AN ACT concerning education; creating the Kansas student academic improvement 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 student academic improvement act.

New Sec. 2. As used in this act:
(a) "Account" means a Kansas student academic improvement 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 any of the grades three through eight in a school district organized under the laws of this state;
(2) is or has been determined to be performing below grade level in either English language arts or mathematics 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) "Postsecondary educational institution" means any postsecondary educational institution or any private or out-of-state postsecondary educational institution as such terms are defined in K.S.A. 74-3201b, and amendments thereto.
(g) "Program" means the Kansas student academic improvement program established under section 4, and amendments thereto.
(h) "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 approved by the treasurer pursuant to section 10, and amendments thereto; and
(4) is in good standing in accordance with the provisions of this act.

(i) "Resident school district" means the school district in which an eligible student would be enrolled based on such eligible student's residence.
(j) "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 any of the grades three through eight are academically eligible for the Kansas student academic improvement program. The determination of academic eligibility shall be based on the most recently administered state assessments for English language arts and mathematics. A student shall be deemed academically eligible if the student:

(1) Is enrolled in any of the grades three through eight; and
(2) scores at the lowest or second lowest achievement level on either the state assessment for English language arts or the state assessment for mathematics.

(b) A student who has been determined to be academically eligible for the Kansas student academic improvement program pursuant to subsection (a) may participate in the 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 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 and state assessment for mathematics 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 student academic improvement 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 are academically eligible as determined pursuant to section 3, and amendments thereto.

(b) The treasurer shall establish a Kansas student academic improvement 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 student academic
improvement 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
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 student academic improvement 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 1 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 student academic improvement fund to be administered by the
state treasurer. Moneys in the Kansas student academic improvement 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 student
academic improvement fund.

(2) The director of accounts and reports shall create a procedure for
the Kansas student academic improvement 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 student academic improvement fund.

(b) Upon execution of an agreement in accordance with section 5, and
amendments thereto, the treasurer shall establish an account in the Kansas
student academic improvement 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
student academic improvement fund an aggregate annual amount equal to:

(1) 88% of the BASE aid, if the eligible student is enrolled in any of
the grades three through five in the current school year;
(2) 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
(3) 96% of the BASE aid, if the eligible student is enrolled in any of
the grades nine through 12 in the current school year.
(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 student academic improvement 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. Such certified amount shall
remain in the Kansas student academic improvement fund.
(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 and
mathematics skills through evidence-based practices and programs
requested or approved by such student's parent;
(2) enrolling in a qualified private school; or
(3) receiving additional educational services as allowed under the program.

(b) For eligible students participating in the program in accordance with subsection (a)(1), a school district shall provide those evidenced-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 evidenced-based practices and programs to improve such eligible student's reading and mathematics 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) Each year, the treasurer shall notify the state board of education as to the names of the students participating in the Kansas student academic improvement program, the resident school district of each student and the qualified private school, if any, each student is attending 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 student academic improvement 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 student academic improvement 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;
(3) fees for transportation provided by a qualified private school
required for the eligible student to travel to and from such qualified private
school;
(4) educational therapies or services provided by a licensed or
accredited education provider;
(5) tutoring services provided by a certified tutor;
(6) curriculum materials;
(7) tuition or fees charged by an accredited private online learning
program;
(8) fees for any nationally standardized norm-referenced achievement
test, advanced placement examination or other examination related to
admission to a postsecondary educational institution;
(9) contracted services from a school district, including individual
classes;
(10) tuition and fees charged by a postsecondary educational
institute;
(11) evidenced-based practices and programs requested or approved
in accordance with section 7(b), and amendments thereto; and
(12) any other education expenses approved by the treasurer.

(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 individuals with disabilities education act, 20 U.S.C. § 1400 et seq.

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
(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.


(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
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 that 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 that 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 that 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 that were earned for being employed by the federal government or for service in the armed forces of the United States.

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

(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 that accrues to the taxpayer who is a stockholder of such
corporation and which that 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
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 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 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.

(xxi) 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, 2019, amounts deposited in a Kansas student academic improvement 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.