

As Amended by House Committee

Session of 2020

HOUSE BILL No. 2552

By Representatives Erickson and Williams

2-3

1 AN ACT concerning education; creating the Kansas reading readiness act;  
2 amending K.S.A. 79-32,117 and repealing the existing section.

3  
4 *Be it enacted by the Legislature of the State of Kansas:*

5 New Section 1. Sections 1 through 14, and amendments thereto, shall  
6 be known and may be cited as the Kansas reading readiness act.

7 New Sec. 2. As used in this act:

8 (a) "Account" means a Kansas reading readiness account.

9 (b) "BASE aid" means the amount of base aid for student excellence  
10 set forth in K.S.A. 72-5132, and amendments thereto, for the immediately  
11 preceding school year.

12 (c) "Department" means the Kansas department of education.

13 (d) "Eligible student" means a resident of Kansas who:

14 (1) Is or has been enrolled in grade three or four in a school district  
15 organized under the laws of this state;

16 (2) is or has been determined to be reading below grade level as  
17 determined pursuant to section 3, and amendments thereto; and

18 (3) has not graduated from high school.

19 (e) "Parent" means a parent, legal guardian, custodian or other person  
20 with authority to act on behalf of an eligible student.

21 (f) "Program" means the Kansas reading readiness program  
22 established under section 4, and amendments thereto.

23 (g) "Qualified private school" means ~~an accredited~~ a private school  
24 located in Kansas that:

25 (1) Is registered with the state board of education pursuant to K.S.A.  
26 72-4346, and amendments thereto;

27 (2) provides instruction in at least those subjects required by K.S.A.  
28 72-3214, 72-3217 and 72-3235, and amendments thereto;

29 (3) **is accredited by the state board of education or a national or**  
30 **regional accrediting agency that is recognized by the state board of**  
31 **education for the purpose of satisfying the teaching performance**  
32 **assessment for professional licensure;**

33 (4) is approved by the treasurer pursuant to section 10, and  
34 amendments thereto; and

35 ~~(4)~~(5) is in good standing in accordance with the provisions of this  
36 act.

1 (h) "Resident school district" means the school district in which an  
2 eligible student would be enrolled based on such eligible student's  
3 residence.

4 (i) "Treasurer" means the state treasurer or the state treasurer's  
5 designee.

6 New Sec. 3. (a) Each school district shall annually make a  
7 determination whether those students enrolled in grades three and four are  
8 academically eligible for the Kansas reading readiness program. The  
9 determination of academic eligibility shall be based on the most recently  
10 administered state assessment for English language arts. A student shall be  
11 deemed academically eligible if the student:

12 (1) Is enrolled in grade three and scores at the lowest achievement  
13 level on the state assessment for English language arts; or

14 (2) is enrolled in grade four and scores at the lowest or second-lowest  
15 achievement level on the state assessment for English language arts.

16 (b) A student who has been determined to be reading below grade  
17 level pursuant to subsection (a) shall be eligible to participate in the  
18 Kansas reading readiness program if the student satisfies the other  
19 requirements for eligibility. The school district shall notify the parent of  
20 such student that the student is eligible for the Kansas reading readiness  
21 program. Such notice shall include a cover letter explaining the basis for  
22 such child's eligibility for the program, a copy of the results of the most  
23 recently administered state assessment for English language arts for such  
24 child, the name and telephone number of the school district employee who  
25 may be contacted if the parent has questions about the program and a  
26 written description of the program, including the information described in  
27 section 4(c), and amendments thereto.

28 (c) When a student becomes eligible for the program, the parent of  
29 such student may elect to participate in the program in accordance with the  
30 provisions of section 7, and amendments thereto.

31 New Sec. 4. (a) The Kansas reading readiness program is hereby  
32 established and shall be administered by the state treasurer. The purpose of  
33 the program is to provide alternative options for the education of Kansas  
34 students who do not read at grade level as determined pursuant to section  
35 3, and amendments thereto.

36 (b) The treasurer shall establish a Kansas reading readiness account  
37 for each eligible student whose parent satisfies the requirements of this act.

38 (c) The treasurer shall maintain an explanation of the following  
39 information on the treasurer's website and provide a hard copy of such  
40 information to any person who requests it:

41 (1) The options for participation in the program as provided in section  
42 7, and amendments thereto;

43 (2) the allowable uses of moneys in a Kansas reading readiness

1 account;

2 (3) the responsibilities of a parent of an eligible student participating  
3 in the program;

4 (4) the effect of participation in the program by eligible students with  
5 an individualized education program (IEP) or an education plan under  
6 section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504  
7 plan);

8 (5) the duties of the treasurer;

9 (6) the name and telephone number of the treasurer's employee who  
10 may be contacted if a parent has questions about the program; and

11 (7) a list of qualified private schools.

12 New Sec. 5. (a) For an eligible student to participate in the program,  
13 the parent of such eligible student shall enter into a written agreement with  
14 the treasurer, in such manner and form as prescribed by the treasurer.

15 (b) The agreement between the parent of an eligible student and the  
16 treasurer shall provide that:

17 (1) The eligible student shall participate in the program in accordance  
18 with section 7, and amendments thereto;

19 (2) the treasurer shall establish an account for the eligible student in  
20 the Kansas reading readiness fund established by section 6, and  
21 amendments thereto;

22 (3) the parent shall comply with all requirements and rules and  
23 regulations of the program; and

24 (4) the moneys in the eligible student's account shall only be  
25 expended as authorized by the program.

26 (c) Only one account may be established for each eligible student. A  
27 parent acting on behalf of more than one eligible student shall have a  
28 separate written agreement for each eligible student.

29 (d) A written agreement entered pursuant to this act shall expire on  
30 ~~July 31~~ **1** immediately following the date the agreement becomes effective,  
31 but may be terminated prior to such date pursuant to subsection (e). Each  
32 written agreement may be renewed by ~~August 1~~ **July 15** upon the written  
33 consent of the parent and the treasurer in a manner determined by the  
34 treasurer, except that the parent may submit a request to the treasurer for  
35 an extension of time for renewal not to exceed 30 days. Failure to renew a  
36 written agreement does not preclude renewal of such written agreement in  
37 a subsequent year. A written agreement that has been terminated pursuant  
38 to subsection (e) shall not be renewed.

39 (e) (1) A written agreement may be terminated by the treasurer upon a  
40 determination that:

41 (A) Moneys in an account have been used for purposes other than  
42 those allowed by the program;

43 (B) the eligible student no longer satisfies the qualifications of an

1 eligible student as defined in section 2, and amendments thereto; or

2 (C) the eligible student no longer participates in the program in  
3 accordance with section 7, and amendments thereto.

4 (2) A written agreement may be terminated by a parent at any time.  
5 To terminate a written agreement, such parent shall notify the treasurer in  
6 writing of such termination.

7 (3) When a written agreement is terminated, the account associated  
8 with such agreement shall be deemed inactive, and the treasurer shall close  
9 the account in accordance with section 6(h), and amendments thereto.

10 New Sec. 6. (a) (1) There is hereby established in the state treasury  
11 the Kansas reading readiness fund to be administered by the state treasurer.  
12 Moneys in the Kansas reading readiness fund shall be expended only for  
13 the purposes established in this act. All moneys received pursuant to  
14 section 8, and amendments thereto, shall be deposited in the state treasury  
15 in accordance with the provisions of K.S.A. 75-4215, and amendments  
16 thereto, and shall be credited to the Kansas reading readiness fund.

17 (2) The director of accounts and reports shall create a procedure for  
18 the Kansas reading readiness fund to have individual student accounts  
19 therein. Each student's accumulated moneys in the student's account shall  
20 earn interest based on: (A) The average daily balance of moneys in each  
21 student's account for the preceding month; and (B) the net earnings rate of  
22 the pooled money investment portfolio for the preceding month. The  
23 amount of interest earned shall be added monthly to each student's account  
24 in the Kansas reading readiness fund.

25 (b) Upon execution of an agreement in accordance with section 5, and  
26 amendments thereto, the treasurer shall establish an account in the Kansas  
27 reading readiness fund in the state treasury in the name of the eligible  
28 student. Upon establishment of such account, the treasurer shall notify the  
29 resident school district of the establishment of such account for the eligible  
30 student.

31 (c) If the eligible student is enrolled in a qualified private school, the  
32 treasurer shall transfer to such eligible student's account in the Kansas  
33 reading readiness fund an aggregate annual amount equal to the BASE aid.

34 (d) If the eligible student continues to be enrolled in such student's  
35 resident school district, the treasurer shall transfer to such eligible student's  
36 account in the Kansas reading readiness fund an aggregate annual amount  
37 equal to 0.484 multiplied by the BASE aid.

38 (e) The treasurer shall make transfers required under subsections (c)  
39 and (d) in quarterly installments pursuant to a schedule determined by the  
40 treasurer.

41 (f) The treasurer may deduct a percentage of the aggregate annual  
42 amount to be transferred into an eligible student's account as  
43 reimbursement for the administrative costs of implementing the provisions

1 of this act as follows:

2 (1) Up to 5% each year for the first two years moneys are transferred  
3 to an eligible student's account; and

4 (2) up to 2.5% for the third year and for each subsequent year moneys  
5 are transferred to an eligible student's account.

6 (g) No transfers shall be made to an eligible student's account after  
7 such student has graduated from high school.

8 (h) (1) Each account shall remain active until:

9 (A) A written agreement is terminated pursuant to section 5, and  
10 amendments thereto;

11 (B) July 31 following the date on which the eligible student graduates  
12 from high school; or

13 (C) there are two consecutive years of nonrenewal of an agreement.

14 (2) If the treasurer determines an account is inactive, the treasurer  
15 shall close the account and certify the amount of moneys remaining in the  
16 account to the director of accounts and reports **and the state board of**  
17 **education.** ~~Such certified amount shall remain in the Kansas reading-~~  
18 ~~readiness fund~~ **Upon receipt of such certification, the director of**  
19 **accounts and reports shall transfer such certified amount to the state**  
20 **foundation aid account of the state general fund. The state board of**  
21 **education shall distribute such certified amount to the resident school**  
22 **district of such student in the immediately succeeding school year.**

23 (i) The treasurer shall develop a system for payment of services by  
24 participating parents by electronic funds transfer. Such system shall not  
25 require parents to be reimbursed for allowable expenses. All electronic  
26 funds transfers shall only be for expenditures approved by the treasurer.  
27 The treasurer may contract with a third party for the purposes of  
28 implementing this subsection.

29 New Sec. 7. (a) An eligible student whose parent has entered into an  
30 agreement with the treasurer in accordance with section 5, and  
31 amendments thereto, shall participate in the program by:

32 (1) Continuing enrollment in such student's resident school district  
33 and receiving additional services to improve such student's reading skills  
34 through evidence-based practices and programs requested or approved by  
35 such student's parent; or

36 (2) enrolling in a qualified private school.

37 (b) For eligible students participating in the program in accordance  
38 with subsection (a)(1), a school district shall provide those evidenced-  
39 based practices and programs requested by the parent of such eligible  
40 student to the extent the cost of such practices or programs is covered by  
41 moneys transferred to such student's account pursuant to section 6, and  
42 amendments thereto. ~~A school district also may recommend,~~ **or such other**  
43 **evidence-based practices and programs to improve such eligible student's**

1 reading skills, but shall obtain the parent's approval for such practices or  
2 programs prior to the expenditure of any moneys held in such student's  
3 account for such practices or programs.

4 New Sec. 8. (a) **On or before July 1 of** each year, the treasurer shall  
5 notify the state board of education as to the names of the students  
6 participating in the Kansas reading readiness program, the resident school  
7 district of each student and the qualified private school, if any, each  
8 student is attending in the current school year. **On or before July 15 of**  
9 **each year, the treasurer shall notify each resident school district as to**  
10 **the names of the students residing in such school district who are**  
11 **participating in the Kansas reading readiness program in the current**  
12 **school year.**

13 (b) For school year 2020-2021, and each school year thereafter, an  
14 eligible student shall be counted in the enrollment of such eligible student's  
15 resident school district for the purposes of calculating the amount of the  
16 state foundation aid for the resident school district.

17 (c) (1) The state board shall determine the amounts to be transferred  
18 to the Kansas reading readiness fund by:

19 (A) Multiplying an amount equal to the percentage of the BASE aid  
20 as set forth in section 6(c), and amendments thereto, by the total number of  
21 eligible students in such resident school district who are participating in  
22 the program, who are enrolled in a qualified private school and who  
23 correspond to such percentage; plus

24 (B) multiplying an amount equal to the BASE aid by 0.484 and then  
25 multiplying the resulting product by the total number of eligible students  
26 in such resident school district who are participating in the program, but  
27 who are not enrolled in a qualified private school; plus

28 (C) any interest earned pursuant to section 6(a)(2), and amendments  
29 thereto.

30 (2) The state board of education shall certify the resulting amounts to  
31 the director of accounts and reports. Upon receipt of such certification, the  
32 director shall transfer such certified amounts from the state general fund to  
33 the Kansas reading readiness fund established in section 6, and  
34 amendments thereto.

35 (3) For school year 2020-2021, and each school year thereafter, the  
36 state board shall deduct from the amount of state foundation aid for each  
37 resident school district the amount certified under paragraph (2) for such  
38 resident school district. The appropriation for the fiscal year of the date of  
39 the certification in the state foundation aid account of the state general  
40 fund is hereby lapsed by the amount equal to the accumulated total of such  
41 certified amounts under paragraph (2).

42 New Sec. 9. (a) Moneys in the eligible student's account may be  
43 accessed by such eligible student's parent, but shall only be expended by

1 such parent for the following purposes:

2 (1) Tuition and fees charged by a qualified private school;

3 (2) textbooks and other supplies required by a qualified private  
4 school; and

5 (3) evidenced-based practices and programs requested or approved in  
6 accordance with section 7, and amendments thereto.

7 (b) The treasurer shall notify the parent of any expenditures from an  
8 eligible student's account that do not meet the requirements of subsection  
9 (a). Such parent shall repay the cost of any such expenditures within 30  
10 days of notification by the treasurer.

11 (c) Except as provided in section 6(h), and amendments thereto,  
12 funds remaining in an account at the end of a school year shall roll over to  
13 the next succeeding school year.

14 (d) A qualified private school providing education services purchased  
15 with funds from an account shall not share, refund or rebate any portion of  
16 such funds to the parent or eligible student. Any such refund or rebate shall  
17 be made directly into the eligible student's account.

18 (e) No personal deposits may be made into an account.

19 (f) (1) The treasurer shall conduct or contract to conduct annual  
20 audits of eligible student accounts to ensure compliance with the  
21 provisions of this act and may conduct or contract to conduct additional  
22 audits of eligible student accounts, as needed.

23 (2) If the treasurer determines moneys in an account have been used  
24 for purposes other than those allowed by subsection (a), the treasurer may:

25 (A) Prohibit expenditures from the account until such time as  
26 determined by the treasurer;

27 (B) prorate amounts to be deposited in such account under section 6,  
28 and amendments thereto, by an amount equal to the total amount used for  
29 purposes other than those allowed by subsection (a); or

30 (C) terminate the account.

31 New Sec. 10. (a) To become a qualified private school, an applicant  
32 shall submit an application to the treasurer on a form and in a manner  
33 prescribed by the treasurer. Such application shall include proof that the  
34 applicant is an accredited nonpublic school registered with the state board  
35 of education pursuant to K.S.A. 72-4346, and amendments thereto, and  
36 provides instruction in at least those subjects required by K.S.A. 72-3214,  
37 72-3217 and 72-3235, and amendments thereto.

38 (b) The treasurer shall approve an application or request additional  
39 information, as necessary, to prove an applicant meets the criteria to be  
40 deemed a qualified private school within 45 days of receiving the  
41 application. If the applicant is unable to provide such additional  
42 information, the treasurer may deny the application.

43 (c) The treasurer shall conduct or contract to conduct an audit of a

1 qualified private school, selected at random each year, to determine  
2 whether the qualified private school is compliant with the requirements of  
3 subsection (a).

4 (d) (1) The treasurer may revoke a qualified private school's approval,  
5 if the treasurer determines the qualified private school:

6 (A) Has routinely failed to comply with the provisions of this act or  
7 applicable rules and regulations; or

8 (B) has failed to provide any educational services required by law to  
9 an eligible student receiving instruction from the school, if the school is  
10 accepting payments made from such eligible student's account.

11 (2) Prior to revoking a qualified private school's approval, the  
12 treasurer shall notify such school of an impending revocation and the  
13 reason for such revocation. The qualified private school shall have 30 days  
14 from the time it was notified to cure the matter identified in the notice. If  
15 the qualified private school fails to cure such matter within 30 days, such  
16 school's approval shall be revoked. A qualified private school whose  
17 approval has been revoked shall not be allowed to participate in the  
18 program until such time the treasurer determines such school is in  
19 compliance with the requirements of this act.

20 (3) If the treasurer revokes a qualified private school's approval, the  
21 treasurer shall immediately notify each parent of an eligible student  
22 participating in the program and receiving instruction from such school.

23 (e) The treasurer may notify the attorney general or the district or  
24 county attorney of the county where the qualified private school is located,  
25 if a qualified private school's approval was revoked because of misuse of  
26 moneys paid from an account.

27 New Sec. 11. Enrollment of an eligible student in a qualified private  
28 school shall be considered a parental placement of such student under the  
29 individuals with disabilities education act, 20 U.S.C. § 1400 et seq.

30 New Sec. 12. The provisions of this act shall be subject to the Kansas  
31 administrative procedure act and reviewable under the Kansas judicial  
32 review act.

33 New Sec. 13. On or before January 1, 2021, the treasurer shall adopt  
34 rules and regulations necessary to carry out the provisions of this act.

35 New Sec. 14. Nothing in this act shall be deemed to limit the  
36 independence or autonomy of a qualified private school or to make the  
37 actions of a qualified private school the actions of the state government.

38 Sec. 15. K.S.A. 79-32,117 is hereby amended to read as follows: 79-  
39 32,117. (a) The Kansas adjusted gross income of an individual means such  
40 individual's federal adjusted gross income for the taxable year, with the  
41 modifications specified in this section.

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

43 (i) Interest income less any related expenses directly incurred in the



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

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

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

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

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

43 (vi) Any amount of designated employee contributions picked up by

1 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
2 and amendments thereto.

3 (vii) The amount of any charitable contribution made to the extent the  
4 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
5 32,196, and amendments thereto.

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

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

16 (x) Amounts received as nonqualified withdrawals, as defined by  
17 K.S.A. 75-643, and amendments thereto, if, at the time of contribution to a  
18 family postsecondary education savings account, such amounts were  
19 subtracted from the federal adjusted gross income pursuant to K.S.A. 79-  
20 32,117(c)(xv), and amendments thereto, or if such amounts are not already  
21 included in the federal adjusted gross income.

22 (xi) The amount of any contribution made to the same extent the  
23 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-  
24 50,154, and amendments thereto.

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

32 (xiii) The amount of any expenditures claimed for deduction in  
33 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. 79-32,217  
35 through 79-32,220 or 79-32,222, and amendments thereto.

36 (xiv) The amount of any amortization deduction claimed in  
37 determining federal adjusted gross income to the extent the same is  
38 claimed for deduction pursuant to K.S.A. 79-32,221, and amendments  
39 thereto.

40 (xv) The amount of any expenditures claimed for deduction in  
41 determining federal adjusted gross income, to the extent the same is  
42 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223  
43 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-

1 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-  
2 32,251 through 79-32,254, and amendments thereto.

3 (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. 79-32,227, 79-32,232, 79-  
6 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

7 (xvii) The amount of any amortization deduction claimed in  
8 determining federal adjusted gross income to the extent the same is  
9 claimed for deduction pursuant to K.S.A. 79-32,256, and amendments  
10 thereto.

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

21 (xix) For taxable years beginning after December 31, 2012, and  
22 ending before January 1, 2017, the amount of any: (1) Loss from business  
23 as determined under the federal internal revenue code and reported from  
24 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
25 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
26 corporations, except those with wholly owned subsidiaries subject to the  
27 Kansas privilege tax, estates, trusts, residual interest in real estate  
28 mortgage investment conduits and net farm rental as determined under the  
29 federal internal revenue code and reported from schedule E and on line 17  
30 of the taxpayer's form 1040 federal individual income tax return; and (3)  
31 farm loss as determined under the federal internal revenue code and  
32 reported from schedule F and on line 18 of the taxpayer's form 1040  
33 federal income tax return; all to the extent deducted or subtracted in  
34 determining the taxpayer's federal adjusted gross income. For purposes of  
35 this subsection, references to the federal form 1040 and federal schedule  
36 C, schedule E, and schedule F, shall be to such form and schedules as they  
37 existed for tax year 2011, and as revised thereafter by the internal revenue  
38 service.

39 (xx) For taxable years beginning after December 31, 2012, and  
40 ending before January 1, 2017, the amount of any deduction for self-  
41 employment taxes under section 164(f) of the federal internal revenue  
42 code as in effect on January 1, 2012, and amendments thereto, in  
43 determining the federal adjusted gross income of an individual taxpayer, to

1 the extent the deduction is attributable to income reported on schedule C,  
2 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income  
3 tax return.

4 (xxi) For taxable years beginning after December 31, 2012, and  
5 ending before January 1, 2017, the amount of any deduction for pension,  
6 profit sharing, and annuity plans of self-employed individuals under  
7 section 62(a)(6) of the federal internal revenue code as in effect on January  
8 1, 2012, and amendments thereto, in determining the federal adjusted gross  
9 income of an individual taxpayer.

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

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

20 (xxiv) For taxable years commencing after December 31, 2013, that  
21 portion of the amount of any expenditure deduction claimed in  
22 determining federal adjusted gross income for expenses paid for medical  
23 care of the taxpayer or the taxpayer's spouse or dependents when such  
24 expenses were paid or incurred for an abortion, or for a health benefit plan,  
25 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of  
26 an optional rider for coverage of abortion in accordance with K.S.A. 2019  
27 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and  
28 assessments are claimed as an itemized deduction for federal income tax  
29 purposes.

30 (xxv) For taxable years commencing after December 31, 2013, that  
31 portion of the amount of any expenditure deduction claimed in  
32 determining federal adjusted gross income for expenses paid by a taxpayer  
33 for health care when such expenses were paid or incurred for abortion  
34 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and  
35 amendments thereto, when such expenses were paid or incurred for  
36 abortion coverage or amounts contributed to health savings accounts for  
37 such taxpayer's employees for the purchase of an optional rider for  
38 coverage of abortion in accordance with K.S.A. 2019 Supp. 40-2,190, and  
39 amendments thereto, to the extent that such taxes and assessments are  
40 claimed as a deduction for federal income tax purposes.

41 (xxvi) For all taxable years beginning after December 31, 2016, the  
42 amount of any charitable contribution made to the extent the same is  
43 claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07,

1 and amendments thereto, and is also claimed as an itemized deduction for  
2 federal income tax purposes.

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

4 (i) Interest or dividend income on obligations or securities of any  
5 authority, commission or instrumentality of the United States and its  
6 possessions less any related expenses directly incurred in the purchase of  
7 such obligations or securities, to the extent included in federal adjusted  
8 gross income but exempt from state income taxes under the laws of the  
9 United States.

10 (ii) Any amounts received ~~which~~ *that* are included in federal adjusted  
11 gross income but which are specifically exempt from Kansas income  
12 taxation under the laws of the state of Kansas.

13 (iii) The portion of any gain or loss from the sale or other disposition  
14 of property having a higher adjusted basis for Kansas income tax purposes  
15 than for federal income tax purposes on the date such property was sold or  
16 disposed of in a transaction in which gain or loss was recognized for  
17 purposes of federal income tax that does not exceed such difference in  
18 basis, but if a gain is considered a long-term capital gain for federal  
19 income tax purposes, the modification shall be limited to that portion of  
20 such gain ~~which~~ *that* is included in federal adjusted gross income.

21 (iv) The amount necessary to prevent the taxation under this act of  
22 any annuity or other amount of income or gain ~~which~~ *that* was properly  
23 included in income or gain and was taxed under the laws of this state for a  
24 taxable year prior to the effective date of this act, as amended, to the  
25 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
26 the right to receive the income or gain, or to a trust or estate from which  
27 the taxpayer received the income or gain.

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

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

35 (vii) Amounts received as annuities under the federal civil service  
36 retirement system from the civil service retirement and disability fund and  
37 other amounts received as retirement benefits in whatever form ~~which~~ *that*  
38 were earned for being employed by the federal government or for service  
39 in the armed forces of the United States.

40 (viii) Amounts received by retired railroad employees as a  
41 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
42 228c (a)(1) et seq.

43 (ix) Amounts received by retired employees of a city and by retired

1 employees of any board of such city as retirement allowances pursuant to  
2 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
3 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
4 amendments thereto.

5 (x) For taxable years beginning after December 31, 1976, the amount  
6 of the federal tentative jobs tax credit disallowance under the provisions of  
7 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
8 amount of the targeted jobs tax credit and work incentive credit  
9 disallowances under 26 U.S.C. § 280 C.

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

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

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

20 (xiv) For all taxable years commencing after December 31, 1996, that  
21 portion of any income of a bank organized under the laws of this state or  
22 any other state, a national banking association organized under the laws of  
23 the United States, an association organized under the savings and loan  
24 code of this state or any other state, or a federal savings association  
25 organized under the laws of the United States, for which an election as an  
26 S corporation under subchapter S of the federal internal revenue code is in  
27 effect, ~~which~~ that accrues to the taxpayer who is a stockholder of such  
28 corporation and ~~which~~ that is not distributed to the stockholders as  
29 dividends of the corporation. For taxable years beginning after December  
30 31, 2012, and ending before January 1, 2017, the amount of modification  
31 under this subsection shall exclude the portion of income or loss reported  
32 on schedule E and included on line 17 of the taxpayer's form 1040 federal  
33 individual income tax return.

34 (xv) For all taxable years beginning after December 31, 2017, the  
35 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple  
36 filing a joint return, for each designated beneficiary that are contributed to:  
37 (1) A family postsecondary education savings account established under  
38 the Kansas postsecondary education savings program or a qualified tuition  
39 program established and maintained by another state or agency or  
40 instrumentality thereof pursuant to section 529 of the internal revenue  
41 code of 1986, as amended, for the purpose of paying the qualified higher  
42 education expenses of a designated beneficiary; or (2) an achieving a  
43 better life experience (ABLE) account established under the Kansas ABLE

1 savings program or a qualified ABLE program established and maintained  
2 by another state or agency or instrumentality thereof pursuant to section  
3 529A of the internal revenue code of 1986, as amended, for the purpose of  
4 saving private funds to support an individual with a disability. The terms  
5 and phrases used in this paragraph shall have the meaning respectively  
6 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and  
7 amendments thereto, and the provisions of such sections are hereby  
8 incorporated by reference for all purposes thereof.

9 (xvi) For all taxable years beginning after December 31, 2004,  
10 amounts received by taxpayers who are or were members of the armed  
11 forces of the United States, including service in the Kansas army and air  
12 national guard, as a recruitment, sign up or retention bonus received by  
13 such taxpayer as an incentive to join, enlist or remain in the armed services  
14 of the United States, including service in the Kansas army and air national  
15 guard, and amounts received for repayment of educational or student loans  
16 incurred by or obligated to such taxpayer and received by such taxpayer as  
17 a result of such taxpayer's service in the armed forces of the United States,  
18 including service in the Kansas army and air national guard.

19 (xvii) For all taxable years beginning after December 31, 2004,  
20 amounts received by taxpayers who are eligible members of the Kansas  
21 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
22 281, and amendments thereto, and amounts received for death benefits  
23 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
24 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and  
25 amendments thereto, to the extent that such death benefits are included in  
26 federal adjusted gross income of the taxpayer.

27 (xviii) For the taxable year beginning after December 31, 2006,  
28 amounts received as benefits under the federal social security act ~~which~~  
29 *that* are included in federal adjusted gross income of a taxpayer with  
30 federal adjusted gross income of \$50,000 or less, whether such taxpayer's  
31 filing status is single, head of household, married filing separate or married  
32 filing jointly; and for all taxable years beginning after December 31, 2007,  
33 amounts received as benefits under the federal social security act ~~which~~  
34 *that* are included in federal adjusted gross income of a taxpayer with  
35 federal adjusted gross income of \$75,000 or less, whether such taxpayer's  
36 filing status is single, head of household, married filing separate or married  
37 filing jointly.

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

40 (xx) For taxable years beginning after December 31, 2012, and  
41 ending before January 1, 2017, the amount of any: (1) Net profit from  
42 business as determined under the federal internal revenue code and  
43 reported from schedule C and on line 12 of the taxpayer's form 1040

1 federal individual income tax return; (2) net income, not including  
2 guaranteed payments as defined in section 707(c) of the federal internal  
3 revenue code and as reported to the taxpayer from federal schedule K-1,  
4 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal  
5 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,  
6 partnerships, S corporations, estates, trusts, residual interest in real estate  
7 mortgage investment conduits and net farm rental as determined under the  
8 federal internal revenue code and reported from schedule E and on line 17  
9 of the taxpayer's form 1040 federal individual income tax return; and (3)  
10 net farm profit as determined under the federal internal revenue code and  
11 reported from schedule F and on line 18 of the taxpayer's form 1040  
12 federal income tax return; all to the extent included in the taxpayer's  
13 federal adjusted gross income. For purposes of this subsection, references  
14 to the federal form 1040 and federal schedule C, schedule E, and schedule  
15 F, shall be to such form and schedules as they existed for tax year 2011  
16 and as revised thereafter by the internal revenue service.

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

33 (xxii) For taxable years beginning after December 31, 2012, and  
34 ending before January 1, 2017, the amount of net gain from the sale of: (1)  
35 Cattle and horses, regardless of age, held by the taxpayer for draft,  
36 breeding, dairy or sporting purposes, and held by such taxpayer for 24  
37 months or more from the date of acquisition; and (2) other livestock,  
38 regardless of age, held by the taxpayer for draft, breeding, dairy or  
39 sporting purposes, and held by such taxpayer for 12 months or more from  
40 the date of acquisition. The subtraction from federal adjusted gross income  
41 shall be limited to the amount of the additions recognized under the  
42 provisions of subsection (b)(xix) attributable to the business in which the  
43 livestock sold had been used. As used in this paragraph, the term



1 "livestock" shall not include poultry.

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

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

10 (xxv) *For all taxable years beginning after December 31, 2019,*  
11 *amounts deposited in a Kansas reading readiness account established by*  
12 *agreement between the taxpayer and the state treasurer pursuant to*  
13 *section 5, and amendments thereto.*

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

18 (e) The amount of modifications required to be made under this  
19 section by a partner ~~which~~ *that* relates to items of income, gain, loss,  
20 deduction or credit of a partnership shall be determined under K.S.A. 79-  
21 32,131, and amendments thereto, to the extent that such items affect  
22 federal adjusted gross income of the partner.

23 (f) No taxpayer shall be assessed penalties and interest from the  
24 underpayment of taxes due to changes to this section that became law on  
25 July 1, 2017, so long as such underpayment is rectified on or before April  
26 17, 2018.

27 Sec. 16. K.S.A. 79-32,117 is hereby repealed.

28 Sec. 17. This act shall take effect and be in force from and after its  
29 publication in the statute book.