AN ACT concerning education; relating to bullying; creating the Kansas hope scholarship act; amending K.S.A. 2018 Supp. 79-32,117 and repealing the existing section.

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

New Section 1. Sections 1 through 13, and amendments thereto, shall be known and may be cited as the Kansas hope scholarship act.

New Sec. 2. As used in this act:

(a) "Account" means a Kansas hope scholarship account.

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

(c) "Bullying" means the same as that term is defined in K.S.A. 72-6147, and amendments thereto.

(d) "Department" means the Kansas department of education.

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

(1) Is or has been enrolled in kindergarten or any of the grades one through 12 in a school district organized under the laws of this state;

(2) has reported an incident of bullying in accordance with section 3, and amendments thereto;

(3) has not graduated from high school.

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

(g) "Participating learning entity" means: (1) Any elementary or secondary school operated by a school district; or (2) a qualified private school.

(h) "Program" means the Kansas hope scholarship program established under section 4, and amendments thereto.

(i) "Qualified private school" means a private school that is approved by the treasurer pursuant to section 9, and amendments thereto, and that remains in good standing in accordance with the provisions of this act.

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

(k) "Treasurer" means the state treasurer or the state treasurer's designee.
New Sec. 3. (a) A student shall be eligible to participate in the Kansas hope scholarship program if the student has reported an incident of bullying. A student may report an incident of bullying to any teacher, counselor or administrator, who will prepare a written report of the incident and submit such written incident report to the principal of the school where the student regularly attends.

(b) Upon receipt of a written incident report, the principal, or the principal's designee, shall provide a copy of the report to the parent of the student who reported the incident and investigate the incident. Within 24 hours after receipt of a written report, the principal, or the principal's designee, shall provide a copy of the report to the parent of the alleged offender and to the superintendent of the school district. Upon the conclusion of the investigation, or within 15 days after the incident was first reported, whichever occurs first, the school district shall notify the parent of the student who reported the incident that the student is eligible for the Kansas hope scholarship program and provide a written description of the program, including the information described in section 4, and amendments thereto.

(c) Upon the student becoming eligible for the program, the parent of such student may elect to participate in the program and transfer the eligible student to a participating learning entity in accordance with the provisions of section 5, and amendments thereto.

New Sec. 4. (a) The treasurer shall administer the Kansas hope scholarship program, which is hereby established. The purpose of the program is to provide options for the education of Kansas students.

(b) The treasurer shall establish a Kansas hope scholarship account for each eligible student whose parent satisfies the requirements of this act.

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

(1) The allowable uses of moneys in an account;
(2) the responsibilities of a parent of an eligible student participating in the program;
(3) the effect of participation in the program by eligible students with an individualized education program (IEP) or an education plan under section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504 plan);
(4) the duties of the treasurer; and
(5) a list of qualified private schools.

New Sec. 5. (a) To establish an account, the parent of an eligible student shall enter into a written agreement with the treasurer, in a manner and on a form prescribed by the treasurer.

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

(1) The eligible student shall transfer from the school the student was attending when the incident was reported;

(2) the eligible student shall receive instruction from a participating learning entity;

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

(4) the money in the eligible student's account shall only be expended as authorized by this program.

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

(d) A written agreement entered pursuant to this act shall have a term of one year, but may be terminated early pursuant to subsection (e). Such written agreement shall be executed on or before August 1 of the current school year. Such written agreement may be renewed annually by August 1 upon the written consent of the parent and the treasurer in a manner determined by the treasurer, except the parent may submit a request to the treasurer for an extension of time for renewal not to exceed 30 days. Failure to renew a written agreement does not preclude renewal of such written agreement in a subsequent year. A written agreement that has been terminated pursuant to subsection (e) shall not be renewed.

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

(A) Money in an account has been used for purposes other than those allowed by the program;

(B) the eligible student no longer satisfies the qualifications of an "eligible student" as defined in section 2, and amendments thereto; or

(C) the eligible student enrolls in the public school the student was attending when the incident was reported.

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

(3) When a written agreement is terminated, the account associated with such agreement shall be deemed no longer active, and the treasurer shall close the account in accordance with section 6, and amendments thereto.

New Sec. 6. (a) (1) There is hereby established in the state treasury the Kansas hope scholarship fund to be administered by the state treasurer. Money in the Kansas hope scholarship fund shall be expended only for the purposes established in this act. All moneys received pursuant to section 7, and amendments thereto, shall be deposited in the state treasury in accordance with the provisions of K.S.A. 75-4215, and amendments
thereto, and shall be credited to the Kansas hope scholarship fund.

(2) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the Kansas hope scholarship fund interest earnings based on:

(A) The average daily balance of moneys in the Kansas hope scholarship fund; and

(B) the net earnings rate of the pooled money investment portfolio for the preceding month.

(b) Upon execution of an agreement in accordance with section 5, and amendments thereto, the treasurer shall establish an account in the Kansas hope scholarship fund in the state treasury in the name of the eligible student. Upon establishment of such account, the treasurer shall notify the resident school district of the establishment of such an account for the eligible student.

(c) (1) The treasurer shall transfer to an eligible student's account in the Kansas hope scholarship fund an aggregate annual amount equal to:

(A) 88% of the BASE aid if the eligible student is enrolled in any of the grades one through five in the current school year;

(B) 92% of the BASE aid if the eligible student is enrolled in any of the grades six through eight in the current school year; and

(C) 96% of the BASE aid if the eligible student is enrolled in any of the grades nine through 12 in the current school year.

The treasurer shall make such transfers in quarterly installments pursuant to a schedule determined by the treasurer.

(2) In addition to any amounts transferred to an eligible student's account pursuant to paragraph (1), the treasurer shall transfer to an eligible student's account an amount equal to the cost for transportation required for the eligible student to travel to and from the participating learning entity. Prior to any such transfer, the participating learning entity shall certify the cost for such transportation. In no event shall the total of such transfers exceed $750 for the school year.

(d) The treasurer may deduct a percentage of the amount to be transferred into an account as reimbursement for the administrative costs of implementing the provisions of this act as follows:

(1) Up to 5% each year for the first two years money is transferred to an eligible student's account under subsection (c); and

(2) up to 2.5% for the third year and for each subsequent year money is transferred to an eligible student's account under subsection (c).

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

(f) (1) Each account shall remain active until:

(A) A written agreement is terminated pursuant to section 5, and amendments thereto;
(B) July 30 following the date on which the eligible student graduates from high school; or
(C) there are two consecutive years of nonrenewal of an agreement.

(2) When the treasurer determines an account is no longer active, the treasurer shall close the account and certify the amount of funds remaining in the account to the director of accounts and reports. Such certified amount shall be transferred from the closed account to the Kansas hope scholarship fund.

(g) The treasurer shall develop a system for payment of services by participating parents by electronic funds transfer. However, such system shall not require parents to be reimbursed for out-of-pocket expenses. All transfers shall be only for expenditures approved by the treasurer. The treasurer may contract with a third party for the purposes of this subsection.

New Sec. 7. (a) The treasurer shall notify the state board of education as to the names of the students participating in the program and the resident school district of each such student.
(b) For school year 2019-2020, and each school year thereafter, an eligible student shall be counted in the enrollment of such eligible student's resident school district for the purposes of calculating the amount of the state foundation aid per student for the school district. The state board shall determine the amounts to be transferred to the Kansas hope scholarship fund by multiplying an amount equal to the percentage of the BASE aid as set forth in section 6(c), and amendments thereto, by the total number of eligible students in such school district who are participating in the program and who correspond to such percentage. The state board of education shall certify the resulting products to the director of accounts and reports. Upon receipt of such certification, the director shall transfer such certified amounts from the state general fund to the Kansas hope scholarship fund established in section 6, and amendments thereto.
(c) For school year 2019-2020 and each school year thereafter, the state board shall deduct from the amount of state foundation aid for each school district an amount equal to the amount certified under subsection (b).

New Sec. 8. (a) Moneys in the eligible student's account may be accessed by such eligible student's parent, but shall only be expended by such parent for the following purposes:
(1) Payment to a unified school district;
(2) tuition and fees charged by qualified private school;
(3) textbooks and other supplies required by a qualified private school; and
(4) fees for transportation provided by a participating learning entity required for the eligible student to travel to and from a participating
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learning entity.

(b) If the eligible student transfers to an elementary or secondary school operated by a school district, then the amount transferred pursuant to section 6(c)(1), and amendments thereto, shall be paid by the parent to the school district operating such elementary or secondary school. Upon receipt of such payment, the school district shall deposit the entire amount in the general fund of the school district.

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

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

(e) A participating learning entity providing education services purchased with funds from an account shall not share, refund or rebate any portion of such funds to the parent or eligible student. Any such refund or rebate shall be made directly into the eligible student's account.

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

(g) (1) The treasurer shall conduct or contract to conduct annual audits of Kansas hope scholarship accounts to ensure compliance with the provisions of this act. The treasurer shall also conduct or contract to conduct random and quarterly audits of Kansas hope scholarship accounts, as needed, to ensure compliance with this act.

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

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

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

(C) terminate the account.

New Sec. 9. (a) To become a qualified private school, an applicant shall submit an application to the treasurer on a form and in a manner prescribed by the treasurer. Such application shall include proof that the applicant is an accredited nonpublic school registered with the state board of education pursuant to K.S.A. 72-4346, and amendments thereto, that provides instruction in at least those subjects required by K.S.A. 72-3214, 72-3217 and 72-3235, and amendments thereto.

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

(c) The treasurer shall conduct or contract to conduct an audit of a qualified private school, selected at random each year, to determine whether the qualified private school is compliant with the requirements of subsection (a).

(d) (1) The treasurer may revoke a qualified private school's approval if the treasurer determines the qualified private school:
   (A) Has routinely failed to comply with the provisions of this act or applicable rules and regulations; or
   (B) has failed to provide any educational services required by law to an eligible student receiving instruction from the school, if the school is accepting payments made from such student's account.

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

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

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

New Sec. 10. Enrollment of an eligible student in a qualified private school shall be considered a parental placement of such student under the individuals with disabilities education act, 20 U.S.C. § 1400 et seq.

New Sec. 11. The provisions of this act shall be subject to the Kansas administrative procedure act.

New Sec. 12. On or before January 1, 2020, the treasurer shall adopt rules and regulations necessary to carry out the provisions of this act.

New Sec. 13. Nothing in this act shall be deemed to limit the independence or autonomy of a qualified private school or to make the actions of a qualified private school the actions of the state government.

Sec. 14. K.S.A. 2018 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

(b) There shall be added to federal adjusted gross income:
(i) Interest income less any related expenses directly incurred in the purchase of state or political subdivision obligations, to the extent that the same is not included in federal adjusted gross income, on obligations of any state or political subdivision thereof, but to the extent that interest income on obligations of this state or a political subdivision thereof issued prior to January 1, 1988, is specifically exempt from income tax under the laws of this state authorizing the issuance of such obligations, it shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income. Interest income on obligations of this state or a political subdivision thereof issued after December 31, 1987, shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income.

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

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

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

(v) The amount of any depreciation deduction or business expense deduction claimed on the taxpayer's federal income tax return for any capital expenditure in making any building or facility accessible to the handicapped, for which expenditure the taxpayer claimed the credit allowed by K.S.A. 79-32,177, and amendments thereto.
(vi) Any amount of designated employee contributions picked up by an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965, and amendments thereto.

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

(viii) The amount of any costs incurred for improvements to a swine facility, claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp. 79-32,204, and amendments thereto.

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

(x) Amounts received as nonqualified withdrawals, as defined by K.S.A. 2018 Supp. 75-643, and amendments thereto, if, at the time of contribution to a family postsecondary education savings account, such amounts were subtracted from the federal adjusted gross income pursuant to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts are not already included in the federal adjusted gross income.

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

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

(xiii) The amount of any expenditures claimed for deduction in determining federal adjusted gross income, to the extent the same is claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp. 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

(xiv) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,221, and amendments thereto.

(xv) The amount of any expenditures claimed for deduction in determining federal adjusted gross income, to the extent the same is


(xvii) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,256, and amendments thereto.

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

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

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

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

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

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

(xxiv) For taxable years commencing after December 31, 2013, that
portion of the amount of any expenditure deduction claimed in
determining federal adjusted gross income for expenses paid for medical
care of the taxpayer or the taxpayer's spouse or dependents when such
expenses were paid or incurred for an abortion, or for a health benefit plan,
as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
an optional rider for coverage of abortion in accordance with K.S.A. 2018
Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
assessments are claimed as an itemized deduction for federal income tax
purposes.

(xxv) For taxable years commencing after December 31, 2013, that
portion of the amount of any expenditure deduction claimed in
determining federal adjusted gross income for expenses paid by a taxpayer
for health care when such expenses were paid or incurred for abortion
coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
amendments thereto, when such expenses were paid or incurred for
abortion coverage or amounts contributed to health savings accounts for
such taxpayer's employees for the purchase of an optional rider for
coverage of abortion in accordance with K.S.A. 2018 Supp. 40-2,190, and
amendments thereto, to the extent that such taxes and assessments are
claimed as a deduction for federal income tax purposes.
For all taxable years beginning after December 31, 2016, the amount of any charitable contribution made to the extent the same is claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07, 72-4357, and amendments thereto, and is also claimed as an itemized deduction for federal income tax purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xv) For all taxable years beginning after December 31, 2006, amounts not exceeding $3,000, or $6,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program or a qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue
code of 1986, as amended, for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2018 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

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

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

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

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

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

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

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

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

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

(xxv) For all taxable years beginning after December 31, 2018,
amounts deposited in a Kansas hope scholarship account established by
agreement between the taxpayer and the state treasurer pursuant to
section 5, and amendments thereto.

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

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

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

Sec. 15. K.S.A. 2018 Supp. 79-32,117 is hereby repealed.
Sec. 16. This act shall take effect and be in force from and after its
publication in the statute book.