AN ACT concerning state finances; relating to state general fund tax receipts and expenditures; providing a tax amnesty; creating a budget stabilization fund and tax reduction fund; ending balances; income tax rates, itemized deductions; reports to the legislature; amending K.S.A. 75-3722 and 75-6704 and K.S.A. 2014 Supp. 75-3721, 75-6702, 79-32,110, 79-32,120 and 79-32,269 and repealing the existing sections.

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

New Section 1. (a) (1) Notwithstanding the provisions of any other law to the contrary, with respect to the following taxes administered by the department of revenue, an amnesty from the assessment or payment of all penalties and interest with respect to unpaid taxes or taxes due and owing shall apply upon compliance with the provisions of this section and if such tax liability is paid in full within the amnesty period, from September 1, 2015, to October 15, 2015: (A) Privilege tax under K.S.A. 79-1106 et seq., and amendments thereto; (B) taxes under the Kansas estate tax act, K.S.A. 2006 Supp. 79-15,100 et seq., prior to its repeal; (C) taxes under the Kansas income tax act, K.S.A 79-3201 et seq., and amendments thereto; (D) taxes under the Kansas withholding and declaration of estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto; (E) taxes under the Kansas cigarette and tobacco products act, K.S.A. 79-3301 et seq., and amendments thereto; (F) taxes under the Kansas retailers' sales tax act, K.S.A. 79-3601 et seq., and amendments thereto, and the Kansas compensating tax act, K.S.A. 79-3701 et seq., and amendments thereto; (G) local sales and use taxes under K.S.A. 12-187 et seq., and amendments thereto; (H) liquor enforcement tax under K.S.A. 79-4101 et seq., and amendments thereto; and (J) mineral severance tax under K.S.A. 79-4216 et seq., and amendments thereto.

(2) Amnesty under this section shall apply only to tax liabilities due and unpaid for tax periods ending on or before December 31, 2013. For the eligible taxes and tax periods, amnesty shall apply to the under-reporting of such tax liabilities, the nonpayment of such taxes and the nonreporting of such tax liabilities.

(3) Amnesty shall not apply to any matter or matters for which, on or after September 1, 2015, any one of the following circumstances exist: (A) The taxpayer has received notice of the commencement of an audit; (B) an
audit is in progress; (C) the taxpayer has received notice of an assessment pursuant to K.S.A. 79-2971 or 79-3643, and amendments thereto; (D) as a result of an audit, the taxpayer has received notice of a proposed or estimated assessment or notice of an assessment; (E) the time to administratively appeal an issued assessment has not yet expired; or (F) an assessment resulting from an audit, or any portion of such assessment, is pending in the administrative appeals process before the secretary or the secretary's designee pursuant to K.S.A. 79-3226 or 79-3610, and amendments thereto, or the state board of tax appeals, or is pending in the judicial review process before any state or federal district or appellate court. Amnesty shall not apply to any matter that is the subject of an assessment, or any portion of an assessment, which has been affirmed by a reviewing state or federal district or appellate court. Amnesty shall not apply to any party to any criminal investigation or to any civil or criminal litigation that is pending in any court of the United States or this state for nonpayment, delinquency or fraud in relation to any tax imposed by the state of Kansas. Amnesty shall not apply to any matter involving individual or corporate income tax liability resulting from an audit or adjustment by the federal internal revenue service and reported to the Kansas department of revenue pursuant to K.S.A. 79-3230(f), and amendments thereto.

(b) Upon written application by the taxpayer, on forms prescribed by the secretary of revenue, and upon compliance with the provisions of this section, the department of revenue may waive the imposition and collection of any penalty or interest which may be applicable with respect to taxes eligible for amnesty. The department of revenue may require all applications for amnesty pursuant to this section be submitted electronically.

(c) Amnesty for penalties and interest shall be granted only to those eligible taxpayers who, within the amnesty period of September 1, 2015, to October 15, 2015, and in accordance with rules and regulations established by the secretary of revenue, have properly filed a tax return for each taxable period for which amnesty is requested, paid the entire balance of tax due and obtained approval of such amnesty by the department of revenue.

(d) If a taxpayer elects to participate in the amnesty program established pursuant to this section as evidenced by full payment of the tax due as established by the secretary of revenue, that election shall constitute an express and absolute relinquishment of all administrative and judicial rights of appeal with respect to such tax liability. No tax payment received pursuant to this section shall be eligible for refund or credit. No payment of penalties or interest made prior to September 1, 2015, shall be eligible for amnesty.
(e) For such tax returns for which amnesty has been requested, nothing in this section shall be interpreted to prohibit the department from adjusting such tax return as a result of a federal, department or other state agency audit.

(f) Fraud or intentional misrepresentation of a material fact in connection with an application for amnesty shall void such application and any waiver of penalties and interest from amnesty.

(g) The department may promulgate such rules and regulations or issue administrative guidelines as are necessary to administer the provisions of this section.

New Sec. 2. (a) The budget stabilization fund and the tax reduction fund are hereby established in the state treasury.

(b) (1) For the fiscal year ending June 30, 2016, on August 15, 2015, the director of accounts and reports shall transfer $22,900,000 from the state general fund to the budget stabilization fund.

(2) For the fiscal year ending June 30, 2017, on August 15, 2016, the director of accounts and reports shall transfer $58,000,000 from the state general fund to the budget stabilization fund. For the fiscal year ending June 30, 2017, on August 15, 2016, the director of accounts and reports shall transfer $28,700,000 from the state general fund to the tax reduction fund.

(3) Commencing with fiscal year 2017, in any fiscal year in which the amount of selected actual state general fund receipts from such fiscal year exceeds the selected actual state general fund receipts for the immediately preceding fiscal year by more than 102% but less than 103%, the director of the budget and the director of legislative research shall jointly certify the amount that is more than 102% but less than 103% of such selected actual state general fund receipts for the immediately preceding fiscal year to the secretary of revenue. On or before August 15 following the end of such fiscal year, such certified amount shall be transferred from the state general fund to the budget stabilization fund.

(c) When the legislature is in session, moneys may be appropriated out of the tax reduction fund through legislative enactment pursuant to K.S.A. 2014 Supp. 79-32,269, and amendments thereto.

(d) (1) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the budget stabilization fund interest earnings based on:

(A) The average daily balance of moneys in the budget stabilization fund, for the preceding month; and

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

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

(A) The average daily balance of moneys in the tax reduction fund, for the preceding month; and

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

(e) Pursuant to this section, no additional moneys shall be transferred from the state general fund to the budget stabilization fund if the balance in the fund is at least 5% of the total amount authorized to be expended or transferred by demand transfer from the state general fund in such fiscal year, except to the extent such transfers are needed to maintain the balance in the budget stabilization fund at such amount. As soon as the balance in the budget stabilization fund reaches an amount equal to 5% of the total amount authorized to be expended or transferred by demand transfer from the state general fund in such fiscal year, any further moneys shall instead be transferred from the state general fund to the tax reduction fund.

(f) Commencing with fiscal year 2016, moneys in the budget stabilization fund may be expended when it appears that the resources of the general fund or any special revenue fund are likely to be insufficient to cover the appropriations made against such general fund or special revenue fund as certified by the director of the budget and the director of legislative research or in order to execute an allotment ordered by the governor pursuant to K.S.A. 75-3722, and amendments thereto. No moneys in the budget stabilization fund shall be expended pursuant to this subsection unless the expenditure either has been approved by an appropriation or other act of the legislature or has been approved by the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in K.S.A. 75-3711(c), and amendments thereto.

(g) As used in this section: "Selected actual state general fund receipts" has the meaning ascribed thereto in K.S.A. 2014 Supp. 79-32,269, and amendments thereto.

Sec. 3. K.S.A. 2014 Supp. 75-3721 is hereby amended to read as follows: 75-3721. (a) On or before the eighth calendar day of each regular legislative session, the governor shall submit the budget report to the legislature, except that in the case of the regular legislative session immediately following the election of a governor who was elected to the office of governor for the first time, that governor shall submit the budget report to the legislature on or before the 21st calendar day of that regular legislative session.

(b) The budget report of the governor shall be set up in three parts, the nature and contents of which shall include the following:

(1) Part one shall consist of a budget message by such governor, including the governor's recommendations with reference to the fiscal
policy of the state government for the current fiscal year and the ensuing fiscal year, describing the important features of the budget plan for each of the fiscal years included, embracing a general budget summary setting forth the aggregate figures of the budget so as to show the balanced relation between the total proposed expenditures and the total anticipated income for the current fiscal year and the ensuing fiscal year, with the basis and factors upon which the estimates were made, and the means of financing the budget plan for each of the fiscal years included, compared with the corresponding figures for at least the last completed fiscal year, and the director of the budget shall prepare the figures for the governor for such comparisons.

(A) The budget plan shall not include:

(i) any proposed expenditures of anticipated income attributable to proposed legislation that would provide additional revenues from either current or new sources of revenue;

(ii) any proposed expenditures of moneys in the ending balance in the state general fund required by K.S.A. 75-6702, and amendments thereto.

(B) The general budget summary may be supported by explanatory schedules or statements, classifying the expenditures contained therein by state agencies, objects, and funds, and the income by state agencies, funds, sources and types. The general budget summary shall include all special or fee funds as well as the state general fund, and shall include the estimated amounts of federal aids, for whatever purpose provided, together with estimated expenditures therefrom.

(2) Part two shall embrace the detailed budget estimates for each of the fiscal years included, both of expenditures and revenues, showing the requests of the state agencies, if any, and the governor's recommendations thereon, which shall include amounts for payments by the state board of regents pursuant to K.S.A. 75-4364, and amendments thereto. It shall also include statements of the bonded indebtedness of the state, showing the actual amount of the debt service for at least the last completed fiscal year, and the estimated amount for the current fiscal year and for each of the ensuing fiscal years included, the debt authorized and unissued, and the condition of the sinking funds.

(3) Part three shall consist of a draft of a legislative measure or measures reflecting the governor's budget for all of the fiscal years included in the budget report.

(c) The division of the budget shall compile a children's budget document consisting of the information contained in agency budget estimates regarding programs that provide services for children and their families. Such document shall be provided to the Kansas children's cabinet established by K.S.A. 38-1901, and amendments thereto, and other persons or entities on request.

(d) The division of the budget, upon request, shall furnish the
governor or the legislature with any further information required concerning the budget.

(e) Nothing in this section shall be construed to restrict or limit the privilege of the governor to present supplemental budget messages or amendments to previous budget messages, which may include proposals for expenditure of new or increased sources of revenue derived from proposed legislation.

(f) The budget estimate for the judicial branch of state government as submitted to the director of the budget pursuant to K.S.A. 20-158, and amendments thereto, shall be included in the governor's budget report.

(g) The division of the budget shall compile a Kansas homeland security budget document consisting of the information contained in agency budget estimates under subsection (a)(3) of K.S.A. 75-3717(a)(3), and amendments thereto. Such document shall be provided to the house of representatives committee on appropriations, the senate committee on ways and means and such other committees upon request.

(h) Commencing with fiscal year 2016, the ending balance in the state general fund in any fiscal year shall include the unexpended and unencumbered balances in the:

(1) State general fund;
(2) budget stabilization fund, established in section 2, and amendments thereto; and
(3) tax reduction fund, established in section 2, and amendments thereto.

Sec. 4. K.S.A. 75-3722 is hereby amended to read as follows: 75-3722. (a) An allotment system will be applicable to the expenditure of the resources of any state agency, under rules and regulations established as provided in K.S.A. 75-3706, and amendments thereto, only if in the opinion of the secretary of administration on the advice of the director of the budget, the use of an allotment plan is necessary or beneficial to the state. In making this determination the secretary of administration shall take into consideration all pertinent factors including: (1) Available resources; (2) current spending rates; (3) work loads; (4) new activities, especially any proposed activities not covered in the agency's request to the governor and the legislature for appropriations; (5) the minimum current needs of each agency; (6) requests for deficiency appropriations in prior fiscal years; (7) unexpended and unencumbered balances; and (8) revenue collection rates and prospects.

(b) Whenever for any fiscal year it appears that the resources of the general fund or any special revenue fund are likely to be insufficient to cover the appropriations made against such general fund or special revenue fund, the secretary of administration, on the advice of the director of the budget, shall, in such manner as the secretary may
determine, inaugurate the allotment system so as to assure that expenditures for any particular fiscal year will not exceed the available resources of the general fund or any special revenue fund for that fiscal year. When reviewing the resources of the general fund or any special revenue fund for the purposes of issuing an allotment, the secretary shall not take into consideration the balances in the budget stabilization fund or the tax reduction fund. The allotment system shall not apply to the legislature or to the courts or their officers and employees. Agencies affected by decisions of the secretary of administration under this section shall be notified in writing at least thirty (30) days before such decisions may become effective and any affected agency may, by written request addressed to the governor within ten (10) days after such notice, ask for a review of the decision by the finance council governor. The finance council governor shall hear appeals and render a decision within twenty (20) days after the governor receives requests for such hearings.

Sec. 5. K.S.A. 2014 Supp. 75-6702 is hereby amended to read as follows: 75-6702. (a) The last appropriation bill passed in any regular session of the legislature shall be the omnibus reconciliation spending limit bill. Each bill which is passed during a regular session of the legislature and which appropriates or transfers money from the state general fund for the ensuing fiscal year shall contain a provision that such bill shall take effect and be in force from and after the effective date of the omnibus reconciliation spending limit bill for that regular session of the legislature or from and after such effective date and a subsequent date or an event occurring after such effective date.

(b) Except as provided in subsection (c), the maximum amount of expenditures and demand transfers from the state general fund that may be authorized by act of the legislature during the 2004 regular session of the legislature and each regular session of the legislature thereafter, is hereby fixed so that there will be an ending balance in the state general fund for the ensuing fiscal year that is equal to 7.5% or more of the total amount authorized to be expended or transferred by demand transfer from the state general fund in such fiscal year.

(c) The provisions of subsection (b) are hereby suspended for the fiscal year ending June 30, 2014, and the fiscal year ending June 30, 2015, and shall not prescribe a maximum amount of expenditures and demand transfers from the state general fund that may be authorized by act of the legislature during the 2013 or 2014 regular session of the legislature.

Sec. 6. K.S.A. 75-6704 is hereby amended to read as follows: 75-6704. (a) The director of the budget shall continuously monitor the status of the state general fund with regard to estimated and actual revenues and approved and actual expenditures and demand transfers. Periodically, the
director of the budget shall estimate the amount of the unencumbered ending balance of moneys in the state general fund for the current fiscal year and the total amount of anticipated expenditures, demand transfers and encumbrances of moneys in the state general fund for the current fiscal year. If the amount of such unencumbered ending balance in the state general fund is less than $100,000,000, the director of the budget shall certify to the governor the difference between $100,000,000 and the amount of such unencumbered ending balance in the state general fund, after adjusting the estimates of the amounts of such demand transfers with regard to new estimates of revenues to the state general fund, where appropriate. When estimating the amount of the unencumbered ending balance of moneys in the state general fund for the purposes of such certification, the director of the budget shall not take into consideration the balances in the budget stabilization fund or the tax reduction fund.

(b) Upon receipt of any such certification and subject to approval of the state finance council acting on this matter which is hereby declared to be a matter of legislative delegation and subject to the guidelines prescribed by subsection (c) of K.S.A. 75-3711c(c), and amendments thereto, the governor may issue an executive order reducing, by applying a percentage reduction determined by the governor in accordance with this section: (1) The amount authorized to be expended from each appropriation from the state general fund for the current fiscal year, other than any item of appropriation for debt service for payments pursuant to contractual bond obligations or any item of appropriation for employer contributions for the employers who are eligible employers as specified in subsections (1), (2) and (3) of K.S.A. 74-4931(1), (2) and (3), and amendments thereto, under the Kansas public employees retirement system pursuant to K.S.A. 74-4939, and amendments thereto; and (2) the amount of each demand transfer from the state general fund for the current fiscal year, other than any demand transfer to the school district capital improvements fund for distribution to school districts pursuant to K.S.A. 75-2319, and amendments thereto.

(c) The reduction imposed by an executive order issued under this section shall be determined by the governor and may be equal to or less than the amount certified under subsection (a). Except as otherwise specifically provided by this section, the percentage reduction applied under subsection (b) shall be the same for each item of appropriation and each demand transfer and shall be imposed equally on all such items of appropriation and demand transfers without exception. No such percentage reduction and no provisions of any such executive order under this section shall apply or be construed to reduce any item of appropriation for debt service for payments pursuant to contractual bond obligations or any item of appropriation for employer contributions for the employers who are
eligible employers as specified in subsections (1), (2) and (3) of K.S.A. 74-4931(l), (2) and (3), and amendments thereto, under the Kansas public employees retirement system pursuant to K.S.A. 74-4939, and amendments thereto, or any demand transfer to the school district capital improvements fund for distribution to school districts pursuant to K.S.A. 75-2319, and amendments thereto. The provisions of such executive order shall be effective for all state agencies of the executive, legislative and judicial branches of state government.

(d) If the governor issues an executive order under this section, the director of accounts and reports shall not issue any warrant for the payment of moneys in the state general fund or make any demand transfer of moneys in the state general fund for any state agency unless such warrant or demand transfer is in accordance with such executive order and such warrant or demand transfer does not exceed the amount of money permitted to be expended or transferred from the state general fund.

(e) Nothing in this section shall be construed to: (1) Require the governor to issue an executive order under this section upon receipt of any such certification by the director of the budget; or (2) restrict the number of times that the director of the budget may make a certification under this section or that the governor may issue an executive order under this section.

Sec. 7. K.S.A. 2014 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110.(a) Resident Individuals. Except as otherwise provided by subsection (a) of K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

(A) Married individuals filing joint returns.

For tax year 2012:

If the taxable income is: The tax is:

Not over $30,000..........................3.5% of Kansas taxable income
Over $30,000 but not over $60,000 $1,050 plus 6.25% of excess over $30,000
Over $60,000........................................over $30,000
Over $60,000..................................$2,925 plus 6.45% of excess over $60,000

(B) For tax year 2013:

If the taxable income is: The tax is:

Not over $30,000..........................3.0% of Kansas taxable income
Over $30,000..................................$900 plus 4.9% of excess over $30,000

(C) For tax year 2014:

If the taxable income is: The tax is:

Not over $30,000..........................2.7% of Kansas taxable income
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<td>(D) For tax year 2015:</td>
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(E) For tax year 2016, and all tax years thereafter: |
| If the taxable income is: | The tax is: |
| Not over $30,000 | 2.4% of Kansas taxable income |
| Over $30,000 | $810 plus 4.6% of excess over $30,000 |

(F) For tax year 2017: |
| If the taxable income is: | The tax is: |
| Not over $30,000 | 2.3% of Kansas taxable income |
| Over $30,000 | $690 plus 4.6% of excess over $30,000 |

(G) For tax year 2018, and all tax years thereafter: |
| If the taxable income is: | The tax is: |
| Not over $30,000 | 2.3% of Kansas taxable income |
| Over $30,000 | $690 plus 3.9% of excess over $30,000 |

(2) *All other individuals.* |
| (A) For tax year 2012: | If the taxable income is: The tax is: |
| Not over $15,000 | 3.5% of Kansas taxable income |
| Over $15,000 but not over $30,000 | $525 plus 6.25% of excess over $15,000 |
| Over $30,000 | $1,462.50 plus 6.45% of excess over $30,000 |

(B) For tax year 2013: |
| If the taxable income is: | The tax is: |
| Not over $15,000 | 3.0% of Kansas taxable income |
| Over $15,000 | $450 plus 4.9% of excess over $15,000 |

(C) For tax year 2014: |
| If the taxable income is: | The tax is: |
| Not over $15,000 | 2.7% of Kansas taxable income |
| Over $15,000 | $405 plus 4.8% of excess over $15,000 |

(D) For tax year 2015: |
| If the taxable income is: | The tax is: |
| Not over $15,000 | 2.7% of Kansas taxable income |
Over $15,000....................................$405 plus 4.6% of excess over $15,000

(E) For tax year 2016, and all tax years thereafter:
If the taxable income is: The tax is:
Not over $15,000..................................2.4% 2.66% of Kansas taxable income
Over $15,000...................................$360 $399 plus 4.6% of excess over $15,000

(F) For tax year 2017:
If the taxable income is: The tax is:
Not over $15,000..................................2.3% of Kansas taxable income
Over $15,000...................................$345 plus 4.6% of excess over $15,000

(G) For tax year 2018, and all tax years thereafter:
If the taxable income is: The tax is:
Not over $15,000..................................2.3% of Kansas taxable income
Over $15,000...................................$345 plus 3.9% of excess over $15,000

(b) Nonresident Individuals. A tax is hereby imposed upon the Kansas taxable income of every nonresident individual, which tax shall be an amount equal to the tax computed under subsection (a) as if the nonresident were a resident multiplied by the ratio of modified Kansas source income to Kansas adjusted gross income.

(c) Corporations. A tax is hereby imposed upon the Kansas taxable income of every corporation doing business within this state or deriving income from sources within this state. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:
(1) The normal tax shall be in an amount equal to 4% of the Kansas taxable income of such corporation; and
(2) (A) for tax year 2008, the surtax shall be in an amount equal to 3.1% of the Kansas taxable income of such corporation in excess of $50,000; and
(B) for tax years 2009 and 2010, the surtax shall be in an amount equal to 3.05% of the Kansas taxable income of such corporation in excess of $50,000; and
(C) for tax year 2011, and all tax years thereafter, the surtax shall be in an amount equal to 3% of the Kansas taxable income of such corporation in excess of $50,000.

(d) Fiduciaries. A tax is hereby imposed upon the Kansas taxable income of estates and trusts at the rates provided in paragraph (2) of subsection (a)(2) hereof.
(e) Tax rates provided in this section shall be adjusted pursuant to the provisions of K.S.A. 2014 Supp. 79-32,269, and amendments thereto.

Sec. 8. K.S.A. 2014 Supp. 79-32,120 is hereby amended to read as
follows: 79-32,120. (a) (1) If federal taxable income of an individual is
determined by itemizing deductions from such individual's federal
adjusted gross income, such individual may elect to deduct the Kansas
itemized deduction in lieu of the Kansas standard deduction.

(2) For the tax year commencing on January 1, 2013, the Kansas
itemized deduction of an individual means 70% of the total amount of
deductions from federal adjusted gross income, other than federal
deductions for personal exemptions, as provided in the federal internal
revenue code with the modifications specified in this section.

(3) For the tax year commencing on January 1, 2014, the Kansas
itemized deduction of an individual means 65% of the total amount of
deductions from federal adjusted gross income, other than federal
deductions for personal exemptions, as provided in the federal internal
revenue code with the modifications specified in this section.

(4) For the tax year years commencing on and after January 1, 2015,
the Kansas itemized deduction of an individual means 60% 50% of the
total amount of deductions from federal adjusted gross income, other than
federal deductions for personal exemptions, as provided in the federal internal
revenue code with the modifications specified in this section.

(5) For the tax year commencing on January 1, 2016, the Kansas
itemized deduction of an individual means 55% of the total amount of
deductions from federal adjusted gross income, other than federal
deductions for personal exemptions, as provided in the federal internal
revenue code with the modifications specified in this section.

(6) For tax years commencing on and after January 1, 2017, the
Kansas itemized deduction of an individual means 50% of the total amount
of deductions from federal adjusted gross income, other than federal
deductions for personal exemptions, as provided in the federal internal
revenue code with the modifications specified in this section.

(b) The total amount of deductions from federal adjusted gross
income shall be reduced by the total amount of income taxes imposed by
or paid to this state or any other taxing jurisdiction to the extent that the
same are deducted in determining the federal itemized deductions and by
the amount of all depreciation deductions claimed for any real or tangible
personal property upon which the deduction allowed by K.S.A. 2014
79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

(c) The provisions of this section that provide for a reduction in the
total amount of deductions from federal adjusted gross income shall not
apply to contributions that qualify as charitable contributions allowable as
deductions in section 170 of the federal internal revenue code, and
amendments thereto.

(d) Notwithstanding any provision of this section to the contrary, for
taxable years commencing after January 1, 2013, the total amount of deductions from federal adjusted gross income shall be reduced by the total amount of wagering losses claimed as an itemized deduction in section 165(d) of the federal internal revenue code, and amendments thereto.

Sec. 9. K.S.A. 2014 Supp. 79-32,269 is hereby amended to read as follows: 79-32,269. (a) (1) Except as provided in subsection (a)(2), commencing with fiscal year 2018, in any fiscal year in which the amount of selected actual state general fund receipts from such fiscal year exceeds the selected actual state general fund receipts for the immediately preceding fiscal year by more than 2%, the director of legislative research shall certify such excess amount to the secretary of revenue and the director of the budget. Upon receipt of such certified amount, the secretary shall compute the excess percentage increase in selected actual state general fund receipts above 2%. Based on such excess percentage of calculated receipt growth, the secretary shall compute the income tax rate reductions to go into effect for the next tax year that would reduce by such certified amount the tax rates during the fiscal year after the next fiscal year according to the provisions of this section, as follows: (A) Rate reductions for individual income tax rates shall be applied to reduce the highest marginal income tax rate applicable to the current tax year, by such excess percentage minus 0.5%, and the lowest marginal income tax rate applicable to the current tax year by such excess percentage plus 0.5%, except that in no case shall such excess percentage plus 0.5% result in an income tax rate increase. In any such computation by the secretary pursuant to this subsection: (i) The resulting income tax rate shall be rounded down to the nearest 0.1%; and (ii) in any case in which the income tax rate for any individual marginal income tax rate is below 0.4%, such rate shall be 0%. Based on all such determinations, the secretary shall reduce individual income tax rates prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section; (B) upon all individual marginal income tax rates being reduced to 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next shall be applied for the surtax on corporations applicable to the current tax year by such excess percentage. In any such computation by the secretary pursuant to this subsection in which the surtax is below 0.4%, such surtax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, as required by this section; and (C) upon the surtax on corporations being reduced to a rate which when combined with the normal tax rate on corporations is equal to or below the combined surtax and normal tax imposed on national banking associations and state banks or is equal to or below the combined surtax-
and normal tax imposed on trust companies and savings and loan associations, rate reductions shall be proportionately applied for the tax on corporations, the tax on national banking associations and state banks, and the tax on trust companies and savings and loan associations. Such rate reductions shall be first applied to the surtax until reduced to 0% and then applied to the normal tax for each such tax. In any such computation by the secretary pursuant to this subsection in which any such tax is below 0.4%, such tax rate shall be 0%. Based on such determination, the secretary shall reduce the surtax and the normal tax on corporations prescribed by K.S.A. 79-32,110, and amendments thereto, the surtax and normal tax on national banking associations and state banks prescribed by K.S.A. 79-1107, and amendments thereto, and the surtax and normal tax on trust companies and savings and loan associations prescribed by K.S.A. 79-1108, and amendments thereto, as required by this section commencing with fiscal year 2017, in any fiscal year in which the amount of selected actual state general fund receipts from such fiscal year exceeds the selected actual state general fund receipts from the immediately preceding fiscal year by more than 103%, the director of the budget and the director of legislative research shall jointly certify such excess amount to the secretary of revenue, which amount shall be transferred from the state general fund to the tax reduction fund on or before August 15 following the end of such fiscal year. At the commencement of the next regular legislative session, the secretary shall submit a report to the governor, speaker of the house of representatives and the president of the senate showing such certified amount transferred to the tax reduction fund and available for tax reduction. The governor may then recommend the individual income tax rate reductions to go into effect for the next tax year estimated to decrease by such certified amount, or in addition, any accumulated balance in the tax reduction fund, the individual income tax receipts during the fiscal year after the next fiscal year. If the individual income tax rate is 0%, then the governor may recommend reductions in surtax and normal tax rates on corporations, national banking associations, state banks, trust companies and savings and loan associations. Such rate changes as recommended by the governor may then only be established by an act of the legislature. If the governor makes no such recommendation, the legislature may, through legislative enactment, establish such tax rates to go into effect for the next tax year estimated to decrease by such certified amount, or in addition, any accumulated balance in the tax reduction fund, the individual income tax receipts during the fiscal year after the next fiscal year. If the individual income tax rate is 0%, then the legislature may, through legislative enactment, enact reductions in the surtax and normal tax rates on corporations, national banking associations, state banks, trust companies
and savings and loan associations.

(2) Commencing with fiscal year 2017, in any fiscal year in which the amount of selected actual state general fund receipts for such fiscal year are 102% 103% or less than the selected actual state general fund receipts from the immediately preceding fiscal year, the director of the budget and the director of legislative research shall certify such amount and fact to the secretary of revenue and the director of the budget. Upon receipt of such amount and fact at the commencement of the next regular legislative session, the secretary of revenue shall not make any adjustment to the income tax rates for that tax year. A report to the governor, speaker of the house of representatives and president of the senate showing such certified amount transferred to the budget stabilization fund pursuant to section 2(b), and amendments thereto, if any, and to the tax reduction fund pursuant to section 2(e), and amendments thereto, if any. Except as provided in section 2(e), and amendments thereto, no transfers shall be made to the tax reduction fund.

(3) Notwithstanding the provisions of this section, the legislature may, through legislative enactment, transfer additional moneys from the state general fund to the tax reduction fund.

(b) The secretary of revenue shall report any reduction in income tax rates prescribed by this section to the chairperson of the assessment and taxation committee of the senate, the chairperson of the taxation committee of the house of representatives and the governor, and shall cause notice of any such reduction to be published in the Kansas register prior to September 15 of the calendar year immediately preceding the tax year in which such reduction takes effect. For the purposes of the calculations or transfers required by this section and section 2, and amendments thereto, any growth per fiscal year in selected actual state general fund receipts that is attributable to legislative changes in tax distribution formulas applicable during such fiscal year, shall not be taken into account.

(c) As used in this section, "selected actual state general fund receipts" means receipts from the following taxes and fees: Individual and corporation income taxes imposed under K.S.A. 79-32,110, and amendments thereto, financial institutions privilege taxes imposed under article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, retail sales taxes imposed under K.S.A. 79-3601 et seq., and amendments thereto, compensating use taxes imposed under K.S.A. 79-3701 et seq., and amendments thereto, cigarette and tobacco product taxes imposed under K.S.A. 79-3301 et seq., and amendments thereto, cereal malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 et seq., and amendments thereto, liquor enforcement taxes imposed under K.S.A. 79-4101 et seq., and amendments thereto, liquor drink taxes
imposed under K.S.A. 79-41a01 et seq., and amendments thereto, corporation franchise taxes imposed under K.S.A. 79-5401, and amendments thereto, annual franchise fees charged pursuant to law and mineral severance taxes imposed under K.S.A. 79-4216 et seq., and amendments thereto.


Sec. 11. This act shall take effect and be in force from and after its publication in the statute book.