent for such obligations and the state treasurer. The total of all
35 distributions under this section shall not exceed an amount determined to
36 be sufficient to pay the principal and interest on such bonds.

37 (i) The eligible business, eligible aviation business or eligible wind or
38 solar energy business shall not be allowed to participate in the IMPACT
39 act or program pursuant to K.S.A. 74-50,102 et seq., and amendments
40 thereto, with respect to the eligible project, eligible aviation project or
41 eligible wind or solar energy project. The secretary may include provisions
42 in the agreement described in subsection (e) to limit or reduce the amount
43 of eligible credits, including but not limited to those allowed pursuant to

1 K.S.A. 79-32,160a; ~~or 79-32,182b or 79-32,206~~, and amendments thereto,
2 on the investment of the proceeds of the bonds issued under this act.
3 Nothing in this subsection shall be construed to prohibit the eligible
4 business, eligible aviation business or eligible wind or solar energy
5 business from receiving credits allowed by law for any investment not
6 related to bonds issued pursuant to this section.

7 (j) All hiring and use of the employees described in subsection (c)(5)
8 (C) by an eligible business in connection with an eligible project, or
9 described in subsection (c)(3)(C) by an eligible aviation business in
10 connection with an eligible aviation project or an eligible wind or solar
11 energy business, as described in subsection (c)(7), shall be subject to post
12 audit under the legislative post audit act, and amendments thereto. All
13 audit expenses incurred shall be charged to and paid by such eligible
14 business or eligible aviation business. All moneys received for such audit
15 expenses shall be deposited in the state treasury and credited to the audit
16 services fund of the division of post audit. The division of post audit is
17 hereby authorized to conduct the audit work authorized by this section in
18 accordance with the provisions of the legislative post audit act, and
19 amendments thereto.

20 (k) Bonds issued under this section shall not be used to provide for or
21 to increase compensation packages, rewards, bonuses, pensions, enhanced
22 retirement, stock options, buyouts or substantial severance pay or other
23 financial benefits to any chief executive officer, chief financial officer or
24 any officers of the company.

25 (l) The agreement described in subsection (e) shall include a
26 provision requiring the eligible business, eligible aviation business or
27 eligible wind or solar energy business to agree that: (1) The eligible
28 business, eligible aviation business or eligible wind or solar energy
29 business shall be subject to post audit under the legislative post audit act,
30 and amendments thereto; (2) the eligible business, eligible aviation
31 business or eligible wind or solar energy business shall pay audit
32 expenses; and (3) the eligible business, eligible aviation business or
33 eligible wind or solar energy business shall not limit access to information
34 required under the legislative post audit act, and amendments thereto.

35 (m) The secretary shall report to the state finance council on any new
36 agreements entered into between the secretary and an eligible business,
37 eligible aviation business or eligible wind or solar energy business
38 pursuant to this section.

39 (n) No new eligible project, eligible aviation project or eligible wind
40 or solar energy project shall be approved for financing under the
41 provisions of this section on or after July 1, 2013.

42 Sec. 2. K.S.A. 2016 Supp. 74-8947 is hereby amended to read as
43 follows: 74-8947. (a) For the purpose of financing the construction of a

1 new integrated coal gasification power plant or expansion of an existing
2 integrated coal gasification power plant, the Kansas development finance
3 authority is hereby authorized to issue revenue bonds pursuant to the
4 Kansas development finance authority act, K.S.A. 74-8901 et seq., and
5 amendments thereto, in amounts sufficient to pay the costs of such
6 construction or expansion, including any required interest on the bonds
7 during construction and installation, plus all amounts required for the costs
8 of bond issuance, costs of credit enhancement or other financial contracts,
9 capitalized interest and any required reserves on the bonds. The bonds, and
10 interest thereon, issued pursuant to this section shall be payable from
11 revenues pledged to the Kansas development finance authority for such
12 purpose, which may include revenues derived from sales of generation
13 from the integrated coal gasification power plant.

14 (b) The provisions of ~~subsection (a) of K.S.A. 74-8905(a), and~~
15 amendments thereto, shall not prohibit the issuance of bonds by the
16 Kansas development finance authority for the purposes of this section and
17 any such issuance of bonds is exempt from the provisions of ~~subsection (a)~~
18 ~~of K.S.A. 74-8905(a), and amendments thereto, which would operate to~~
19 preclude such issuance.

20 (c) Revenue bonds, including refunding revenue bonds, issued under
21 this section shall not constitute an indebtedness of the state of Kansas, nor
22 shall they constitute indebtedness within the meaning of any constitutional
23 or statutory provision limiting the incurring of indebtedness.

24 (d) Revenue bonds, including refunding revenue bonds, issued
25 hereunder and the income derived therefrom are and shall be exempt from
26 all state, county and municipal taxation in the state of Kansas, except
27 Kansas estate taxes.

28 (e) As used in this section:

29 (1) "Expansion of an existing integrated coal gasification power
30 plant" means expansion, beginning after December 31, 2005, of the
31 capacity of an existing integrated coal gasification power plant by at least
32 10% of such capacity, and includes construction or expansion of
33 transmission facilities which are located at the site of such plant and are
34 employed specifically to serve such expansion.

35 (2) "Integrated coal gasification power plant" ~~has the meaning~~
36 ~~provided by K.S.A. 2016 Supp. 79-32,238, and amendments thereto~~
37 *means a facility that: (A) Is located in Kansas; (B) converts coal into*
38 *synthesis gas that can be used as a fuel to generate energy; and (C) uses*
39 *the synthesis gas a fuel to generate electric energy.*

40 (3) "New integrated coal gasification power plant" means an
41 integrated coal gasification power plant construction of which begins after
42 December 31, 2005, and includes transmission facilities which are located
43 at the site of such plant and are employed specifically to serve such plant.

1 Sec. 3. K.S.A. 2016 Supp. 75-4275 is hereby amended to read as
2 follows: 75-4275. Any state bank, national banking association or
3 production credit association or agricultural credit association chartered by
4 the farm credit administration under the federal farm credit act, as
5 amended (12 U.S.C. § 2001 et seq.), who claims a tax credit pursuant to
6 K.S.A. 2016 Supp. 79-1126a ~~or 79-32,181a~~, and amendments thereto, shall
7 not use any funds from an agricultural production loan deposit, invested
8 pursuant to K.S.A. 2016 Supp. 75-4268 through 75-4274, and amendments
9 thereto, for agricultural production loans to qualify for the tax credit
10 pursuant to K.S.A. 2016 Supp. 79-1126a ~~or 79-32,181a~~, and amendments
11 thereto.

12 Sec. 4. K.S.A. 2016 Supp. 79-225 is hereby amended to read as
13 follows: 79-225. (a) The following described property, to the extent herein
14 specified, shall be exempt from all property taxes levied under the laws of
15 the state of Kansas:

16 (1) Any new integrated coal gasification power plant property or any
17 expanded integrated coal gasification power plant property.

18 (2) All property purchased for or constructed or installed at an
19 integrated coal gasification power plant to comply with air emission
20 standards imposed by state or federal law.

21 (b) The provisions of subsection (a) shall apply from and after
22 purchase or commencement of construction or installation of such property
23 and for the 12 taxable years immediately following the taxable year in
24 which construction or installation of such property is completed.

25 (c) The provisions of this section shall apply to all taxable years
26 commencing after December 31, 2005.

27 (d) As used in this section:

28 (1) "Expanded integrated coal gasification power plant property"
29 means any real or tangible personal property purchased, constructed or
30 installed for incorporation in and use as part of an expansion of an existing
31 integrated coal gasification power plant, construction of which expansion
32 begins after December 31, 2005.

33 (2) "Expansion of an existing integrated coal gasification power
34 plant" means expansion of the capacity of an existing integrated coal
35 gasification power plant by at least 10% of such capacity.

36 (3) "Integrated coal gasification power plant" ~~has the meaning~~
37 ~~provided by K.S.A. 2016 Supp. 79-32,238, and amendments thereto~~
38 *means a facility that: (A) Is located in Kansas; (B) converts coal into*
39 *synthesis gas that can be used as a fuel to generate energy; and (C) uses*
40 *the synthesis gas as a fuel to generate electric energy.*

41 (4) "New integrated coal gasification power plant property" means
42 any real or tangible personal property purchased, constructed or installed
43 for incorporation in and use as part of an integrated coal gasification

1 power plant, construction of which begins after December 31, 2005.

2 Sec. 5. K.S.A. 2016 Supp. 79-255 is hereby amended to read as
3 follows: 79-255. (a) For all taxable years commencing after December 31,
4 1999, and subject to the provisions of this section, there shall be allowed
5 as a property tax refund to the operator of an oil lease an amount equal to
6 50% of the total amount of property tax levied and actually and timely
7 paid by the operator for a property tax year which is attributable to the
8 working interest of an oil lease the average daily production per well from
9 which is 15 barrels or less when the price per barrel of oil is \$16 or less, as
10 prescribed in the oil and gas appraisal guide by the director of property
11 valuation for the applicable tax year. ~~No refund shall be allowed for~~
12 ~~property tax paid upon machinery and equipment for which a credit is~~
13 ~~claimed pursuant to K.S.A. 2016 Supp. 79-32,206, and amendments~~
14 ~~thereto.~~

15 (b) No claim for a refund allowable pursuant to subsection (a) shall
16 be paid unless filed with and in possession of the department of revenue on
17 or before April 15 of the year next succeeding the year in which such taxes
18 were paid, except that the director of taxation may extend the time for
19 filing any claim or accept a claim filed after the deadline for filing when
20 good cause exists therefor if the claim has been filed within three years of
21 the deadline.

22 (c) The allowable amount of such claim shall be paid to the operator
23 from the income tax refund fund upon warrants of the director of accounts
24 and reports pursuant to vouchers approved by the director of taxation or by
25 any person designated by the claimant, but no warrant issued hereunder
26 shall be drawn in an amount of less than \$5. No interest shall be allowed
27 on any payment made to an operator pursuant to this section.

28 (d) Insofar as the same may be made applicable, the provisions of
29 K.S.A. 79-3226, and amendments thereto, shall apply to claims for refunds
30 allowable pursuant to this section which may become in dispute.

31 (e) The department of revenue shall devise and provide forms and
32 instructions necessary to administer this section, and the secretary of
33 revenue may adopt rules and regulations for such purpose.

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

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

39 (i) Interest income less any related expenses directly incurred in the
40 purchase of state or political subdivision obligations, to the extent that the
41 same is not included in federal adjusted gross income, on obligations of
42 any state or political subdivision thereof, but to the extent that interest
43 income on obligations of this state or a political subdivision thereof issued

1 prior to January 1, 1988, is specifically exempt from income tax under the
2 laws of this state authorizing the issuance of such obligations, it shall be
3 excluded from computation of Kansas adjusted gross income whether or
4 not included in federal adjusted gross income. Interest income on
5 obligations of this state or a political subdivision thereof issued after
6 December 31, 1987, shall be excluded from computation of Kansas
7 adjusted gross income whether or not included in federal adjusted gross
8 income.

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

16 (iii) The federal net operating loss deduction.

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

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

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

40 (vii) The amount of any charitable contribution made to the extent the
41 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
42 32,196, and amendments thereto.

43 (viii) The amount of any costs incurred for improvements to a swine

1 facility, claimed for deduction in determining federal adjusted gross
2 income, to the extent the same is claimed as the basis for any credit
3 allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments
4 thereto.

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

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

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

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

27 ~~(xiii) (xii)~~ The amount of any expenditures claimed for deduction in
28 determining federal adjusted gross income, to the extent the same is
29 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
30 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

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

35 ~~(xv) (xiv)~~ The amount of any expenditures claimed for deduction in
36 determining federal adjusted gross income, to the extent the same is
37 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
38 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
39 through 79-32,236, ~~79-32,238 through 79-32,241,~~ 79-32,245 through 79-
40 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

41 ~~(xvi) (xv)~~ The amount of any amortization deduction claimed in
42 determining federal adjusted gross income to the extent the same is
43 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-

1 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
2 thereto.

3 ~~(xvii)~~ (xvi) The amount of any amortization deduction claimed in
4 determining federal adjusted gross income to the extent the same is
5 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and
6 amendments thereto.

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

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

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

41 ~~(xxi)~~ (xx) For all taxable years beginning after December 31, 2012,
42 the amount of any deduction for pension, profit sharing, and annuity plans
43 of self-employed individuals under section 62(a)(6) of the federal internal

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

3 ~~(xxii)~~ (xxi) For all taxable years beginning after December 31, 2012,
4 the amount of any deduction for health insurance under section 162(l) of
5 the federal internal revenue code as in effect on January 1, 2012, and
6 amendments thereto, in determining the federal adjusted gross income of
7 an individual taxpayer.

8 ~~(xxiii)~~ (xxii) For all taxable years beginning after December 31, 2012,
9 the amount of any deduction for domestic production activities under
10 section 199 of the federal internal revenue code as in effect on January 1,
11 2012, and amendments thereto, in determining the federal adjusted gross
12 income of an individual taxpayer.

13 ~~(xxiv)~~ (xxiii) For taxable years commencing after December 31,
14 2013, that portion of the amount of any expenditure deduction claimed in
15 determining federal adjusted gross income for expenses paid for medical
16 care of the taxpayer or the taxpayer's spouse or dependents when such
17 expenses were paid or incurred for an abortion, or for a health benefit plan,
18 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the
19 purchase of an optional rider for coverage of abortion in accordance with
20 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that
21 such taxes and assessments are claimed as an itemized deduction for
22 federal income tax purposes.

23 ~~(xxv)~~ (xxiv) For taxable years commencing after December 31, 2013,
24 that portion of the amount of any expenditure deduction claimed in
25 determining federal adjusted gross income for expenses paid by a taxpayer
26 for health care when such expenses were paid or incurred for abortion
27 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,
28 and amendments thereto, when such expenses were paid or incurred for
29 abortion coverage or amounts contributed to health savings accounts for
30 such taxpayer's employees for the purchase of an optional rider for
31 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and
32 amendments thereto, to the extent that such taxes and assessments are
33 claimed as a deduction for federal income tax purposes.

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

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

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

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

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

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

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

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

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

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

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

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

43 (xii) For taxable years beginning after December 31, 1989, amounts

1 received by retired employees of a board of public utilities as pension and
2 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,
3 and amendments thereto.

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

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

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

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

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

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

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

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

42 (xxi) For all taxable years beginning after December 31, 2013,
43 amounts equal to the unreimbursed travel, lodging and medical

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

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

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

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

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

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

43 Sec. 7. K.S.A. 2016 Supp. 79-32,138 is hereby amended to read as

1 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
2 under this act shall be the corporation's federal taxable income for the
3 taxable year with the modifications specified in this section.

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

9 (ii) The amount of all depreciation deductions claimed for any
10 property upon which the deduction allowed by K.S.A. 2016 Supp. 79-
11 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
12 32,255 or 79-32,256, and amendments thereto, is claimed.

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

16 (iv) For taxable years commencing December 31, 2013, that portion
17 of the amount of any expenditure deduction claimed in determining federal
18 adjusted gross income for expenses paid by a taxpayer for health care
19 when such expenses were paid or incurred for abortion coverage, a health
20 benefit plan, as defined in K.S.A. 2016 Supp. 65-6731, and amendments
21 thereto, when such expenses were paid or incurred for abortion coverage
22 or amounts contributed to health savings accounts for such taxpayer's
23 employees for the purchase of an optional rider for coverage of abortion in
24 accordance with K.S.A. 2016 Supp. 40-2,190, and amendments thereto.

25 (v) The amount of any charitable contribution deduction claimed for
26 any contribution or gift made to a scholarship granting organization to the
27 extent the same is claimed as the basis for the credit allowed pursuant to
28 K.S.A. 2016 Supp. 72-99a07, and amendments thereto.

29 (c) There shall be subtracted from federal taxable income: (i) The
30 same modifications as are set forth in ~~subsection (e)~~ of K.S.A. 79-
31 32,117(c), and amendments thereto, with respect to resident individuals,
32 except subsection (c)(xx).

33 (ii) The federal income tax liability for any taxable year commencing
34 prior to December 31, 1971, for which a Kansas return was filed after
35 reduction for all credits thereon, except credits for payments on estimates
36 of federal income tax, credits for gasoline and lubricating oil tax, and for
37 foreign tax credits if, on the Kansas income tax return for such prior year,
38 the federal income tax deduction was computed on the basis of the federal
39 income tax paid in such prior year, rather than as accrued. Notwithstanding
40 the foregoing, the deduction for federal income tax liability for any year
41 shall not exceed that portion of the total federal income tax liability for
42 such year which bears the same ratio to the total federal income tax
43 liability for such year as the Kansas taxable income, as computed before

1 any deductions for federal income taxes and after application of
2 subsections (d) and (e) of this section as existing for such year, bears to the
3 federal taxable income for the same year.

4 (iii) An amount for the amortization deduction allowed pursuant to
5 K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
6 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.

7 (iv) For all taxable years commencing after December 31, 1987, the
8 amount included in federal taxable income pursuant to the provisions of
9 section 78 of the internal revenue code.

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

13 (d) If any corporation derives all of its income from sources within
14 Kansas in any taxable year commencing after December 31, 1979, its
15 Kansas taxable income shall be the sum resulting after application of
16 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
17 taxable income in any such taxable year, after excluding any refunds of
18 federal income tax and before the deduction of federal income taxes
19 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
20 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any
21 refund of federal income tax as determined under ~~paragraph (iv) of~~
22 ~~subsection (b) of~~ K.S.A. 79-32,117(b)(iv), and amendments thereto, and
23 minus the deduction for federal income taxes as provided by subsection (c)
24 (ii) shall be such corporation's Kansas taxable income.

25 (e) A corporation may make an election with respect to its first
26 taxable year commencing after December 31, 1982, whereby no addition
27 modifications as provided for in ~~subsection (b)(ii) of~~ K.S.A. 79-32,138(b)
28 (ii), and amendments thereto, and subtraction modifications as provided
29 for in ~~subsection (c)(iii) of~~ K.S.A. 79-32,138(c)(iii), and amendments
30 thereto, as those subsections existed prior to their amendment by this act,
31 shall be required to be made for such taxable year.

32 Sec. 8. K.S.A. 2016 Supp. 79-32,143a is hereby amended to read as
33 follows: 79-32,143a. (a) For taxable years beginning after December 31,
34 2011, a taxpayer may elect to take an expense deduction from Kansas net
35 income before expensing or recapture allocated or apportioned to this state
36 for the cost of the following property placed in service in this state during
37 the taxable year: (1) Tangible property eligible for depreciation under the
38 modified accelerated cost recovery system in section 168 of the internal
39 revenue code, as amended, but not including residential rental property,
40 nonresidential real property, any railroad grading or tunnel bore or any
41 other property with an applicable recovery period in excess of 25 years as
42 defined under section 168(c) or (g) of the internal revenue code, as
43 amended; and (2) computer software as defined in section 197(e)(3)(B) of

1 the internal revenue code, as amended, and as described in section 197(e)
2 (3)(A)(i) of the internal revenue code, as amended, to which section 167 of
3 the internal revenue code, as amended, applies. If such election is made,
4 the amount of expense deduction for such cost shall equal the difference
5 between the depreciable cost of such property for federal income tax
6 purposes and the amount of bonus depreciation being claimed for such
7 property pursuant to section 168(k) of the internal revenue code, as
8 amended, for federal income tax purposes in such tax year, but without
9 regard to any expense deduction being claimed for such property under
10 section 179 of the internal revenue code, as amended, multiplied by the
11 applicable factor, determined by using, the table provided in subsection (f),
12 based on the method of depreciation selected pursuant to section 168(b)
13 (1), (2), or (3) or (g) of the internal revenue code, as amended, and the
14 applicable recovery period for such property as defined under section
15 168(c) or (g) of the internal revenue code, as amended. This election shall
16 be made by the due date of the original return, including any extensions,
17 and may be made only for the taxable year in which the property is placed
18 in service, and once made, shall be irrevocable. If the section 179 expense
19 deduction election has been made for federal income tax purposes for any
20 asset, the applicable factor to be utilized is in the IRC § 168 (b)(1) column
21 of the table provided in subsection (f) for the applicable recovery period of
22 the respective assets.

23 (b) If the amount of expense deduction calculated pursuant to
24 subsection (a) exceeds the taxpayer's Kansas net income before expensing
25 or recapture allocated or apportioned to this state, such excess amount
26 shall be treated as a Kansas net operating loss as provided in K.S.A. 79-
27 32,143, and amendments thereto.

28 (c) If the property for which an expense deduction is taken pursuant
29 to subsection (a) is subsequently sold during the applicable recovery
30 period for such property as defined under section 168(c) of the internal
31 revenue code, as amended, and in a manner that would cause recapture of
32 any previously taken expense or depreciation deductions for federal
33 income tax purposes, or if the situs of such property is otherwise changed
34 such that the property is relocated outside the state of Kansas during such
35 applicable recovery period, then the expense deduction determined
36 pursuant to subsection (a) shall be subject to recapture and treated as
37 Kansas taxable income allocated to this state. The amount of recapture
38 shall be the Kansas expense deduction determined pursuant to subsection
39 (a) multiplied by a fraction, the numerator of which is the number of years
40 remaining in the applicable recovery period for such property as defined
41 under section 168(c) or (g) of the internal revenue code, as amended, after
42 such property is sold or removed from the state including the year of such
43 disposition, and the denominator of which is the total number of years in

1 such applicable recovery period.

2 (d) The situs of tangible property for purposes of claiming and
 3 recapture of the expense deduction shall be the physical location of such
 4 property. If such property is mobile, the situs shall be the physical location
 5 of the business operations from where such property is used or based. The
 6 situs of computer software shall be apportioned to Kansas based on the
 7 fraction, the numerator of which is the number of the taxpayer's users
 8 located in Kansas of licenses for such computer software used in the active
 9 conduct of the taxpayer's business operations, and the denominator of
 10 which is the total number of the taxpayer's users of the licenses for such
 11 computer software used in the active conduct of the taxpayer's business
 12 operations everywhere.

13 (e) Any member of a unitary group filing a combined report may
 14 elect to take an expense deduction pursuant to subsection (a) for an
 15 investment in property made by any member of the combined group,
 16 provided that the amount calculated pursuant to subsection (a) may only be
 17 deducted from the Kansas net income before expensing or recapture
 18 allocated to or apportioned to this state by such member making the
 19 election.

20 (f) The following table shall be used in determining the expense
 21 deduction calculated pursuant to subsection (a):

22 Factors

23 IRC§168	IRC§168(b)(1)	IRC§168(b)(2)	IRC§168(b)(3) or (g)
24 Recover Period	Depreciation	Depreciation	Depreciation
25 (year)	Method	Method	Method
26 2.5	*	.077	.092
27 3	.075	.091	.106
28 3.5	*	.102	.116
29 4	*	.114	.129
30 5	.116	.135	.150
31 6	*	.154	.170
32 6.5	*	.163	.179
33 7	.151	.173	.190
34 7.5	*	.181	.199
35 8	*	.191	.208
36 8.5	*	.199	.217
37 9	*	.208	.226
38 9.5	*	.216	.235
39 10	.198	.224	.244
40 10.5	*	.232	.252
41 11	*	.240	.261
42 11.5	*	.248	.269
43 12	*	.256	.277
44 12.5	*	.263	.285

1	13	*	.271	.293
2	13.5	*	.278	.300
3	14	*	.285	.308
4	15	*	.299	.323
5	16	*	.313	.337
6	16.5	*	.319	.344
7	17	*	.326	.351
8	18	*	.339	.365
9	19	*	.351	.378
10	20	*	.363	.391
11	22	*	.386	.415
12	24	*	.408	.438
13	25	*	.419	.449

14 *Not Applicable

15 (g) If a taxpayer elects to expense any investment pursuant to
 16 subsection (a), such taxpayer shall not be eligible for any tax credit,
 17 accelerated depreciation, or deduction for such investment allowed
 18 pursuant to K.S.A. 2016 Supp. 79-32,160a(e), 79-32,182b, 79-32,201, 79-
 19 32,204, 79-32,211, 79-32,218, 79-32,221, 79-32,222, 79-32,224, 79-
 20 32,227, 79-32,229, 79-32,232, 79-32,234, 79-32,237, ~~79-32,239~~, 79-
 21 32,246, 79-32,249, 79-32,252, 79-32,255, 79-32,256 and 79-32,258, and
 22 amendments thereto.

23 (h) (1) For tax year 2013, the deduction allowed by this section shall
 24 only be available to taxpayers subject to the income tax on corporations
 25 imposed pursuant to ~~subsection (e)~~ of K.S.A. 79-32,110(c), and
 26 amendments thereto, and used only to determine such taxpayer's corporate
 27 income tax liability.

28 (2) For tax year 2014, and all tax years thereafter, the deduction
 29 allowed by this section shall only be available to taxpayers subject to the
 30 income tax on corporations imposed pursuant to ~~subsection (e)~~ of K.S.A.
 31 79-32,110(c), and amendments thereto, or the privilege tax imposed upon
 32 any national banking association, state bank, savings bank, trust company
 33 or savings and loan association pursuant to article 11 of chapter 79 of the
 34 Kansas Statutes Annotated, and amendments thereto, and used only to
 35 determine such taxpayer's corporate income or privilege tax liability.

36 Sec. 9. K.S.A. 2016 Supp. 79-32,264 is hereby amended to read as
 37 follows: 79-32,264. (a) For tax years 2009 and 2010, for any tax credit
 38 provided under the following: K.S.A. 65-7107, 79-1117, 79-32,176, 79-
 39 32,177 and 79-32,200 and K.S.A. 2016 Supp. 74-50,173, 74-8133, 74-
 40 8205, 79-32,153, 79-32,160a, 79-32,181a, *prior to its repeal*, 79-32,182b,
 41 79-32,196, 79-32,197, 79-32,201, 79-32,202, 79-32,204, 79-32,207, 79-
 42 32,212, 79-32,213, 79-32,215, *prior to its repeal*, 79-32,218, 79-32,222,
 43 79-32,224, 79-32,229, 79-32,234, 79-32,239, *prior to its repeal*, 79-

1 32,242, 79-32,244, *prior to its repeal*, 79-32,246 and 79-32,252, and
2 amendments thereto, and if nonrefundable, K.S.A. 79-32,261 and 79-
3 32,262, and amendments thereto, and for tax year 2009, for the tax credit
4 provided under K.S.A. 2016 Supp. 74-99c09, and amendments thereto, the
5 total of any such credit or credits allowed against the tax imposed by the
6 Kansas income tax act, the premium tax or privilege fees imposed
7 pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as
8 measured by net income of financial institutions imposed pursuant to
9 chapter 79, article 11 of the Kansas Statutes Annotated, *and amendments*
10 *thereto*, shall not exceed the lesser of 90% of the total amount of such
11 credit or credits earned in a current tax year or claimed in a current tax
12 year as a carry forward from a prior tax year, or 90% of the tax as
13 computed prior to the allowance of any such credit or credits. Except as
14 otherwise provided by subsections (c) and (d), the amount of such credit or
15 credits that may be carried forward in any succeeding taxable year shall be
16 reduced by an amount equal to the lesser of 10% of the total amount of
17 such credit or credits earned in a current tax year or claimed in a current
18 tax year as a carry forward from a prior tax year, or 10% of the tax as
19 computed prior to the allowance of any such credits.

20 (b) For tax years 2009 and 2010, for any tax credit provided under
21 K.S.A. 40-2246 and 79-32,190 and K.S.A. 2016 Supp. 74-50,208, 79-
22 32,206, *prior to its repeal*, 79-32,210 and 79-32,211a, and amendments
23 thereto, and if refundable, K.S.A. 79-32,261 and 79-32,262, and
24 amendments thereto, and for tax year 2009, for the tax credit provided
25 under K.S.A. 2016 Supp. 74-50,154, and amendments thereto, the total
26 amount of any credits refunded or allowed against the tax imposed by the
27 Kansas income tax act, the premium tax or privilege fees imposed
28 pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as
29 measured by net income of financial institutions imposed pursuant to
30 chapter 79, article 11 of the Kansas Statutes Annotated, *and amendments*
31 *thereto*, shall not exceed 90% of the total amount of tax credit or credits
32 earned, and the remaining portion of such tax credit or credits shall be lost.

33 (c) For any tax credit or credits earned pursuant to K.S.A. 79-
34 32,160a, and amendments thereto, other than tax credits earned pursuant to
35 ~~subsection (e) of K.S.A. 79-32,160a(e)~~, and amendments thereto, in a tax
36 year prior to 2009 and carried forward from such prior tax year and
37 claimed in tax years 2009 or 2010, any reduction in the amount of credit or
38 credits that may be carried forward to any succeeding tax year determined
39 pursuant to subsection (a), may be carried forward to any tax year after
40 2010, pursuant to the applicable carry-forward period provided in K.S.A.
41 79-32,160a, and amendments thereto.

42 (d) For any tax credit earned pursuant to ~~subsection (e) of K.S.A. 79-~~
43 ~~32,160a(e)~~, and amendments thereto, by a taxpayer qualified and certified

1 under the provisions of K.S.A. 74-50,131, and amendments thereto, who
2 has received prior to June 1, 2009, written approval from the secretary of
3 commerce of a certificate of intent to invest in a qualified business facility,
4 any reduction in the amount of credit or credits that may be carried
5 forward to any succeeding tax year determined pursuant to subsection (a),
6 may be carried forward to any tax year after 2010, pursuant to the
7 applicable carry-forward period provided in K.S.A. 79-32,160a, and
8 amendments thereto.

9 (e) For any tax credit or credits earned pursuant to K.S.A. 74-8133,
10 and amendments thereto, any reduction in the amount of credit or credits
11 that may be carried forward to any succeeding tax year determined
12 pursuant to subsection (a) from tax years 2009 or 2010, may be carried
13 forward to any tax year after 2010, pursuant to the applicable carry-
14 forward period provided in K.S.A. 74-8133, and amendments thereto.

15 Sec. 10. K.S.A. 2016 Supp. 79-32,266 is hereby amended to read as
16 follows: 79-32,266. (a) For taxable years commencing after December 31,
17 2010, there shall be allowed as a credit against the tax liability of a
18 resident individual taxpayer an amount equal to 95% of the resident
19 individual's income tax liability under the provisions of the Kansas income
20 tax act for Kansas source income received from a qualified company that
21 is business income attributable to business activities conducted at the
22 business facility, office, department or other operation relocated to Kansas
23 when the taxpayer owns such qualified company and materially
24 participates in such business activities conducted at such relocated
25 business facility, office, department or other operation of such qualified
26 company which qualified for benefits under the provisions of ~~subsection~~
27 ~~(a)(1)~~ of K.S.A. 74-50,212(a)(1), and amendments thereto. A taxpayer
28 shall be treated as materially participating in such qualified company's
29 business activities conducted at such business facility, office, department
30 or other operation relocated to Kansas only if the taxpayer is involved in
31 such business activities of such qualified company on a basis which is
32 regular, continuous and substantial. A taxpayer may claim the credit
33 authorized by this section during any tax year in which the qualified
34 company owned by the taxpayer qualifies for benefits under provisions of
35 K.S.A. 74-50,212, and amendments thereto.

36 (b) Business income attributable to the business activities conducted
37 at the business facility, office, department or other operation relocated to
38 Kansas of a qualified company which qualified for benefits under the
39 provisions of ~~subsection (a)(1)~~ of K.S.A. 74-50,212(a)(1), and
40 amendments thereto, shall be determined by multiplying the business
41 income of the company apportioned to this state by a fraction, the
42 numerator of which is the property factor plus the payroll factor plus the
43 sales factor, and the denominator of which is three. For purposes of this

1 subsection, the property factor is a fraction, the numerator of which is the
2 average value of the company's real and tangible personal property owned
3 or rented and used during the tax period at such relocated facility, office,
4 department or other relocated operation in Kansas, and the denominator of
5 which is the average value of the company's real and tangible personal
6 property owned or rented and used within this state during the tax period.
7 The payroll factor is a fraction, the numerator of which is the total amount
8 paid during the tax period by the company for compensation at such
9 relocated facility, office, department or other relocated operation in
10 Kansas, and the denominator of which is the total compensation paid by
11 the company in this state during the tax period. The sales factor is a
12 fraction, the numerator of which is the total sales of the relocated facility,
13 office, department or other relocated operation in this state during the tax
14 period, and the denominator of which is the total sales of the company in
15 this state during the tax period.

16 (c) This credit shall not be available to any taxpayer making a
17 modification under ~~(b)(xix) or (c)(xx)~~ of K.S.A. 79-32,117(b)(xviii) or (c)
18 (xx), and amendments thereto.

19 (d) The secretary of revenue shall adopt rules and regulations
20 regarding the filing of documents that support the qualifications of the
21 taxpayer for the credit claimed pursuant to this section.

22 Sec. 11. K.S.A. 2016 Supp. 79-4502 is hereby amended to read as
23 follows: 79-4502. As used in this act, unless the context clearly indicates
24 otherwise:

25 (a) "Income" means the sum of adjusted gross income under the
26 Kansas income tax act effective for tax year 2013 and thereafter without
27 regard to any modifications pursuant to K.S.A. 79-32,117(b)(xx)(xix)
28 through ~~(xxiii)~~ (xxii) and (c)(xx), and amendments thereto, maintenance,
29 support money, cash public assistance and relief, not including any refund
30 granted under this act, the gross amount of any pension or annuity,
31 including all monetary retirement benefits from whatever source derived,
32 including but not limited to, all payments received under the railroad
33 retirement act, except disability payments, payments received under the
34 federal social security act, except that for determination of what constitutes
35 income such amount shall not exceed 50% of any such social security
36 payments and shall not include any social security payments to a claimant
37 who prior to attaining full retirement age had been receiving disability
38 payments under the federal social security act in an amount not to exceed
39 the amount of such disability payments or 50% of any such social security
40 payments, whichever is greater, all dividends and interest from whatever
41 source derived not included in adjusted gross income, workers
42 compensation and the gross amount of "loss of time" insurance. Income
43 does not include gifts from nongovernmental sources or surplus food or

1 other relief in kind supplied by a governmental agency, nor shall net
2 operating losses and net capital losses be considered in the determination
3 of income. Income does not include veterans disability pensions. Income
4 does not include disability payments received under the federal social
5 security act.

6 (b) "Household" means a claimant, a claimant and spouse who
7 occupy the homestead or a claimant and one or more individuals not
8 related as husband and wife who together occupy a homestead.

9 (c) "Household income" means all income received by all persons of
10 a household in a calendar year while members of such household.

11 (d) "Homestead" means the dwelling, or any part thereof, owned and
12 occupied as a residence by the household and so much of the land
13 surrounding it, as defined as a home site for ad valorem tax purposes, and
14 may consist of a part of a multi-dwelling or multi-purpose building and a
15 part of the land upon which it is built or a manufactured home or mobile
16 home and the land upon which it is situated. "Owned" includes a vendee in
17 possession under a land contract, a life tenant, a beneficiary under a trust
18 and one or more joint tenants or tenants in common.

19 (e) "Claimant" means a person who has filed a claim under the
20 provisions of this act and was, during the entire calendar year preceding
21 the year in which such claim was filed for refund under this act, except as
22 provided in K.S.A. 79-4503, and amendments thereto, both domiciled in
23 this state and was: (1) A person having a disability; (2) a person who is 55
24 years of age or older; (3) a disabled veteran; (4) the surviving spouse of
25 active duty military personnel who died in the line of duty; or (5) a person
26 other than a person included under *paragraphs* (1), (2), (3) or (4) having
27 one or more dependent children under 18 years of age residing at the
28 person's homestead during the calendar year immediately preceding the
29 year in which a claim is filed under this act. The surviving spouse of a
30 disabled veteran who was receiving benefits pursuant to subsection (e)(3)
31 of this section at the time of the veterans' death, shall be eligible to
32 continue to receive benefits until such time the surviving spouse remarries.

33 When a homestead is occupied by two or more individuals and more
34 than one of the individuals is able to qualify as a claimant, the individuals
35 may determine between them as to whom the claimant will be. If they are
36 unable to agree, the matter shall be referred to the secretary of revenue
37 whose decision shall be final.

38 (f) "Property taxes accrued" means property taxes, exclusive of
39 special assessments, delinquent interest and charges for service, levied on
40 a claimant's homestead in 1979 or any calendar year thereafter by the state
41 of Kansas and the political and taxing subdivisions of the state. When a
42 homestead is owned by two or more persons or entities as joint tenants or
43 tenants in common and one or more of the persons or entities is not a

1 member of claimant's household, "property taxes accrued" is that part of
2 property taxes levied on the homestead that reflects the ownership
3 percentage of the claimant's household. For purposes of this act, property
4 taxes are "levied" when the tax roll is delivered to the local treasurer with
5 the treasurer's warrant for collection. When a claimant and household own
6 their homestead part of a calendar year, "property taxes accrued" means
7 only taxes levied on the homestead when both owned and occupied as a
8 homestead by the claimant's household at the time of the levy, multiplied
9 by the percentage of 12 months that the property was owned and occupied
10 by the household as its homestead in the year. When a household owns and
11 occupies two or more different homesteads in the same calendar year,
12 property taxes accrued shall be the sum of the taxes allocable to those
13 several properties while occupied by the household as its homestead
14 during the year. Whenever a homestead is an integral part of a larger unit
15 such as a multi-purpose or multi-dwelling building, property taxes accrued
16 shall be that percentage of the total property taxes accrued as the value of
17 the homestead is of the total value. For the purpose of this act, the word
18 "unit" refers to that parcel of property covered by a single tax statement of
19 which the homestead is a part.

20 (g) "Disability" means:

21 (1) Inability to engage in any substantial gainful activity by reason of
22 any medically determinable physical or mental impairment which can be
23 expected to result in death or has lasted or can be expected to last for a
24 continuous period of not less than 12 months, and an individual shall be
25 determined to be under a disability only if the physical or mental
26 impairment or impairments are of such severity that the individual is not
27 only unable to do the individual's previous work but cannot, considering
28 age, education and work experience, engage in any other kind of
29 substantial gainful work which exists in the national economy, regardless
30 of whether such work exists in the immediate area in which the individual
31 lives or whether a specific job vacancy exists for the individual, or whether
32 the individual would be hired if application was made for work. For
33 purposes of the preceding sentence (with respect to any individual), "work
34 which exists in the national economy" means work which exists in
35 significant numbers either in the region where the individual lives or in
36 several regions of the country; for purposes of this subsection, a "physical
37 or mental impairment" is an impairment that results from anatomical,
38 physiological or psychological abnormalities which are demonstrable by
39 medically acceptable clinical and laboratory diagnostic techniques; or
40 (2) blindness and inability by reason of blindness to engage in
41 substantial gainful activity requiring skills or abilities comparable to those
42 of any gainful activity in which the individual has previously engaged with
43 some regularity and over a substantial period of time.

1 (h) "Blindness" means central visual acuity of $20/200$ or less in the
2 better eye with the use of a correcting lens. An eye which is accompanied
3 by a limitation in the fields of vision such that the widest diameter of the
4 visual field subtends an angle no greater than 20 degrees shall be
5 considered for the purpose of this paragraph as having a central visual
6 acuity of $20/200$ or less.

7 (i) "Disabled veteran" means a person who is a resident of Kansas
8 and has been honorably discharged from active service in any branch of
9 the armed forces of the United States or Kansas national guard and who
10 has been certified by the United States department of veterans affairs or its
11 successor to have a 50% permanent disability sustained through military
12 action or accident or resulting from disease contracted while in such active
13 service.

14 Sec. 12. K.S.A. 79-32,117a, 79-32,117b, 79-32,117c, 79-32,117d, 79-
15 32,117e, 79-32,181 and 79-32,192 and K.S.A. 2016 Supp. 74-50,136, 74-
16 8947, 75-4275, 79-225, 79-255, 79-1705, 79-32,117, 79-32,138, 79-
17 32,143a, 79-32,181a, 79-32,203, 79-32,206, 79-32,214, 79-32,215, 79-
18 32,238, 79-32,239, 79-32,240, 79-32,241, 79-32,244, 79-32,264, 79-
19 32,266 and 79-4502 are hereby repealed.

20 Sec. 13. This act shall take effect and be in force from and after its
21 publication in the statute book.