HOUSE BILL No. 2067

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concerning savings programs; relating to beneficiaries of ABLE accounts, transfers, qualified higher education expenses; income taxation, deduction for contributions; amending K.S.A. 2017 Supp. 75-655 and 78-32,117 and repealing the existing sections.

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

Section 1. K.S.A. 2017 Supp. 75-655 is hereby amended to read as follows: 75-655. (a) Any ABLE savings accounts established pursuant to the provisions of this act shall be opened by a designated beneficiary or a conservator or guardian of a designated beneficiary who lacks capacity to enter into a contract and each beneficiary may have only one account. The treasurer may establish a nonrefundable application fee. An application for such account shall be in the form prescribed by the treasurer and contain the:

(1) Name, address and social security number of the account owner;
(2) name, address and social security number of the designated beneficiary, if the account owner is the beneficiary’s conservator or guardian;
(3) certification relating to no excess contributions; and
(4) additional information as the treasurer may require.

(b) Any person may make contributions to an ABLE savings account after the account is opened, subject to the limitations imposed by section 529A of the federal internal revenue code of 1986, as amended, or any rules and regulations promulgated by the secretary pursuant to this act.

(c) Contributions to ABLE savings accounts only may be made in cash. The treasurer or program manager shall reject or promptly withdraw contributions:

(1) In excess of the limits established pursuant to subsection (b); or
(2) the total contributions if the:

(A) Value of the account is equal to or greater than the account maximum established by the treasurer. Such account maximum must be equal to the account maximum for postsecondary education savings accounts established pursuant to K.S.A. 75-640 et seq., and amendments thereto; or
(B) designated beneficiary is not an eligible individual in the current calendar year.

(d) (1) An account owner may:

(A) Change the designated beneficiary of an account to an individual who is a member of the family of the prior designated beneficiary in accordance with procedures established by the treasurer; and
(B) transfer all or a portion of an account to another ABLE savings account, the designated beneficiary of which is a member of the family as defined in section 529A of the federal internal revenue code of 1986, as amended.

(2) No account owner may use an interest in an account as security for a loan. Any pledge of an interest in an account shall be of no force and effect.

(e) (1) If there is any distribution from an account to any individual or for the benefit of any individual during a calendar year, such distribution shall be reported to the federal internal revenue service and each account owner, the designated beneficiary or the distributee to the extent required by state or federal law.

(2) Statements shall be provided to each account owner at least four times each year within 30 days after the end of the three-month period to which a statement relates. The statement shall identify the contributions made during the preceding three-month period, the total contributions made to the account through the end of the period, the value of the account at the end of such period, and any other information that the treasurer shall require to be reported to the account owner.

(3) Statements and information relating to accounts shall be prepared and filed to the extent required by this act and any other state or federal law.

(f) (1) The program shall provide separate accounting for each designated beneficiary. An annual fee may be imposed upon the account owner for the maintenance of an account.

(2) Moneys in an ABLE savings account shall be exempt from attachment, execution or garnishment as provided by K.S.A. 60-2208, and amendments thereto.

(3) may be claimed by the Kansas Medicaid plan only after the death
of the designated beneficiary subject to limitations imposed by the sec-

tary.

(g) Except as otherwise provided by federal law, the proceeds from

an account may be transferred upon the death of a designated beneficiary

to: (1) The estate of a designated beneficiary; or (2) an account for another

eligible individual specified by the designated beneficiary or the estate of

the designated beneficiary. The state of Kansas, or any agency or instru-

mentality thereof, shall not seek payment under section 529A of the in-

ternal revenue code of 1986, as amended, from the account, or its pro-

ceeds, for benefits provided to a designated beneficiary, unless otherwise

required by section 1917(b) of the federal social security act, 42 U.S.C. §

1396p(b).

Sec. 2. K.S.A. 2017 Supp. 79-32,117 is hereby amended to read as

follows: 79-32,117. (a) The Kansas adjusted gross income of an individual

means such individual’s federal adjusted gross income for the taxable year,

with the modifications specified in this section.

(b) There shall be added to federal adjusted gross income:

(i) Interest income less any related expenses directly incurred in the

purchase of state or political subdivision obligations, to the extent that

the same is not included in federal adjusted gross income, on obligations

of any state or political subdivision thereof, but to the extent that interest

income on obligations of this state or a political subdivision thereof issued

prior to January 1, 1988, is specifically exempt from income tax under the

laws of this state authorizing the issuance of such obligations, it shall be

excluded from computation of Kansas adjusted gross income whether or

not included in federal adjusted gross income. Interest income on obli-

gations of this state or a political subdivision thereof issued after Decem-

ber 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 amend-

ments thereto, for privilege tax year 1985, 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 de-

duction 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 de-

ducted 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 in-

cluded as bears the same proportion to the total refund received as the

federal taxes deducted in the year to which such refund is attributable

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 tax-

able 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 al-

lowed 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 in-
(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 deduc-
tion 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. 2017 Supp. 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 pur-
suant 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.

(xii) For taxable years commencing after December 31, 2004,
amounts received as withdrawals not in accordance with the provisions
of K.S.A. 2017 Supp. 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 ad-
justed gross income.

(xiii) The amount of any expenditures claimed for deduction in de-
termining federal adjusted gross income, to the extent the same is claimed
as the basis for any credit allowed pursuant to K.S.A. 2017 Supp. 79-
32,217 through 79-32,220 or 79-32,222, and amendments thereto.

(xiv) The amount of any amortization deduction claimed in deter-
mining federal adjusted gross income to the extent the same is claimed
for deduction pursuant to K.S.A. 2017 Supp. 79-32,221, and amendments
thereto.

(xv) The amount of any expenditures claimed for deduction in deter-
mining federal adjusted gross income, to the extent the same is claimed
as the basis for any credit allowed pursuant to K.S.A. 2017 Supp. 79-
through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
32,248 or 79-32,251 through 79-32,254, and amendments thereto.

(xvi) The amount of any amortization deduction claimed in deter-
mining federal adjusted gross income to the extent the same is claimed
for deduction pursuant to K.S.A. 2017 Supp. 79-32,227, 79-32,232, 79-

(xvii) The amount of any amortization deduction claimed in deter-
mining federal adjusted gross income to the extent the same is claimed
for deduction pursuant to K.S.A. 2017 Supp. 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 end-
ning 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 sched-
ule 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 end-
ing before January 1, 2017, the amount of any deduction for self-em-
ployment taxes under section 164(f) of the federal internal revenue code
as in effect on January 1, 2012, and amendments thereto, in determin-
ing 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 end-
ing before January 1, 2017, the amount of any deduction for self-em-
ployment taxes under section 162(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 end-
ing before January 1, 2017, the amount of any deduction for health in-
surance 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 end-
ing 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 deter-
mining 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 deter-
mining federal adjusted gross income for expenses paid for medical care
of the taxpayer or the taxpayer’s spouse or dependents when such ex-
penses were paid or incurred for an abortion, or for a health benefit plan,
as defined in K.S.A. 2017 Supp. 65-6731, and amendments thereto, for
the purchase of an optional rider for coverage of abortion in accordance
with K.S.A. 2017 Supp. 40-2,190, and amendments thereto, to the extent
that such taxes and assessments are claimed as an itemized deduction for
federal income tax purposes.

(xxv) For taxable years commencing after December 31, 2013, that
portion of the amount of any expenditure deduction claimed in deter-
mining federal adjusted gross income for expenses paid by a taxpayer for
health care when such expenses were paid or incurred for abortion cov-
erage, a health benefit plan, as defined in K.S.A. 2017 Supp. 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 cov-
erage of abortion in accordance with K.S.A. 2017 Supp. 40-2,190, and
amendments thereto, to the extent that such taxes and assessments are
claimed as a deduction for federal income tax purposes.

(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 pos-
sessions 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 tax-
ation 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 in-
come 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. § 280 C. For taxable years ending after December 31, 1978, the amount of the targeted jobs tax credit and work incentive credit disallowances under 26 U.S.C. § 280 C.

(xi) For taxable years beginning after December 31, 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.

(xii) 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. 2017 Supp. 74-50,201 et seq., and amendments thereto.

(xiii) 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.

(xiv) For all taxable years beginning after December 31, 2006, the cumulative amounts not exceeding $3,000, or $6,000 for a married couple filing a joint return, for each designated beneficiary who 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 329 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 ex-
perience (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. 2017 Supp. 75-643 and 75-652, and amendments thereto, and the provisions of such sections are hereby incorporated by reference for all purposes thereof.

(xvi) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are or were members of the armed forces of the United States, including service in the Kansas army and air national guard, as a recruitment, sign up or retention bonus received by such taxpayer as an incentive to join, enlist or remain in the armed services of the United States, including service in the Kansas army and air national guard, and amounts received for repayment of educational or student loans incurred by or obligated to such taxpayer and received by such taxpayer as a result of such taxpayer’s service in the armed forces of the United States, including service in the Kansas army and air national guard.

(xvii) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are eligible members of the Kansas army and air national guard as a reimbursement pursuant to K.S.A. 48-281, and amendments thereto, and amounts received for death benefits pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and amendments thereto, to the extent that such death benefits are included in federal adjusted gross income of the taxpayer.

(xviii) For all taxable years 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 section 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 of Christmas trees grown in Kansas and held by the taxpayer for six years or more.

(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. 3. K.S.A. 2017 Supp. 75-655 and 79-32,117 are hereby repealed.
Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above bill originated in the House, and was adopted by that body.

[Signatures]

Speaker of the House.

Chief Clerk of the House.

President of the Senate.

Secretary of the Senate.

Governor.