

**SENATE BILL No. 495**

By Committee on Assessment and Taxation

2-10

1 AN ACT concerning income taxation; relating to deductions; establishing  
2 the salt parity act; allowing pass-through entities to elect to pay state  
3 income tax at the entity level; amending K.S.A. 79-3220 and K.S.A.  
4 2021 Supp. 79-32,117 and 79-32,138 and repealing the existing  
5 sections; also repealing K.S.A. 2021 Supp. 79-32,117q.

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

8 New Section 1. (a) Sections 1 through 6, and amendments thereto,  
9 shall be known and may be cited as the salt parity act.

10 (b) The legislature finds and declares that the deductibility of state  
11 income taxes should be the same for C corporations, S corporations and  
12 partnerships.

13 (c) The provisions of this act shall be a part of and supplemental to  
14 the Kansas income tax act.

15 New Sec. 2. As used in sections 1 through 6, and amendments  
16 thereto, unless the context otherwise requires:

17 (a) "Act" means the provisions of sections 1 through 6, and  
18 amendments thereto.

19 (b) "C corporation" means a corporation other than an S corporation.

20 (c) "Electing pass-through entity" means, with respect to a taxable  
21 period, an S corporation or partnership that has made the election under  
22 section 3, and amendments thereto, with respect to the taxable period.

23 (d) "Electing pass-through entity owner" means, with respect to an S  
24 corporation, a shareholder of the S corporation and, with respect to a  
25 partnership, a partner in the partnership, except that a partner does not  
26 include a C corporation.

27 (e) "Income attributable to the state" means, with respect to an S  
28 corporation or partnership, the portion of the items of income, gain, loss or  
29 deduction of the S corporation or partnership apportioned or allocated to  
30 this state in accordance with the provisions of K.S.A. 79-3271 through 79-  
31 3293b, and amendments thereto.

32 (f) "Income not attributable to the state" means all items of income,  
33 gain, loss or deduction of an electing pass-through entity other than  
34 income attributable to the state.

35 (g) "S corporation" means a corporation having an election in effect  
36 under subchapter S of the federal internal revenue code.

1 (h) "Taxable period" means any taxable year or portion of a taxable  
2 year during which a corporation is an S corporation or a noncorporate  
3 entity is a partnership.

4 New Sec. 3. (a) Notwithstanding K.S.A. 79-32,129 and 79-32,139,  
5 and amendments thereto, and except as provided in subsection (b), for  
6 taxable years commencing on or after January 1, 2022, an S corporation or  
7 partnership may annually elect to be subject to tax at the entity level for  
8 the taxable period. The S corporation or partnership shall make the  
9 election on the return filed by such S corporation or partnership under  
10 K.S.A. 79-3220 and 79-3221, and amendments thereto. The filing of such  
11 return shall be binding on all electing pass-through entity owners.

~~12 (b) The election under subsection (a) shall only be allowed in a  
13 taxable year where there is a limitation on the deductions allowed to  
14 individuals under section 164(b)(6) of the federal internal revenue code.~~

15 New Sec. 4. (a) With respect to any taxable period for which it has  
16 made the election under section 3, and amendments thereto, an electing  
17 pass-through entity shall be subject to a tax in an amount equal to 5.7% of  
18 the sum of each **resident** electing pass-through entity owner's distributive  
share of

19 the electing pass-through entity's income **and each nonresident electing**  
20 **pass-through entity owner's distributive share of income** attributable to  
21 the state, all as

20 determined pursuant to K.S.A. 79-32,130, 79-32,131, 79-32,133 and 79-  
21 32,139, and amendments thereto.

22 (b) An electing pass-through entity shall be treated as a corporation  
23 under K.S.A. 79-32,101, and amendments thereto, with respect to the tax  
24 imposed under this act, except that K.S.A. 79-32,107, and amendments  
25 thereto, shall not apply during the first taxable period for which this act is  
26 applicable.

27 (c) Any credit allowed pursuant to article 32 of chapter 79 of the  
28 Kansas Statutes Annotated, except K.S.A. 79-32,111(a) and amendments  
thereto, that is attributable to

29 the activities of an electing pass-through entity in the taxable year shall be  
30 claimed by the entity and not passed through to or claimed by the electing  
31 pass-through entity owner, **only for taxable periods when the election is  
allowed and made by an electing pass-through entity under section 3.**

Notwithstanding any provision to the contrary

32 in article 32 of chapter 79 of the Kansas Statutes Annotated, and  
33 amendments thereto, any excess income tax credit, net operating loss or  
34 other modification may be carried forward on the electing pass-through  
35 entity's return but may only be utilized in a year in which the electing pass-  
36 through entity has made the election allowed in section 3, and amendments  
37 thereto, except that any limitation specified in the specific section for an  
38 income tax credit, the net operating loss or any other modification shall  
39 apply to the electing pass-through entity. **If in a taxable period subsequent to  
a period in which an election under section 3 was made, an election under  
section 3 is not allowed or not made by an electing pass-through entity, any**

excess income tax credits may be transferred to the electing pass-through entity owners. Any excess income tax credits shall be available to each electing pass-through owner in the same proportion and manner as would have applied without the election under section 3 for the taxable period in which each respective income tax credit was generated. All other rights and obligations pertaining to the excess income tax credits shall be transferred to the electing pass-through entity owners.

- 40 (d) The provisions of article 32 of chapter 79 of the Kansas Statutes  
41 Annotated, and amendments thereto, regarding the collection,  
42 administration and enforcement of tax shall be applicable to the tax due  
43 under this section, and notwithstanding the provisions of K.S.A. 79-32,129

1 and 79-32,139, and amendments thereto, an electing pass-through entity  
2 shall be a taxpayer.

3 New Sec. 5. (a) Notwithstanding K.S.A. 79-32,129 and 79-32,139,  
4 and amendments thereto, and as provided in K.S.A. 79-32,117(c)(xxix)  
5 and 79-32,138(c)(vii), and amendments thereto, electing pass-through  
6 entity owners shall not be liable for the tax under this act in their separate  
7 or individual capacities., ~~and the electing pass-through entity's income~~  
8 ~~attributable to the state shall not be taken into account by the electing pass-~~  
9 ~~through entity owners.~~ **Resident electing pass-through entity owners subject**  
**to Kansas individual income tax shall be entitled to a credit against the tax**  
**imposed under section 3. The credit shall be equal to the electing pass-**  
**through entity owner's direct share of the tax imposed under section 3.**  
**Subsequent to the application of all other credits allowed, if any excess**  
**credit exists, such amount shall be refundable to the electing pass-through**  
**entity owner. The credit allowed to an electing pass-through entity owner**  
**under this subsection shall not exceed the direct share of pass-through entity**  
**tax reported by such pass-through entity.**

10 (b) Notwithstanding the provisions of this act and K.S.A. 79-  
11 32,117(c)(xxix) and 79-32,138(c)(vii), and amendments thereto, the basis  
12 in the hands of an electing pass-through entity owner in the interest in the  
13 partnership or the stock or indebtedness in the S corporation shall be  
14 determined as if the election under section 3, and amendments thereto, had  
15 not been made.

16 New Sec. 6. The secretary of revenue may adopt rules and regulations  
17 to require or permit an electing pass-through entity to make returns, set  
18 forth information or furnish copies of information as may be deemed  
19 necessary to carry out the provisions of this act. The secretary of revenue  
20 may adopt such other rules and regulations as may be deemed necessary or  
21 expedient in enforcing the provisions of this act.

22 Sec. 7. K.S.A. 79-3220 is hereby amended to read as follows: 79-  
23 3220. (a) (1) Each individual required to file a federal income tax return  
24 and any other individual whose gross income exceeds the sum of such  
25 individual's applicable Kansas standard deduction amount and Kansas  
26 personal exemption amount shall each make and sign a return or statement  
27 stating specifically such items as are required by the forms and rules and  
28 regulations of the secretary of revenue. If any individual is unable to make  
29 a return, the return shall be made by a duly authorized agent or by the  
30 guardian or other person charged with the care of the person or property of  
31 such taxpayer. Notwithstanding any provision of the Kansas income tax  
32 act to the contrary, all individuals not required to file a Kansas income tax  
33 return hereunder shall not be liable for any tax imposed pursuant to such  
34 act.

35 (2) In accordance with the provisions of K.S.A. 75-5151a, and  
36 amendments thereto, an individual who is required to file a return may file  
37 such return by electronic means in a manner approved by the secretary of  
38 revenue. A paid preparer who prepares 50 or more returns per year shall  
39 file by electronic means not less than 90% of such returns eligible for

40 electronic filing. The requirements of this subsection may be waived by  
41 the secretary of revenue for a paid preparer if the paid preparer  
42 demonstrates a hardship in complying with the requirements of this  
43 subsection.

1       (3) *For purposes of this subsection, a nonresident individual or*  
2 *fiduciary whose only source of income from this state is income from an*  
3 *electing pass-through entity under the salt parity act shall not be required*  
4 *to file a return.*

5       (b) Every corporation subject to taxation under this act, including, but  
6 not limited to, all farmers, fruit growers, or like associations organized and  
7 operated on a cooperative basis, except electric cooperative exclusively  
8 engaged in the manufacture or distribution of electric power for their  
9 members, shall make a return, or statement stating specifically such items  
10 as may be required by the forms and regulations of the secretary of  
11 revenue. The return shall be signed by the president, vice-president,  
12 treasurer, assistant treasurer, chief accounting officer; or any other officer  
13 so authorized to act. The fact that an individual's name is signed on a  
14 return shall be prima facie evidence that such individual is authorized to  
15 sign such return on behalf of such corporation. In cases where receivers,  
16 trustees in bankruptcy or assignees are operating the property or business  
17 of corporations, such receivers, trustees, or assignees shall make returns  
18 for such corporations in the same manner and form as corporations are  
19 required to make returns. Any tax due on the basis of such returns shall be  
20 collected in the same manner as if collected from the corporation for  
21 which the return is made.

22       (c) Every fiduciary, except a receiver appointed by authority of law in  
23 possession of part only of the property of an individual shall make and  
24 sign a return for each of the individuals, estates, or trusts for which the  
25 fiduciary acts, when such returns are required by the provisions of this act,  
26 stating specifically such items as may be required by the forms and  
27 regulations of the secretary of revenue. In the case of joint fiduciaries,  
28 whether residents or nonresidents, a return may be made by any one and  
29 shall be sufficient compliance with the above requirements. Any fiduciary  
30 required to make a return under this act shall be subject to all of the  
31 provisions of law which apply to individuals.

32       (d) Every partnership shall make a return for each taxable year,  
33 stating specifically such items as may be required by the forms and  
34 regulations of the secretary of revenue. The returns shall be signed by any  
35 one of the partners.

36       Sec. 8. K.S.A. 2021 Supp. 79-32,117 is hereby amended to read as  
37 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
38 means such individual's federal adjusted gross income for the taxable year,  
39 with the modifications specified in this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (xv) The amount of any expenditures claimed for deduction in  
39 determining federal adjusted gross income, to the extent the same is  
40 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223  
41 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-  
42 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-  
43 32,251 through 79-32,254, and amendments thereto.



1 (xvi) The amount of any amortization deduction claimed in  
2 determining federal adjusted gross income to the extent the same is  
3 claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-  
4 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

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

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

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

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

1 tax return.

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

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

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

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

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

39 (xxvi) For all taxable years beginning after December 31, 2016, the  
40 amount of any charitable contribution made to the extent the same is  
41 claimed as the basis for the credit allowed pursuant to K.S.A. 72-4357, and  
42 amendments thereto, and is also claimed as an itemized deduction for  
43 federal income tax purposes.

1       (xxvii) For all taxable years beginning after December 31, 2021, the  
2 amount of any contributions to, or earnings from, a first-time home buyers  
3 savings account if distributions from the account were not used to pay for  
4 expenses or transactions authorized pursuant to K.S.A. 2021 Supp. 58-  
5 4904, and amendments thereto, or were not held for the minimum length of  
6 time required pursuant to K.S.A. 2021 Supp. 58-4904, and amendments  
7 thereto. Contributions to, or earnings from, such account shall also  
8 include any amount resulting from the account holder not designating a  
9 surviving transfer on death beneficiary pursuant to K.S.A. 2021 Supp. 58-  
10 4904(e), and amendments thereto.

11       ~~(xxvii)~~(xxviii) For all taxable years commencing after December 31,  
12 2020, the amount deducted by reason of a carryforward of disallowed  
13 business interest pursuant to section 163(j) of the federal internal revenue  
14 code of 1986, as in effect on January 1, 2018.

15       ~~(xxix) For taxable years commencing after December 31, 2021, an~~  
16 ~~amount equal to the electing pass through entity owner's distributive share~~  
17 ~~of the electing pass through entity's losses attributable to the state that are~~  
18 ~~taxed pursuant to the provisions of the salt parity act.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (xv) For all taxable years beginning after December 31, 2017, the  
8 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple  
9 filing a joint return, for each designated beneficiary that are contributed to:  
10 (1) A family postsecondary education savings account established under  
11 the Kansas postsecondary education savings program or a qualified tuition  
12 program established and maintained by another state or agency or  
13 instrumentality thereof pursuant to section 529 of the internal revenue  
14 code of 1986, as amended, for the purpose of paying the qualified higher  
15 education expenses of a designated beneficiary; or (2) an achieving a  
16 better life experience (ABLE) account established under the Kansas ABLE  
17 savings program or a qualified ABLE program established and maintained  
18 by another state or agency or instrumentality thereof pursuant to section  
19 529A of the internal revenue code of 1986, as amended, for the purpose of  
20 saving private funds to support an individual with a disability. The terms  
21 and phrases used in this paragraph shall have the meaning respectively  
22 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and  
23 amendments thereto, and the provisions of such sections are hereby  
24 incorporated by reference for all purposes thereof.

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

35 (xvii) For all taxable years beginning after December 31, 2004,  
36 amounts received by taxpayers who are eligible members of the Kansas  
37 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
38 281, and amendments thereto, and amounts received for death benefits  
39 pursuant to K.S.A. 48-282, and amendments thereto, to the extent that  
40 such death benefits are included in federal adjusted gross income of the  
41 taxpayer.

42 (xviii) For the taxable year beginning after December 31, 2006,  
43 amounts received as benefits under the federal social security act which

1 are included in federal adjusted gross income of a taxpayer with federal  
2 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
3 status is single, head of household, married filing separate or married filing  
4 jointly; and for all taxable years beginning after December 31, 2007,  
5 amounts received as benefits under the federal social security act which  
6 are included in federal adjusted gross income of a taxpayer with federal  
7 adjusted gross income of \$75,000 or less, whether such taxpayer's filing  
8 status is single, head of household, married filing separate or married filing  
9 jointly.

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

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

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

1 paragraph shall take effect on the day the secretary of revenue certifies to  
2 the director of the budget that the cost for the department of revenue of  
3 modifications to the automated tax system for the purpose of  
4 implementing this paragraph will not exceed \$20,000.

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

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

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

25 *(xxv) For all taxable years beginning after December 31, 2021: (1)*  
26 *The amount contributed to a first-time home buyer savings account*  
27 *pursuant to K.S.A. 2021 Supp. 58-4903, and amendments thereto, in an*  
28 *amount not to exceed \$3,000 for an individual or \$6,000 for a married*  
29 *couple filing a joint return; or (2) amounts received as income earned*  
30 *from assets in a first-time home buyer savings account.*

31 ~~(xxv)~~(xxvi) For all taxable years commencing after December 31,  
32 2020, 100% of global intangible low-taxed income under section 951A of  
33 the federal internal revenue code of 1986, before any deductions allowed  
34 under section 250(a)(1)(B) of such code.

35 ~~(xxvi)~~(xxvii) For all taxable years commencing after December 31,  
36 2020, the amount disallowed as a deduction pursuant to section 163(j) of  
37 the federal internal revenue code of 1986, as in effect on January 1, 2018.

38 ~~(xxvii)~~(xxviii) For taxable years commencing after December 31,  
39 2020, the amount disallowed as a deduction pursuant to section 274 of the  
40 federal internal revenue code of 1986 for meal expenditures shall be  
41 allowed to the extent such expense was deductible for determining federal  
42 income tax and was allowed and in effect on December 31, 2017.

43 ~~(xxix) For taxable years commencing after December 31, 2021, an~~

~~1 amount equal to the electing pass through entity owner's distributive share  
2 of the electing pass through entity's income attributable to the state that is  
3 taxed pursuant to the provisions of the salt parity act.~~

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

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

13 (f) No taxpayer shall be assessed penalties and interest from the  
14 underpayment of taxes due to changes to this section that became law on  
15 July 1, 2017, so long as such underpayment is rectified on or before April  
16 17, 2018.

17 Sec. 9. K.S.A. 2021 Supp. 79-32,138 is hereby amended to read as  
18 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable  
19 under this act shall be the corporation's federal taxable income for the  
20 taxable year with the modifications specified in this section, except that in  
21 determination of such federal taxable income for all taxable years  
22 commencing after December 31, 2020, section 118 of the federal internal  
23 revenue code of 1986 shall be applied as in effect on December 21, 2017.

24 (b) There shall be added to federal taxable income:

25 (i) The same modifications as are set forth in K.S.A. 79-32,117(b),  
26 and amendments thereto, with respect to resident individuals, except  
27 subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

28 (ii) the amount of all depreciation deductions claimed for any  
29 property upon which the deduction allowed by K.S.A. 79-32,221, 79-  
30 32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-  
31 32,256, and amendments thereto, is claimed;

32 (iii) the amount of any charitable contribution deduction claimed for  
33 any contribution or gift to or for the use of any racially segregated  
34 educational institution;

35 (iv) for taxable years commencing December 31, 2013, that portion  
36 of the amount of any expenditure deduction claimed in determining federal  
37 adjusted gross income for expenses paid by a taxpayer for health care  
38 when such expenses were paid or incurred for abortion coverage, a health  
39 benefit plan, as defined in K.S.A. 65-6731, and amendments thereto, when  
40 such expenses were paid or incurred for abortion coverage or amounts  
41 contributed to health savings accounts for such taxpayer's employees for  
42 the purchase of an optional rider for coverage of abortion in accordance  
43 with K.S.A. 40-2,190, and amendments thereto;



- 1 (v) the amount of any charitable contribution deduction claimed for  
2 any contribution or gift made to a scholarship granting organization to the  
3 extent the same is claimed as the basis for the credit allowed pursuant to  
4 K.S.A. 72-4357, and amendments thereto;
- 5 (vi) the federal net operating loss deduction; ~~and~~
- 6 (vii) for all taxable years commencing after December 31, 2020, the  
7 amount of any deduction claimed under section 250(a)(1)(B) of the federal  
8 internal revenue code of 1986; *and*
- 9 *(viii) for taxable years commencing after December 31, 2021, an*  
10 *amount equal to the electing pass-through entity owner's distributive share*  
11 *of the electing pass-through entity's losses attributable to the state that are*  
12 *taxed pursuant to the provisions of the salt parity act.*
- 13 (c) There shall be subtracted from federal taxable income:
- 14 (i) The same modifications as are set forth in K.S.A. 79-32,117(c),  
15 and amendments thereto, with respect to resident individuals, except  
16 subsection (c)(xx);
- 17 (ii) the federal income tax liability for any taxable year commencing  
18 prior to December 31, 1971, for which a Kansas return was filed after  
19 reduction for all credits thereon, except credits for payments on estimates  
20 of federal income tax, credits for gasoline and lubricating oil tax, and for  
21 foreign tax credits if, on the Kansas income tax return for such prior year,  
22 the federal income tax deduction was computed on the basis of the federal  
23 income tax paid in such prior year, rather than as accrued. Notwithstanding  
24 the foregoing, the deduction for federal income tax liability for any year  
25 shall not exceed that portion of the total federal income tax liability for  
26 such year which bears the same ratio to the total federal income tax  
27 liability for such year as the Kansas taxable income, as computed before  
28 any deductions for federal income taxes and after application of  
29 subsections (d) and (e) as existing for such year, bears to the federal  
30 taxable income for the same year;
- 31 (iii) an amount for the amortization deduction allowed pursuant to  
32 K.S.A. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79- 33  
32,250, 79-32,255 or 79-32,256, and amendments thereto;
- 34 (iv) for all taxable years commencing after December 31, 1987, the  
35 amount included in federal taxable income pursuant to the provisions of  
36 section 78 of the internal revenue code;
- 37 (v) 80% of dividends from corporations incorporated outside of the  
38 United States or the District of Columbia which are included in federal  
39 taxable income. As used in this paragraph, "dividends" includes amounts  
40 included in income under section 965 of the federal internal revenue code  
41 of 1986, net of the deduction permitted by section 965(c) of the federal  
42 internal revenue code of 1986. For all taxable years commencing after  
43 December 31, 2020, this paragraph does not apply to amounts excluded

1 from income pursuant to K.S.A. 79-32,117(c)(~~xxv~~)(xxvi), and amendments  
2 thereto, or amounts added back pursuant to K.S.A. 79-32,138(b)(vii), and  
3 amendments thereto; ~~and~~

4 (vi) for all taxable years commencing after December 31, 2020, the  
5 amount disallowed as a deduction pursuant to section 162(r) of the federal  
6 internal revenue code of 1986, as in effect on January 1, 2018; *and*

7 (vii) *for taxable years commencing after December 31, 2021, an*  
8 *amount equal to the electing pass-through entity owner's distributive share*  
9 *of the electing pass-through entity's income attributable to the state that is*  
10 *taxed pursuant to the provisions of the salt parity act.*

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

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

28 Sec. 10. K.S.A. 79-3220 and K.S.A. 2021 Supp. 79-32,117, 79-  
29 32,117q and 79-32,138 are hereby repealed.

30 Sec. 11. This act shall take effect and be in force from and after its  
31 publication in the statute book.