AN ACT concerning income taxation; relating to certain public utilities; 
exemption from income taxation; income tax expenses, exclusion from 
retail rates; amending K.S.A. 79-32,113 and repealing the existing 
section.

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

New Section 1. (a) If a public utility as defined in K.S.A. 66-104, and 
amendments thereto, includes expenses related to income taxes as a 
component of its retail rates, the utility shall track {and defer into a 
regulatory asset or liability, as appropriate;} any overcollection or 
dercollection of income tax expense if the income taxes {income tax rates} 
assessed on such utility are adjusted as a result of any changes in state or 
federal law.

(b) When any change in state or federal law either increases or 
decreases the amount of incomes taxes {income tax rates} assessed on a 
utility and results in an overcollection or undercollection of income tax 
expenses that is equal to or exceeds 0.25% of such utility's base revenue 
level approved by the state corporation commission in the utility's most 
recent general rate proceeding, such utility shall file an application for new 
retail rates reflecting the adjusted income taxation rates with the 
commission within 30 {60} days of {the enactment of} such change in 
state or federal law. The utility shall either refund the tracked overcollected 
amounts to, or recover the tracked undercollected amounts from, such 
utility's retail customers in a manner approved by the commission.

(c) A filing required pursuant to subsection (b) shall not:

(1) Require the utility to file a full general rate proceeding;

(2) require the utility to update any component of such utility's retail 
rates other than the income tax expense component; or

(3) constitute a violation of any existing rate moratorium agreement if 
such filing only updates the income tax expense component of a utility's 
rates.

(d) The state corporation commission shall issue a order addressing 
the application filed under subsection (b):

(1) That,"if requested by the utility," gives due consideration to the 
common interests of the public utility and its customers, including, but not 
limited to, use of a two-year implementation of current period rate changes
to maintain the credit quality of the utility by ensuring that any such
change in retail rates will not cause the utility's credit metrics that are
traditionally considered by the credit rating agencies to deteriorate to a
level that could impair the utility's current credit rating. To the extent a
retail rate change to address adjusted income taxes is implemented over a
period of time, as provided in this paragraph, the utility shall: (A) Track
and defer any overcollection or undercollection of income tax expenses as
a regulatory liability or asset, as appropriate, that will accrue interest at the
utility's cost of short-term debt \{weighted average cost of capital, as
determined by the commission in the utility's most recent general rate
proceeding\}; and (B) refund or collect the balance of such amounts in its
next full general rate proceeding; and

(2) within 120 days of the date of such filing.

(e) {If a utility has a full general rate proceeding pending before
the commission, or has provided notice to the commission of its intent to
file a full general rate proceeding application, at the time any adjusted
income tax rates become effective, upon a showing by the utility that the
public interest would be promoted, the commission may issue an order
finding that such adjusted state or federal income tax rates should not be
reflected in such utility's retail rates until the utility's new retail rates
become effective following such utility's full general rate proceeding.

(f)} Excess accumulated deferred income tax balances resulting from
income taxes adjusted due to changes in state or federal law shall be-
maintained \{remain unamortized\} on the public utility's books of account
until new retail rates from such utility's next full general rate proceeding
after the altered \{adjusted\} income tax rates take effect. Such balances
shall be \{amortized and\} reflected in retail rates at such time. \{If requested
by the utility,\} excess accumulated deferred income tax balances resulting
from changes in state law effective January 2021, shall be authorized by
the state corporation commission to be amortized over \{a period of not
less than\} 30 years in retail rates for such utility \{by order of the
commission\}. Excess accumulated deferred income tax balances resulting
from any other changes in state or federal law shall be authorized by the
commission to be amortized in retail rates for such utility \{by order of the
commission\} in a manner consistent with requirements of state and federal
tax law and implementing regulations and in a manner that will not impair
the utility's credit rating.

(f) The provisions of this section shall not apply to any:
(1) Municipal electric utility or natural gas utility; or
(2) utility that is a cooperative as defined in K.S.A. 66-104d, and
amendments thereto, or owned by one or more such cooperatives.

(g) For the purposes of this section, "overcollection or
undercollection of income tax expense" means the portion of utility
revenue representing the difference between the cost of service as approved by the state corporation commission in the utility's most recent base rate proceeding and the cost of service that would have resulted had the provision for state or federal income taxes been based upon the adjusted corporate income tax rate. {"Overcollection or undercollection of income tax expense" does not include the effects of accumulated deferred income taxes or excess accumulated deferred income taxes.}

Sec. 2. K.S.A. 79-32,113 is hereby amended to read as follows: 79-32,113. (a) A person or organization exempt from federal income taxation under the provisions of the federal internal revenue code shall also be exempt from the tax imposed by this act in each year in which such person or organization satisfies the requirements of the federal internal revenue code for exemption from federal income taxation. If the exemption applicable to any person or organization under the provisions of the federal internal revenue code is limited or qualified in any manner, the exemption from taxes imposed by this article shall be limited or qualified in a similar manner.

(b) Notwithstanding the provisions of subsection (a) of this section, the unrelated business taxable income, as computed under the provisions of the federal internal revenue code, of any person or organization otherwise exempt from the tax imposed by this act and subject to the tax imposed on unrelated business income by the federal internal revenue code shall be subject to the tax which would have been imposed by this act but for the provisions of subsection (a) of this section.

(c) In addition to the persons or organizations exempt from federal income taxation under the provision of the federal internal revenue code, there shall also be exempt from the tax imposed by this act, insurance companies, banks, trust companies, savings and loan associations, credit unions and any other organizations, entities or persons specifically exempt from Kansas income taxation under the laws of the state of Kansas.

(d) {Notwithstanding the provisions of K.S.A. 79-32,110, and amendments thereto, effective for tax years ending on or after December 31, 2021,} every electric and natural gas public utility as defined in K.S.A. 66-104, and amendments thereto, not including any such utility that is a cooperative as defined in K.S.A. 66-104d, and amendments thereto, or owned by one or more such cooperatives, that is subject to rate regulation by the state corporation commission {and any utility that is a cooperative as defined in K.S.A. 66-104d, and amendments thereto, or owned by one or more such cooperatives} shall: (1) Be exempt from the tax imposed by the Kansas income tax act pursuant to K.S.A. 79-32,110, and amendments thereto; {2) not be permitted to be included in a consolidated or unitary combined return;} and—{(2) except as provided in section 1, and amendments thereto,} not collect, as a component of such utility's retail
rates, Kansas income tax expenses.

Sec. 3. K.S.A. 79-32,113 is hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.