MR. PRESIDENT:

The Committee on Assessment and Taxation recommends HB 2239 be amended by substituting a new bill as recommended by the Senate Committee on Assessment and Taxation as reported in the Journal of the Senate on March 26, 2021, and the bill, as printed as Senate Substitute for House Bill No. 2239, be further amended on page 1, in line 22, by striking "2019" and inserting "2021"; in line 23, by striking "2019" and inserting "2021";

On page 2, in line 25, by striking "2020" and inserting "2022";

On page 3, in line 5, by striking "2019" and inserting "2021";

On page 4, in line 30, by striking all after "thereto"; by striking all in lines 31 and 32; in line 33, by striking "thereafter";

On page 5, in line 1, by striking "2020" and inserting "2022";

On page 7, in line 31, after "homestead" by inserting "for the base year"; in line 33, by striking "2020" and inserting "2022";

On page 8, by striking all in lines 5 through 43;

On page 9, by striking all in lines 1 through 25; following line 25, by inserting:

"New Sec. 19.  (a) Sections 19 through 24, and amendments thereto, shall be known and may be cited as the salt parity act.

(b) The legislature finds and declares that the deductibility of state income taxes should be the same for C corporations, S corporations and partnerships.
New Sec. 20. As used in sections 19 through 24, and amendments thereto, unless the context otherwise requires:

(a) "Act" means the provisions of sections 19 through 24, and amendments thereto.

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

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

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

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

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

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

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

New Sec. 21. Notwithstanding K.S.A. 79-32,129 and 79-32,139, and amendments thereto, for taxable years commencing on or after January 1, 2022, an S corporation or
partnership may annually elect to be subject to tax at the entity level for the taxable period. The S corporation or partnership shall make the election on the return filed by such S corporation or partnership under K.S.A. 79-3220 and 79-3221, and amendments thereto. The filing of such return shall be binding on all electing pass-through entity owners.

New Sec. 22. (a) With respect to any taxable period for which it has made the election under section 21, and amendments thereto, an electing pass-through entity shall be subject to a tax in an amount equal to 5.7% of the sum of each resident electing pass-through entity owner's distributive share of the electing pass-through entity's income and each nonresident electing pass-through entity owner's distributive share of income attributable to the state, all as determined pursuant to K.S.A. 79-32,130, 79-32,131, 79-32,133 and 79-32,139, and amendments thereto.

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

(c) Any credit allowed pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, except K.S.A. 79-32,111(a), and amendments thereto, that is attributable to the activities of an electing pass-through entity in the taxable year shall be claimed by the entity and not passed through to or claimed by the electing pass-through entity owner only for taxable periods when the election is allowed and made by an electing pass-through entity under section 21, and amendments thereto. Notwithstanding any provision to the contrary in article 32 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, any excess income tax credit, net operating loss or other modification may be carried forward on the electing pass-through entity's return but may only be utilized in a year in which the electing pass-through entity has made the election allowed in section 21, and amendments thereto, except
that any limitation specified in the specific section for an income tax credit, the net operating loss or any other modification shall apply to the electing pass-through entity. If in a taxable period subsequent to a period in which an election under section 21, and amendments thereto, was made, an election under section 21, and amendments thereto, is not allowed or not made by an electing pass-through entity, any excess income tax credits may be transferred to the electing pass-through entity owners. Any excess income tax credits shall be available to each electing pass-through owner in the same proportion and manner as would have applied without the election under section 21, and amendments thereto, for the taxable period in which each respective income tax credit was generated. All other rights and obligations pertaining to the excess income tax credits shall be transferred to the electing pass-through entity owners.

(d) The provisions of article 32 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, regarding the collection, administration and enforcement of tax shall be applicable to the tax due under this section, and notwithstanding the provisions of K.S.A. 79-32,129 and 79-32,139, and amendments thereto, an electing pass-through entity shall be a taxpayer.

New Sec. 23. (a) Notwithstanding K.S.A. 79-32,129 and 79-32,139, and amendments thereto, and as provided in K.S.A. 79-32,138(c)(vii), and amendments thereto, electing pass-through entity owners shall not be liable for the tax under this act in their separate or individual capacities. Resident electing pass-through entity owners subject to Kansas individual income tax shall be entitled to a credit against the tax imposed under section 21, and amendments thereto. The credit shall be equal to the electing pass-through entity owner's direct share of the tax imposed under section 21, and amendments thereto. Subsequent to the application of all other credits allowed, if any excess credit exists, such amount shall be refundable to the electing pass-through entity owner. The credit allowed to an electing pass-through entity owner under this
subsection shall not exceed the direct share of pass-through entity tax reported by such pass-
through entity.

(b) Notwithstanding the provisions of this act and K.S.A. 79-32,138(c)(vii), and amendments thereto, the basis in the hands of an electing pass-through entity owner in the interest in the partnership or the stock or indebtedness in the S corporation shall be determined as if the election under section 21, and amendments thereto, had not been made.

New Sec. 24. The secretary of revenue may adopt rules and regulations to require or permit an electing pass-through entity to make returns, set forth information or furnish copies of information as may be deemed necessary to carry out the provisions of this act. The secretary of revenue may adopt such other rules and regulations as may be deemed necessary or expedient in enforcing the provisions of this act.

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

(2) In accordance with the provisions of K.S.A. 75-5151a, and amendments thereto, an individual who is required to file a return may file such return by electronic means in a manner approved by the secretary of revenue. A paid preparer who prepares 50 or more returns per year
shall file by electronic means not less than 90% of such returns eligible for electronic filing. The requirements of this subsection may be waived by the secretary of revenue for a paid preparer if the paid preparer demonstrates a hardship in complying with the requirements of this subsection.

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

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

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

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

Sec. 26. K.S.A. 79-32,111 is hereby amended to read as follows: 79-32,111. (a) The amount of income tax paid to another state by a resident individual, resident estate or resident trust on income derived from sources in another state, and included in Kansas adjusted gross income, shall be allowed as a credit against the tax computed under the provisions of this act. Such credit shall not be greater in proportion to the tax computed under this act than the Kansas adjusted gross income for such year derived in another state while such taxpayer is a resident of this state is to the total Kansas adjusted gross income of the taxpayer. As used in this subsection, "state" shall have the meaning ascribed thereto means the same as defined by subsection (h) of K.S.A. 79-3271(i), and amendments thereto. The credit allowable hereunder for income tax paid to a foreign country or political subdivision thereof shall not exceed the difference of such income tax paid less the credit allowable for such income tax paid by the federal internal revenue code. No redetermination of income tax paid for the purposes of determining the credit allowed by this subsection shall be required for the taxable year for which an income tax refund payment pursuant to the provisions of section 18 of article 10 of the Missouri constitution is made, but the income tax paid allowable for credit in the next following taxable year shall be reduced by the amount of such refund amount, except that, for tax year 1998, the income tax paid allowable for credit shall be reduced by the amount of such refunds made for all taxable years prior to tax year 1998.
(b) There shall be allowed as a credit against the tax computed under the provisions of the Kansas income tax act, and amendments thereto, on the Kansas taxable income of an individual, corporation or fiduciary the amount determined under the provisions of K.S.A. 79-32,153 to 79-32,158, and amendments thereto.

(c) For purposes of subsection (a), the amount of income tax paid to another state by an S corporation or partnership that is included in Kansas adjusted gross income of a resident individual, resident estate or resident trust who is a member, shareholder or partner of such S corporation or partnership shall be considered income tax paid to another state by such resident individual, resident estate or resident trust.

Sec. 27. K.S.A. 2021 Supp. 79-32,117 is hereby amended to read as follows:

(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.


(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. 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. 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. 72-4357, and amendments thereto, and is also claimed as an itemized deduction for federal income tax purposes.

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

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

(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. § 280C. 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. § 280C.

(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 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, 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, 2021: (1) The amount contributed to a first-time home buyer savings account pursuant to K.S.A. 2021 Supp. 58-4903, and amendments thereto, in an amount not to exceed $3,000 for an individual or $6,000 for a married couple filing a joint return; or (2) amounts received as income earned from assets in a first-time home buyer savings account.

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

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

(xxviii) For taxable years commencing after December 31, 2020, the amount disallowed as a deduction pursuant to section 274 of the federal internal revenue code of 1986 for meal expenditures shall be allowed to the extent such expense was deductible for determining federal income tax and was allowed and in effect on December 31, 2017.
(xxix) For taxable years beginning after December 31, 2017, for an individual taxpayer who carried back federal net operating losses arising in a taxable year beginning after December 31, 2017, and before January 1, 2021, pursuant to section 172(b)(1) of the federal internal revenue code as amended by the coronavirus aid, relief, and economic security act (CARES act), the amount of such federal net operating loss carryback for each applicable year. If the amount of such federal net operating loss carryback exceeds the taxpayer's Kansas adjusted gross income for such taxable year, the amount thereof that exceeds such Kansas adjusted gross income may be carried forward as a subtraction modification in the following taxable year or years until the total amount of such federal net operating loss carryback has been deducted, except that no such unused amount shall be carried forward for deduction as a subtraction modification after the 20th taxable year following the taxable year of the net operating loss.

(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. 28. K.S.A. 2021 Supp. 79-32,119 is hereby amended to read as follows: 79-32,119.

(a) The Kansas standard deduction of an individual, including a husband and wife who are either both residents or who file a joint return as if both were residents, shall be equal to the sum of the
standard deduction amount allowed pursuant to this section, and the additional standard deduction amount allowed pursuant to this section for each such deduction allowable to such individual or to such husband and wife under the federal internal revenue code.

(b) For tax year 1998, and all tax years thereafter, the additional standard deduction amount shall be as follows: Single individual and head of household filing status, $850; and married filing status, $700.

(c) (1) For tax year 2013 through tax year 2020, the standard deduction amount of an individual, including husband and wife who are either both residents or who file a joint return as if both were residents, shall be as follows: Single individual filing status, $3,000; married filing status, $7,500; and head of household filing status, $5,500.

(2) For tax years 2021 and 2022, and all tax years thereafter, the standard deduction amount of an individual, including husband and wife who are either both residents or who file a joint return as if both were residents, shall be as follows: Single individual filing status, $3,500; married filing status, $8,000; and head of household filing status, $6,000.

(3) For tax year 2023, and all tax years thereafter, the standard deduction amount of an individual, including husband and wife who are either both residents or who file a joint return as if both were residents, shall be as follows: Single individual filing status, $3,850; married filing status, $8,800; and head of household filing status, $6,600.

(d) For purposes of this section, the federal standard deduction allowable to a husband and wife filing separate Kansas income tax returns shall be determined on the basis that separate federal returns were filed, and the federal standard deduction of a husband and wife filing a joint Kansas income tax return shall be determined on the basis that a joint federal income tax return was filed.

Sec. 29. K.S.A. 2021 Supp. 79-32,138 is hereby amended to read as follows: 79-
(a) Kansas taxable income of a corporation taxable under this act shall be the corporation's federal taxable income for the taxable year with the modifications specified in this section, except that in determination of such federal taxable income for all taxable years commencing after December 31, 2020, section 118 of the federal internal revenue code of 1986 shall be applied as in effect on December 21, 2017.

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

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


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

(iv) for taxable years commencing 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. 40-2,190, and amendments thereto;

(v) the amount of any charitable contribution deduction claimed for any contribution or gift made to a scholarship granting organization to the extent the same is claimed as the basis for the credit allowed pursuant to K.S.A. 72-4357, and amendments thereto;
(vi) the federal net operating loss deduction; and

(vii) for all taxable years commencing after December 31, 2020, the amount of any deduction claimed under section 250(a)(1)(B) of the federal internal revenue code of 1986; and

(viii) for taxable years commencing after December 31, 2021, an amount equal to the electing pass-through entity owner's distributive share of the electing pass-through entity's losses attributable to the state that are taxed pursuant to the provisions of the salt parity act.

(c) There shall be subtracted from federal taxable income:

(i) The same modifications as are set forth in K.S.A. 79-32,117(c), and amendments thereto, with respect to resident individuals, except subsection (c)(xx);

(ii) the federal income tax liability for any taxable year commencing prior to December 31, 1971, for which a Kansas return was filed after reduction for all credits thereon, except credits for payments on estimates of federal income tax, credits for gasoline and lubricating oil tax, and for foreign tax credits if, on the Kansas income tax return for such prior year, the federal income tax deduction was computed on the basis of the federal income tax paid in such prior year, rather than as accrued. Notwithstanding the foregoing, the deduction for federal income tax liability for any year shall not exceed that portion of the total federal income tax liability for such year which bears the same ratio to the total federal income tax liability for such year as the Kansas taxable income, as computed before any deductions for federal income taxes and after application of subsections (d) and (e) as existing for such year, bears to the federal taxable income for the same year;


(iv) for all taxable years commencing after December 31, 1987, the amount included in
federal taxable income pursuant to the provisions of section 78 of the internal revenue code;

(v) 80% of dividends from corporations incorporated outside of the United States or the District of Columbia which are included in federal taxable income. As used in this paragraph, "dividends" includes amounts included in income under section 965 of the federal internal revenue code of 1986, net of the deduction permitted by section 965(c) of the federal internal revenue code of 1986. For all taxable years commencing after December 31, 2020, this paragraph does not apply to amounts excluded from income pursuant to K.S.A. 79-32,117(c)(xxv)(xxvi), and amendments thereto, or amounts added back pursuant to K.S.A. 79-32,138(b)(vii), and amendments thereto; and

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

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

(d) If any corporation derives all of its income from sources within Kansas in any taxable year commencing after December 31, 1979, its Kansas taxable income shall be the sum resulting after application of subsections (a) through (c). Otherwise, such corporation's Kansas taxable income in any such taxable year, after excluding any refunds of federal income tax and before the deduction of federal income taxes provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271 through 79-3293, and amendments thereto, plus any refund of federal income tax as determined under K.S.A. 79-32,117(b)(iv), and amendments thereto, and minus the deduction for federal income taxes as provided by subsection (c)(ii) shall be such corporation's Kansas taxable income.
(e) A corporation may make an election with respect to its first taxable year commencing after December 31, 1982, whereby no addition modifications as provided for in subsection (b)(ii) and subtraction modifications as provided for in subsection (c)(iii) as those subsections existed prior to their amendment by this act, shall be required to be made for such taxable year.

Sec. 30. K.S.A. 2021 Supp. 79-32,143 is hereby amended to read as follows: 79-32,143. (a) (1) (A) For net operating losses incurred in taxable years prior to January 1, 2018, a net operating loss deduction shall be allowed in the same manner that it is allowed under the federal internal revenue code, except that such net operating loss may only be carried forward to each of the 10 taxable years following the taxable year of the net operating loss.

(B) For net operating losses incurred in taxable years beginning after December 31, 2017, a net operating loss deduction shall be allowed in the same manner that it is allowed under the federal internal revenue code, except that such net operating loss deduction may only be carried forward.

(2) For net operating farm losses, as defined by section 172 of the federal internal revenue code, incurred in taxable years beginning after December 31, 1999, a net operating loss deduction shall be allowed in the same manner that it is allowed under the federal internal revenue code except that such net operating loss may be carried forward to each of the 10 taxable years following the taxable year of the net operating loss.

(3) The amount of the net operating loss that may be carried back or forward for Kansas income tax purposes shall be that portion of the federal net operating loss allocated to Kansas under this act in the taxable year that the net operating loss is sustained.

(b) The amount of the loss to be carried back or forward will be the federal net operating loss after: (1) All modifications required under this act applicable to the net loss in the
year the loss was incurred; and (2) after apportionment as to source in the case of corporations, nonresident individuals for losses incurred in taxable years beginning prior to January 1, 1978, and nonresident estates and trusts in the same manner that income for such corporations, nonresident individuals, estates and trusts is required to be apportioned.

(c) If a net operating loss was incurred in a taxable year beginning prior to January 1, 1988, the amount of the net operating loss that may be carried back and carried forward and the period for which it may be carried back and carried forward shall be determined under the provisions of the Kansas income tax laws that were in effect during the year that such net operating loss was incurred.

(d) If any portion of a net operating loss described in subsections (a) and (b) is not utilized prior to the final year of the carryforward period provided in subsection (a), a refund shall be allowable in such final year in an amount equal to the refund which would have been allowable in the taxable year the loss was incurred by utilizing the three year carryback provided under K.S.A. 79-32,143, as in effect on December 31, 1987, multiplied by a fraction, the numerator of which is the unused portion of such net operating loss in the final year, and the denominator of which is the amount of such net operating loss that could have been carried back to the three years immediately preceding the year in which the loss was incurred. In no event may such fraction exceed one.

(e) Notwithstanding any other provisions of the Kansas income tax act, the net operating loss as computed under subsections (a), (b) and (c) shall be allowed in full in determining Kansas taxable income or at the option of the taxpayer allowed in full in determining Kansas adjusted gross income.

(f) No refund of income tax that results from a net operating farm loss carry back shall be allowed in an amount exceeding $1,500 in any year. Any overpayment in excess of $1,500
may be carried forward to any year or years after the year of the loss and may be claimed as a credit against the tax. The refundable portion of such credit shall not exceed $1,500 in any year.

(g) For tax year 2013, and all tax years thereafter, a net operating loss allowed by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to K.S.A. 79-32,110(c), and amendments thereto, and used only to determine such taxpayer's corporate income tax liability.

(h) Notwithstanding any other provisions of the Kansas income tax act, for tax year 2006, if a net operating loss is incurred from the sale at a loss of a historic hotel located in a community with less than 2,500 citizens improved by funds borrowed on both such hotel and farmland owned by the taxpayer that is located within 20 miles of such hotel, and previously the farmland was sold at a gain and in which case a majority of the proceeds were used to pay off the mortgage on such hotel, the net operating loss may be carried back three years to offset the gain on the sale of such farmland. The taxpayer may file an amended return for the three prior years.

Also on page 9, in line 26, after "K.S.A." by inserting "79-3220 and 79-32,111 and K.S.A. 2021 Supp. 79-32,117, 79-32,117q, 79-32,119, 79-32,138 and"; also in line 26, by striking "is" and inserting "are";

And by renumbering sections accordingly;

On page 1, in the title, in line 4, by striking "corporations,"; by striking all in line 5; in line 6, by striking all before the semicolon and inserting "deductions; establishing the salt parity act to allow pass-through entities to elect to pay state income tax at the entity level; increasing the Kansas standard deduction; relating to certain net operating losses; providing a subtraction modification to allow the carryforward of certain net operating losses for individuals; allowing a carryback on loss from sale of certain historic hotels"; also in line 6, after "K.S.A." by inserting "79-3220 and 79-32,111 and K.S.A. 2021 Supp. 79-32,117, 79-32,119, 79-32,138 and"; also in
line 6, by striking "section" and inserting "sections; also repealing K.S.A. 2021 Supp. 79-32,117q"; and the bill be passed as amended.

_____________________________Chairperson