AN ACT concerning education; creating the Kansas reading readiness act; amending K.S.A. 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 14, and amendments thereto, shall be known and may be cited as the Kansas reading readiness act.

New Sec. 2. As used in this act:

(a) "Account" means a Kansas reading readiness 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) "Department" means the Kansas department of education.

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

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

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

(3) has not graduated from high school.

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

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

(g) "Qualified private school" means an accredited private school located in Kansas that:

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

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

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

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

(4)(5) is in good standing in accordance with the provisions of this act.
(h) "Resident school district" means the school district in which an eligible student would be enrolled based on such eligible student's residence.

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

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

1. Is enrolled in grade three and scores at the lowest achievement level on the state assessment for English language arts; or
2. Is enrolled in grade four and scores at the lowest or second-lowest achievement level on the state assessment for English language arts.

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

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

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

(b) The treasurer shall establish a Kansas reading readiness 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 options for participation in the program as provided in section 7, and amendments thereto;
2. The allowable uses of moneys in a Kansas reading readiness program.
account;
(3) the responsibilities of a parent of an eligible student participating in the program;
(4) 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);
(5) the duties of the treasurer;
(6) the name and telephone number of the treasurer's employee who may be contacted if a parent has questions about the program; and
(7) a list of qualified private schools.

New Sec. 5. (a) For an eligible student to participate in the program, the parent of such eligible student shall enter into a written agreement with the treasurer, in such manner and form as 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 participate in the program in accordance with section 7, and amendments thereto;
   (2) the treasurer shall establish an account for the eligible student in the Kansas reading readiness fund established by section 6, and amendments thereto;
   (3) the parent shall comply with all requirements and rules and regulations of the program; and
   (4) the moneys in the eligible student's account shall only be expended as authorized by the 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 expire on July 31 immediately following the date the agreement becomes effective, but may be terminated prior to such date pursuant to subsection (e). Each written agreement may be renewed by August 15 upon the written consent of the parent and the treasurer in a manner determined by the treasurer, except that 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) Moneys in an account have 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 no longer participates in the program in accordance with section 7, and amendments thereto.

(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 inactive, and the treasurer shall close the account in accordance with section 6(h), and amendments thereto.

New Sec. 6. (a) (1) There is hereby established in the state treasury the Kansas reading readiness fund to be administered by the state treasurer. Moneys in the Kansas reading readiness fund shall be expended only for the purposes established in this act. All moneys received pursuant to section 8, 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 reading readiness fund.

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

(b) Upon execution of an agreement in accordance with section 5, and amendments thereto, the treasurer shall establish an account in the Kansas reading readiness 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 account for the eligible student.

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

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

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

(f) The treasurer may deduct a percentage of the aggregate annual amount to be transferred into an eligible student's 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 moneys are transferred to an eligible student's account; and

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

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

(h) (1) Each account shall remain active until:
  (A) A written agreement is terminated pursuant to section 5, and amendments thereto;
  (B) July 31 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) If the treasurer determines an account is inactive, the treasurer shall close the account and certify the amount of moneys remaining in the account to the director of accounts and reports and the state board of education. Such certified amount shall remain in the Kansas reading-readiness fund. Upon receipt of such certification, the director of accounts and reports shall transfer such certified amount to the state foundation aid account of the state general fund. The state board of education shall distribute such certified amount to the resident school district of such student in the immediately succeeding school year.

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

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

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

(2) enrolling in a qualified private school.

(b) For eligible students participating in the program in accordance with subsection (a)(1), a school district shall provide those evidence-based practices and programs requested by the parent of such eligible student to the extent the cost of such practices or programs is covered by moneys transferred to such student's account pursuant to section 6, and amendments thereto. A school district also may recommend, or such other evidence-based practices and programs to improve such eligible student's
reading skills, but shall obtain the parent's approval for such practices or programs prior to the expenditure of any moneys held in such student's account for such practices or programs.

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

(b) For school year 2020-2021, 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 for the resident school district.

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

(A) 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 resident school district who are participating in the program, who are enrolled in a qualified private school and who correspond to such percentage; plus

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

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

(2) The state board of education shall certify the resulting amounts 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 reading readiness fund established in section 6, and amendments thereto.

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

New Sec. 9. (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) Tuition and fees charged by a qualified private school;
(2) textbooks and other supplies required by a qualified private school; and
(3) evidenced-based practices and programs requested or approved in accordance with section 7, and amendments thereto.

(b) 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.

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

(d) A qualified private school 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.

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

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

(2) If the treasurer determines moneys in an account have 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. 10. (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, and 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 eligible student's account.

(2) Prior to revoking a qualified private school's approval, the
treasurer shall notify such school of an 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 or
county attorney of the county where the qualified private school is located,
if a qualified private school's approval was revoked because of misuse of
moneys paid from an account.

§ New Sec. 11. Enrollment of an eligible student in a qualified private
school shall be considered a parental placement of such student under the

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

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

§ New Sec. 14. 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. 15. K.S.A. 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. 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. 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. 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. 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 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-

(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. 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-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. 2019 
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. 2019 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.

(xxvi) 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,
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, 2017, the cumulative amounts not exceeding $3,000, or $6,000 for a married couple filing a joint return, for each designated beneficiary that are contributed to:

(1) 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; or (2) an achieving a better life experience (ABLE) account established under the Kansas ABLE
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savings program or a qualified ABLE program established and maintained
by another state or agency or instrumentality thereof pursuant to section
529A of the internal revenue code of 1986, as amended, for the purpose of
saving private funds to support an individual with a disability. The terms
and phrases used in this paragraph shall have the meaning respectively
ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and
amendments thereto, and the provisions of such sections 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 which
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 which
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
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 13 taxpayer's 14 federal adjusted gross income. For purposes of this subsection, references 15 to the federal form 1040 and federal schedule C, schedule E, and schedule 16 F, shall be to such form and schedules as they existed for tax year 2011 17 and as revised thereafter by the internal revenue service.

(xxii) 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.

(xxxii) For taxable years beginning after December 31, 2012, and 33 ending before January 1, 2017, the amount of net gain from the sale of: (1) 34 Cattle and horses, regardless of age, held by the taxpayer for draft, 35 breeding, dairy or sporting purposes, and held by such taxpayer for 24 36 months or more from the date of acquisition; and (2) other livestock, 37 regardless of age, held by the taxpayer for draft, breeding, dairy or 38 sporting purposes, and held by such taxpayer for 12 months or more from 39 the date of acquisition. The subtraction from federal adjusted gross income 40 shall be limited to the amount of the additions recognized under the 41 provisions of subsection (b)(xix) attributable to the business in which the 42 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, 2019, amounts deposited in a Kansas reading readiness 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. 16. K.S.A. 79-32,117 is hereby repealed.

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