

HOUSE BILL No. 2307

By Committee on Taxation

2-11

1 AN ACT concerning state finances; relating to state general fund tax
2 receipts and expenditures; providing a tax amnesty; creating a budget
3 stabilization fund and tax reduction fund; ending balances; income tax
4 rates, itemized deductions; reports to the legislature; amending K.S.A.
5 75-3722 and 75-6704 and K.S.A. 2014 Supp. 75-3721, 75-6702, 79-
6 32,110, 79-32,120 and 79-32,269 and repealing the existing sections.

7
8 *Be it enacted by the Legislature of the State of Kansas:*

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

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

34 (3) Amnesty shall not apply to any matter or matters for which, on or
35 after September 1, 2015, any one of the following circumstances exist: (A)
36 The taxpayer has received notice of the commencement of an audit; (B) an

1 audit is in progress; (C) the taxpayer has received notice of an assessment
2 pursuant to K.S.A. 79-2971 or 79-3643, and amendments thereto; (D) as a
3 result of an audit, the taxpayer has received notice of a proposed or
4 estimated assessment or notice of an assessment; (E) the time to
5 administratively appeal an issued assessment has not yet expired; or (F) an
6 assessment resulting from an audit, or any portion of such assessment, is
7 pending in the administrative appeals process before the secretary or the
8 secretary's designee pursuant to K.S.A. 79-3226 or 79-3610, and
9 amendments thereto, or the state board of tax appeals, or is pending in the
10 judicial review process before any state or federal district or appellate
11 court. Amnesty shall not apply to any matter that is the subject of an
12 assessment, or any portion of an assessment, which has been affirmed by a
13 reviewing state or federal district or appellate court. Amnesty shall not
14 apply to any party to any criminal investigation or to any civil or criminal
15 litigation that is pending in any court of the United States or this state for
16 nonpayment, delinquency or fraud in relation to any tax imposed by the
17 state of Kansas. Amnesty shall not apply to any matter involving
18 individual or corporate income tax liability resulting from an audit or
19 adjustment by the federal internal revenue service and reported to the
20 Kansas department of revenue pursuant to K.S.A. 79-3230(f), and
21 amendments thereto.

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

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

36 (d) If a taxpayer elects to participate in the amnesty program
37 established pursuant to this section as evidenced by full payment of the tax
38 due as established by the secretary of revenue, that election shall constitute
39 an express and absolute relinquishment of all administrative and judicial
40 rights of appeal with respect to such tax liability. No tax payment received
41 pursuant to this section shall be eligible for refund or credit. No payment
42 of penalties or interest made prior to September 1, 2015, shall be eligible
43 for amnesty.

1 (e) For such tax returns for which amnesty has been requested,
2 nothing in this section shall be interpreted to prohibit the department from
3 adjusting such tax return as a result of a federal, department or other state
4 agency audit.

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

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

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

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

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

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

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

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

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

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

42 (2) On or before the 10th day of each month, the director of accounts
43 and reports shall transfer from the state general fund to the tax reduction

1 fund interest earnings based on:

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

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

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

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

29 (g) As used in this section: "Selected actual state general fund
30 receipts" has the meaning ascribed thereto in K.S.A. 2014 Supp. 79-
31 32,269, and amendments thereto.

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

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

42 (1) Part one shall consist of a budget message by such governor,
43 including the governor's recommendations with reference to the fiscal

1 policy of the state government for the current fiscal year and the ensuing
2 fiscal year, describing the important features of the budget plan for each of
3 the fiscal years included, embracing a general budget summary setting
4 forth the aggregate figures of the budget so as to show the balanced
5 relation between the total proposed expenditures and the total anticipated
6 income for the current fiscal year and the ensuing fiscal year, with the
7 basis and factors upon which the estimates were made, and the means of
8 financing the budget plan for the each of the fiscal years included,
9 compared with the corresponding figures for at least the last completed
10 fiscal year, and the director of the budget shall prepare the figures for the
11 governor for such comparisons.

12 (A) The budget plan shall not include ~~(i)~~ any proposed expenditures
13 of anticipated income attributable to proposed legislation that would
14 provide additional revenues from either current or new sources of revenue;
15 ~~or (ii) any proposed expenditures of moneys in the ending balance in the~~
16 ~~state general fund required by K.S.A. 75-6702, and amendments thereto.~~

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

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

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

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

43 (d) The division of the budget, upon request, shall furnish the

1 governor or the legislature with any further information required
2 concerning the budget.

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

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

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

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

20 (1) *State general fund;*

21 (2) *budget stabilization fund, established in section 2, and*
22 *amendments thereto; and*

23 (3) *tax reduction fund, established in section 2, and amendments*
24 *thereto.*

25 Sec. 4. K.S.A. 75-3722 is hereby amended to read as follows: 75-
26 3722. (a) An allotment system will be applicable to the expenditure of the
27 resources of any state agency, under rules and regulations established as
28 provided in K.S.A. 75-3706, *and amendments thereto*, only if in the
29 opinion of the secretary of administration on the advice of the director of
30 the budget, the use of an allotment plan is necessary or beneficial to the
31 state. In making this determination the secretary of administration shall
32 take into consideration all pertinent factors including: (1) Available
33 resources;; (2) current spending rates;; (3) work loads;; (4) new activities,
34 especially any proposed activities not covered in the agency's request to
35 the governor and the legislature for appropriations;; (5) the minimum
36 current needs of each agency;; (6) requests for deficiency appropriations in
37 prior fiscal years;; (7) unexpended and unencumbered balances;; and (8)
38 revenue collection rates and prospects.

39 (b) Whenever for any fiscal year it appears that the resources of the
40 general fund or any special revenue fund are likely to be insufficient to
41 cover the appropriations made against such general fund or special
42 revenue fund, the secretary of administration, on the advice of the director
43 of the budget, shall, in such manner as ~~he or she~~ *the secretary* may

1 determine, inaugurate the allotment system so as to assure that
2 expenditures for any particular fiscal year will not exceed the available
3 resources of the general fund or any special revenue fund for that fiscal
4 year. *When reviewing the resources of the general fund or any special*
5 *revenue fund for the purposes of issuing an allotment, the secretary shall*
6 *not take into consideration the balances in the budget stabilization fund or*
7 *the tax reduction fund.* The allotment system shall not apply to the
8 legislature or to the courts or their officers and employees. Agencies
9 affected by decisions of the secretary of administration under this section
10 shall be notified in writing at least ~~thirty (30)~~ 30 days before such
11 decisions may become effective and any affected agency may, by written
12 request addressed to the governor within ~~ten (10)~~ 10 days after such notice,
13 ask for a review of the decision by the ~~finance council~~ governor. The
14 ~~finance council~~ governor shall hear appeals and render a decision within
15 ~~twenty (20)~~ 20 days after the governor receives requests for such ~~hearings~~
16 *review.*

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

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

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

40 Sec. 6. K.S.A. 75-6704 is hereby amended to read as follows: 75-
41 6704. (a) The director of the budget shall continuously monitor the status
42 of the state general fund with regard to estimated and actual revenues and
43 approved and actual expenditures and demand transfers. Periodically, the

1 director of the budget shall estimate the amount of the unencumbered
2 ending balance of moneys in the state general fund for the current fiscal
3 year and the total amount of anticipated expenditures, demand transfers
4 and encumbrances of moneys in the state general fund for the current
5 fiscal year. If the amount of such unencumbered ending balance in the
6 state general fund is less than \$100,000,000, the director of the budget
7 shall certify to the governor the difference between \$100,000,000 and the
8 amount of such unencumbered ending balance in the state general fund,
9 after adjusting the estimates of the amounts of such demand transfers with
10 regard to new estimates of revenues to the state general fund, where
11 appropriate. *When estimating the amount of the unencumbered ending*
12 *balance of moneys in the state general fund for the purposes of such*
13 *certification, the director of the budget shall not take into consideration*
14 *the balances in the budget stabilization fund or the tax reduction fund.*

15 (b) Upon receipt of any such certification and subject to approval of
16 the state finance council acting on this matter which is hereby declared to
17 be a matter of legislative delegation and subject to the guidelines
18 prescribed by ~~subsection (e) of K.S.A. 75-3711c(c)~~, and amendments
19 thereto, the governor may issue an executive order reducing, by applying a
20 percentage reduction determined by the governor in accordance with this
21 section;: (1) The amount authorized to be expended from each
22 appropriation from the state general fund for the current fiscal year, other
23 than any item of appropriation for debt service for payments pursuant to
24 contractual bond obligations or any item of appropriation for employer
25 contributions for the employers who are eligible employers as specified in
26 ~~subsections (1), (2) and (3) of K.S.A. 74-4931(1), (2) and (3)~~, and
27 amendments thereto, under the Kansas public employees retirement
28 system pursuant to K.S.A. 74-4939, and amendments thereto; and (2) the
29 amount of each demand transfer from the state general fund for the current
30 fiscal year, other than any demand transfer to the school district capital
31 improvements fund for distribution to school districts pursuant to K.S.A.
32 75-2319, and amendments thereto.

33 (c) The reduction imposed by an executive order issued under this
34 section shall be determined by the governor and may be equal to or less
35 than the amount certified under subsection (a). Except as otherwise
36 specifically provided by this section, the percentage reduction applied
37 under subsection (b) shall be the same for each item of appropriation and
38 each demand transfer and shall be imposed equally on all such items of
39 appropriation and demand transfers without exception. No such percentage
40 reduction and no provisions of any such executive order under this section
41 shall apply or be construed to reduce any item of appropriation for debt
42 service for payments pursuant to contractual bond obligations or any item
43 of appropriation for employer contributions for the employers who are

1 eligible employers as specified in ~~subsections (1), (2) and (3)~~ of K.S.A.
 2 74-4931(1), (2) and (3), and amendments thereto, under the Kansas public
 3 employees retirement system pursuant to K.S.A. 74-4939, and
 4 amendments thereto, or any demand transfer to the school district capital
 5 improvements fund for distribution to school districts pursuant to K.S.A.
 6 75-2319, and amendments thereto. The provisions of such executive order
 7 shall be effective for all state agencies of the executive, legislative and
 8 judicial branches of state government.

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

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

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

28 (1) *Married individuals filing joint returns.*

29 (A) For tax year 2012:

30 If the taxable income is:	The tax is:
31 Not over \$30,000.....	3.5% of Kansas taxable income
32 Over \$30,000 but not over	\$1,050 plus 6.25% of excess
33 \$60,000	over \$30,000
34 Over \$60,000.....	\$2,925 plus 6.45% of excess
35	over \$60,000

36 (B) For tax year 2013:

37 If the taxable income is:	The tax is:
38 Not over \$30,000.....	3.0% of Kansas taxable income
39 Over \$30,000.....	\$900 plus 4.9% of excess over
40	\$30,000

41 (C) For tax year 2014:

42 If the taxable income is:	The tax is:
43 Not over \$30,000.....	2.7% of Kansas taxable income

1 Over \$30,000.....\$810 plus 4.8% of excess over
 2 \$30,000

3 (D) For tax year 2015:

4 If the taxable income is: The tax is:
 5 Not over \$30,000.....2.7% of Kansas taxable income
 6 Over \$30,000.....\$810 plus 4.6% of excess over
 7 \$30,000

8 (E) For tax year 2016, *and all tax years thereafter*:

9 If the taxable income is: The tax is:
 10 Not over \$30,000.....~~2.4%~~ 2.66% of Kansas taxable income
 11 Over \$30,000.....~~\$720~~ \$798 plus 4.6% of excess over
 12 \$30,000

13 ~~(F) For tax year 2017:~~

14 ~~If the taxable income is: The tax is:~~
 15 ~~Not over \$30,000.....2.3% of Kansas taxable income~~
 16 ~~Over \$30,000.....\$690 plus 4.6% of excess over~~
 17 ~~\$30,000~~

18 ~~(G) For tax year 2018, and all tax years thereafter:~~

19 ~~If the taxable income is: The tax is:~~
 20 ~~Not over \$30,000.....2.3% of Kansas taxable income~~
 21 ~~Over \$30,000.....\$690 plus 3.9% of excess over~~
 22 ~~\$30,000~~

23 (2) *All other individuals.*

24 (A) For tax year 2012:

25 If the taxable income is: The tax is:
 26 Not over \$15,000.....3.5% of Kansas taxable income
 27 Over \$15,000 but not over \$525 plus 6.25% of excess
 28 \$30,000.....over \$15,000
 29 Over \$30,000.....\$1,462.50 plus 6.45% of excess
 30 over \$30,000

31 (B) For tax year 2013:

32 If the taxable income is: The tax is:
 33 Not over \$15,000.....3.0% of Kansas taxable income
 34 Over \$15,000.....\$450 plus 4.9% of excess over
 35 \$15,000

36 (C) For tax year 2014:

37 If the taxable income is: The tax is:
 38 Not over \$15,000.....2.7% of Kansas taxable income
 39 Over \$15,000.....\$405 plus 4.8% of excess over
 40 \$15,000

41 (D) For tax year 2015:

42 If the taxable income is: The tax is:
 43 Not over \$15,000.....2.7% of Kansas taxable income

1 Over \$15,000.....\$405 plus 4.6% of excess over
 2 \$15,000

3 (E) For tax year 2016, and all tax years thereafter:

4 If the taxable income is: The tax is:
 5 Not over \$15,000.....2.4% 2.66% of Kansas taxable income
 6 Over \$15,000.....\$360 \$399 plus 4.6% of excess over
 7 \$15,000

8 (F) For tax year 2017:

9 If the taxable income is: The tax is:
 10 Not over \$15,000.....2.3% of Kansas taxable income
 11 Over \$15,000.....\$345 plus 4.6% of excess over
 12 \$15,000

13 (G) For tax year 2018, and all tax years thereafter:

14 If the taxable income is: The tax is:
 15 Not over \$15,000.....2.3% of Kansas taxable income
 16 Over \$15,000.....\$345 plus 3.9% of excess over
 17 \$15,000

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

23 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable
 24 income of every corporation doing business within this state or deriving
 25 income from sources within this state. Such tax shall consist of a normal
 26 tax and a surtax and shall be computed as follows:

27 (1) The normal tax shall be in an amount equal to 4% of the Kansas
 28 taxable income of such corporation; and

29 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
 30 3.1% of the Kansas taxable income of such corporation in excess of
 31 \$50,000;

32 (B) for tax years 2009 and 2010, the surtax shall be in an amount
 33 equal to 3.05% of the Kansas taxable income of such corporation in excess
 34 of \$50,000; and

35 (C) for tax year 2011, and all tax years thereafter, the surtax shall be
 36 in an amount equal to 3% of the Kansas taxable income of such
 37 corporation in excess of \$50,000.

38 (d) *Fiduciaries.* A tax is hereby imposed upon the Kansas taxable
 39 income of estates and trusts at the rates provided in ~~paragraph (2) of~~
 40 subsection (a)(2) hereof.

41 ~~(e) Tax rates provided in this section shall be adjusted pursuant to the~~
 42 ~~provisions of K.S.A. 2014 Supp. 79-32,269, and amendments thereto.~~

43 Sec. 8. K.S.A. 2014 Supp. 79-32,120 is hereby amended to read as

1 follows: 79-32,120. (a) (1) If federal taxable income of an individual is
2 determined by itemizing deductions from such individual's federal
3 adjusted gross income, such individual may elect to deduct the Kansas
4 itemized deduction in lieu of the Kansas standard deduction.

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

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

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

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

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

30 (b) The total amount of deductions from federal adjusted gross
31 income shall be reduced by the total amount of income taxes imposed by
32 or paid to this state or any other taxing jurisdiction to the extent that the
33 same are deducted in determining the federal itemized deductions and by
34 the amount of all depreciation deductions claimed for any real or tangible
35 personal property upon which the deduction allowed by K.S.A. 2014
36 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,
37 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

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

43 (d) Notwithstanding any provision of this section to the contrary, for

1 taxable years commencing after January 1, 2013, the total amount of
2 deductions from federal adjusted gross income shall be reduced by the
3 total amount of wagering losses claimed as an itemized deduction in
4 section 165(d) of the federal internal revenue code, and amendments
5 thereto.

6 Sec. 9. K.S.A. 2014 Supp. 79-32,269 is hereby amended to read as
7 follows: 79-32,269. (a) (1) Except as provided in subsection (a)(2),
8 commencing with fiscal year 2018, in any fiscal year in which the amount
9 of selected actual state general fund receipts from such fiscal year exceeds
10 the selected actual state general fund receipts for the immediately
11 preceding fiscal year by more than 2%, the director of legislative research
12 shall certify such excess amount to the secretary of revenue and the
13 director of the budget. Upon receipt of such certified amount, the secretary
14 shall compute the excess percentage increase in selected actual state
15 general fund receipts above 2%. Based on such excess percentage of
16 calculated receipt growth, the secretary shall compute the income tax rate
17 reductions to go into effect for the next tax year that would reduce by such
18 certified amount the tax rates during the fiscal year after the next fiscal
19 year according to the provisions of this section, as follows: (A) Rate
20 reductions for individual income tax rates shall be applied to reduce the
21 highest marginal income tax rate applicable to the current tax year, by such
22 excess percentage minus 0.5%, and the lowest marginal income tax rate
23 applicable to the current tax year by such excess percentage plus 0.5%,
24 except that in no case shall such excess percentage plus 0.5% result in an
25 income tax rate increase. In any such computation by the secretary
26 pursuant to this subsection: (i) The resulting income tax rate shall be
27 rounded down to the nearest 0.1%; and (ii) in any case in which the
28 income tax rate for any individual marginal income tax rate is below 0.4%,
29 such rate shall be 0%. Based on all such determinations, the secretary shall
30 reduce individual income tax rates prescribed by K.S.A. 79-32,110, and
31 amendments thereto, as required by this section;

32 (B) upon all individual marginal income tax rates being reduced to
33 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next
34 shall be applied for the surtax on corporations applicable to the current tax
35 year by such excess percentage. In any such computation by the secretary
36 pursuant to this subsection in which the surtax is below 0.4%, such surtax
37 rate shall be 0%. Based on such determination, the secretary shall reduce
38 the surtax on corporations prescribed by K.S.A. 79-32,110, and
39 amendments thereto, as required by this section; and

40 (C) upon the surtax on corporations being reduced to a rate which
41 when combined with the normal tax rate on corporations is equal to or
42 below the combined surtax and normal tax imposed on national banking
43 associations and state banks or is equal to or below the combined surtax

1 and normal tax imposed on trust companies and savings and loan
2 associations, rate reductions shall be proportionately applied for the tax on
3 corporations, the tax on national banking associations and state banks, and
4 the tax on trust companies and savings and loan associations. Such rate
5 reductions shall be first applied to the surtax until reduced to 0% and then
6 applied to the normal tax for each such tax. In any such computation by
7 the secretary pursuant to this subsection in which any such tax is below
8 0.4%, such tax rate shall be 0%. Based on such determination, the
9 secretary shall reduce the surtax and the normal tax on corporations
10 prescribed by K.S.A. 79-32,110, and amendments thereto, the surtax and
11 normal tax on national banking associations and state banks prescribed by
12 K.S.A. 79-1107, and amendments thereto, and the surtax and normal tax
13 on trust companies and savings and loan associations prescribed by K.S.A.
14 79-1108, and amendments thereto, as required by this section commencing
15 with fiscal year 2017, in any fiscal year in which the amount of selected
16 actual state general fund receipts from such fiscal year exceeds the
17 selected actual state general fund receipts from the immediately preceding
18 fiscal year by more than 103%, the director of the budget and the director
19 of legislative research shall jointly certify such excess amount to the
20 secretary of revenue, which amount shall be transferred from the state
21 general fund to the tax reduction fund on or before August 15 following
22 the end of such fiscal year. At the commencement of the next regular
23 legislative session, the secretary shall submit a report to the governor,
24 speaker of the house of representatives and the president of the senate
25 showing such certified amount transferred to the tax reduction fund and
26 available for tax reduction. The governor may then recommend the
27 individual income tax rate reductions to go into effect for the next tax year
28 estimated to decrease by such certified amount, or in addition, any
29 accumulated balance in the tax reduction fund, the individual income tax
30 receipts during the fiscal year after the next fiscal year. If the individual
31 income tax rate is 0%, then the governor may recommend reductions in
32 surtax and normal tax rates on corporations, national banking
33 associations, state banks, trust companies and savings and loan
34 associations. Such rate changes as recommended by the governor may
35 then only be established by an act of the legislature. If the governor makes
36 no such recommendation, the legislature may, through legislative
37 enactment, establish such tax rates to go into effect for the next tax year
38 estimated to decrease by such certified amount, or in addition, any
39 accumulated balance in the tax reduction fund, the individual income tax
40 receipts during the fiscal year after the next fiscal year. If the individual
41 income tax rate is 0%, then the legislature may, through legislative
42 enactment, enact reductions in the surtax and normal tax rates on
43 corporations, national banking associations, state banks, trust companies

1 *and savings and loan associations.*

2 (2) *Commencing with fiscal year 2017, in any fiscal year in which the*
3 *amount of selected actual state general fund receipts for such fiscal year*
4 *are ~~102%~~ 103% or less than the selected actual state general fund receipts*
5 *from the immediately preceding fiscal year, the director of the budget and*
6 *the director of legislative research shall certify such amount and fact to the*
7 *secretary of revenue ~~and the director of the budget. Upon receipt of such~~*
8 *~~amount and fact~~ At the commencement of the next regular legislative*
9 *session, the secretary of revenue shall ~~not make any adjustment to the~~*
10 *~~income tax rates for that tax year~~ a report to the governor, speaker of the*
11 *house of representatives and president of the senate showing such certified*
12 *amount transferred to the budget stabilization fund pursuant to section*
13 *2(b), and amendments thereto, if any, and to the tax reduction fund*
14 *pursuant to section 2(e), and amendments thereto, if any. Except as*
15 *provided in section 2(e), and amendments thereto, no transfers shall be*
16 *made to the tax reduction fund.*

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

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

32 (c) As used in this section, "selected actual state general fund
33 receipts" means receipts from the following taxes and fees: Individual and
34 corporation income taxes imposed under K.S.A. 79-32,110, and
35 amendments thereto, financial institutions privilege taxes imposed under
36 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
37 thereto, retail sales taxes imposed under K.S.A. 79-3601 et seq., and
38 amendments thereto, compensating use taxes imposed under K.S.A. 79-
39 3701 et seq., and amendments thereto, cigarette and tobacco product taxes
40 imposed under K.S.A. 79-3301 et seq., and amendments thereto, cereal
41 malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 et
42 seq., and amendments thereto, liquor enforcement taxes imposed under
43 K.S.A. 79-4101 et seq., and amendments thereto, liquor drink taxes

1 imposed under K.S.A. 79-41a01 et seq., and amendments thereto,
2 corporation franchise taxes imposed under K.S.A. 79-5401, and
3 amendments thereto, annual franchise fees charged pursuant to law and
4 mineral severance taxes imposed under K.S.A. 79-4216 et seq., and
5 amendments thereto.

6 Sec. 10. K.S.A. 75-3722 and 75-6704 and K.S.A. 2014 Supp. 75-
7 3721, 75-6702, 79-32,110, 79-32,120 and 79-32,269 are hereby repealed.

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