**AN ACT concerning income taxation; relating to rates and determination of Kansas adjusted gross income; amending K.S.A. 2016 Supp. 79-32,110 and 79-32,117 and repealing the existing sections; also repealing K.S.A. 2016 Supp. 79-32,269.**

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

Section 1. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110. (a) **Resident Individuals.** Except as otherwise provided by 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:

1. **Married individuals filing joint returns.**
   - **For tax year 2012:**
     - If the taxable income 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: $2,925 plus 6.45% of excess over $60,000
   - **For tax year 2013:**
     - If the taxable income is:
       - Not over $30,000: 3.0% of Kansas taxable income
       - Over $30,000 but not over $60,000: $900 plus 4.9% of excess over $30,000
       - Over $60,000: $2,925 plus 6.45% of excess over $60,000
   - **For tax year 2014:**
     - If the taxable income is:
       - Not over $30,000: 2.7% of Kansas taxable income
       - Over $30,000 but not over $60,000: $810 plus 4.9% of excess over $30,000
       - Over $60,000: $2,925 plus 6.45% of excess over $60,000
   - **For tax years 2015, 2016 and 2017:**
     - If the taxable income is:
       - Not over $30,000: 2.7% of Kansas taxable income
       - Over $30,000 but not over $60,000: $810 plus 4.8% of excess over $30,000
       - Over $60,000: $2,925 plus 6.4% of excess over $60,000
   - **For tax year 2018, and all tax years thereafter:**
     - If the taxable income is: The tax is:
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Not over $30,000...........................................2.6% of Kansas taxable income
Over $30,000...........................................$780 plus 4.6% 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 years 2015, 2016 and 2017:
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 2018, and all tax years thereafter:
If the taxable income is: The tax is:
Not over $15,000.............................2.6% of Kansas taxable income
Over $15,000.........................................$390 plus 4.6% of excess over $15,000

(3) All resident individuals. For tax year 2018, and all tax years thereafter, for all individuals regardless of filing status, the tax shall be in an amount equal to 3.9% of the Kansas taxable income of such individuals.

(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;

(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 subsection (a)(2) hereof.

(e) Tax rates provided in this section shall be adjusted pursuant to the provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.

(f) Notwithstanding the provisions of subsections (a) and (b), for tax year 2016, and all tax years thereafter, married individuals filing joint returns with taxable income of $12,500 or less, and all other individuals with taxable income of $5,000 or less, shall have a tax liability of zero.

Sec. 2. K.S.A. 2016 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 obligations of this state or a political subdivision thereof issued after December 31, 1987, shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income.

(ii) Taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state or any other taxing jurisdiction to the extent deductible in determining federal adjusted gross income and not credited against federal income tax. This paragraph shall not apply to taxes
imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
amendments thereto, for privilege tax year 1995, and all such years
thereafter.
(iii) The federal net operating loss deduction.
(iv) Federal income tax refunds received by the taxpayer if the
deduction of the taxes being refunded resulted in a tax benefit for Kansas
income tax purposes during a prior taxable year. Such refunds shall be
included in income in the year actually received regardless of the method
of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
be deemed to have resulted if the amount of the tax had been deducted in
determining income subject to a Kansas income tax for a prior year
regardless of the rate of taxation applied in such prior year to the Kansas
taxable income, but only that portion of the refund shall be included as
bears the same proportion to the total refund received as the federal taxes
deducted in the year to which such refund is attributable bears to the total
federal income taxes paid for such year. For purposes of the foregoing
sentence, federal taxes shall be considered to have been deducted only to
the extent such deduction does not reduce Kansas taxable income below
zero.
(v) The amount of any depreciation deduction or business expense
deduction claimed on the taxpayer's federal income tax return for any
capital expenditure in making any building or facility accessible to the
handicapped, for which expenditure the taxpayer claimed the credit
allowed by K.S.A. 79-32,177, and amendments thereto.
(vi) Any amount of designated employee contributions picked up by
an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
and amendments thereto.
(vii) The amount of any charitable contribution made to the extent the
same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
32,196, and amendments thereto.
(viii) The amount of any costs incurred for improvements to a swine
facility, claimed for deduction in determining federal adjusted gross
income, to the extent the same is claimed as the basis for any credit
allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments
thereto.
(ix) The amount of any ad valorem taxes and assessments paid and
the amount of any costs incurred for habitat management or construction
and maintenance of improvements on real property, claimed for deduction
in determining federal adjusted gross income, to the extent the same is
claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
and amendments thereto.
(x) Amounts received as nonqualified withdrawals, as defined by
K.S.A. 2016 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 pursuant
to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
are not already included in the federal adjusted gross income.

(x) 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. 2016
Supp. 74-50,154, and amendments thereto.

(xi) For taxable years commencing after December 31, 2004,
amounts received as withdrawals not in accordance with the provisions of
K.S.A. 2016 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 adjusted
gross income.

(xii) The amount of any expenditures claimed for deduction in
determining federal adjusted gross income, to the extent the same is
claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

(xiii) The amount of any expenditures claimed for deduction in
determining federal adjusted gross income, to the extent the same is
claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and
amendments thereto.

(xiv) The amount of any amortization deduction claimed in
determining federal adjusted gross income to the extent the same is
claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,222, and
amendments thereto.

(xv) The amount of any expenditures claimed for deduction in
determining federal adjusted gross income, to the extent the same is
claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
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
determining federal adjusted gross income to the extent the same is
claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
thereto.

(xvii) The amount of any amortization deduction claimed in
determining federal adjusted gross income to the extent the same is
claimed for deduction pursuant to K.S.A. 2016 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 all taxable years beginning after December 31, 2012, the
amount of any: (1) Loss from business as determined under the federal
internal revenue code and reported from schedule C and on line 12 of the
taxpayer's form 1040 federal individual income tax return; (2) loss from
rental real estate, royalties, partnerships, S corporations, except those with
wholly owned subsidiaries subject to the Kansas privilege tax, estates,
trusts, residual interest in real estate mortgage investment conduits and net
farm rental as determined under the federal internal revenue code and
reported from schedule E and on line 17 of the taxpayer's form 1040
federal individual income tax return; and (3) farm loss as determined under
the federal internal revenue code and reported from schedule F and on line
18 of the taxpayer's form 1040 federal income tax return; all to the extent
deducted or subtracted in determining the taxpayer's federal adjusted gross
income. For purposes of this subsection, references to the federal form
1040 and federal schedule C, schedule E, and schedule F, shall be to such
form and schedules as they existed for tax year 2011, and as revised
thereafter by the internal revenue service.

(xx) For all taxable years beginning after December 31, 2012, the
amount of any deduction for self-employment taxes under section 164(f)
of the federal internal revenue code as in effect on January 1, 2012, and
amendments thereto, in determining the federal adjusted gross income of
an individual taxpayer, to the extent the deduction is attributable to income
reported on schedule C, E or F and on line 12, 17 or 18 of the taxpayer's
form 1040 federal income tax return.

(xxi) For all taxable years beginning after December 31, 2012, the
amount of any deduction for pension, profit sharing, and annuity plans of
self-employed individuals under section 62(a)(6) of the federal internal
revenue code as in effect on January 1, 2012, and amendments thereto, in
determining the federal adjusted gross income of an individual taxpayer.

(xxii) For all taxable years beginning after December 31, 2012, the
amount of any deduction for health insurance under section 162(l) of the
federal internal revenue code as in effect on January 1, 2012, and
amendments thereto, in determining the federal adjusted gross income of
an individual taxpayer.

(xxiii) For all taxable years beginning after December 31, 2012, the
amount of any deduction for domestic production activities under section
199 of the federal internal revenue code as in effect on January 1, 2012,
and amendments thereto, in determining the federal adjusted gross income
of an individual taxpayer.
For taxable years commencing after December 31, 2013, that portion of the amount of any expenditure deduction claimed in determining federal adjusted gross income for expenses paid for medical care of the taxpayer or the taxpayer’s spouse or dependents when such expenses were paid or incurred for an abortion, or for a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the purchase of an optional rider for coverage of abortion in accordance with K.S.A. 2016 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.

For taxable years commencing after December 31, 2013, that portion of the amount of any expenditure deduction claimed in determining federal adjusted gross income for expenses paid by a taxpayer for health care when such expenses were paid or incurred for abortion coverage, a health benefit plan, as defined in K.S.A. 2016 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 coverage of abortion in accordance with K.S.A. 2016 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 possessions less any related expenses directly incurred in the purchase of such obligations or securities, to the extent included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.

(ii) Any amounts received which are included in federal adjusted gross income but which are specifically exempt from Kansas income taxation under the laws of the state of Kansas.

(iii) The portion of any gain or loss from the sale or other disposition of property having a higher adjusted basis for Kansas income tax purposes than for federal income tax purposes on the date such property was sold or disposed of in a transaction in which gain or loss was recognized for purposes of federal income tax that does not exceed such difference in basis, but if a gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to that portion of such gain which is included in federal adjusted gross income.

(iv) The amount necessary to prevent the taxation under this act of any annuity or other amount of income or gain which was properly included in income or gain and was taxed under the laws of this state for a taxable year prior to the effective date of this act, as amended, to the
taxpayer, or to a decedent by reason of whose death the taxpayer acquired
the right to receive the income or gain, or to a trust or estate from which
the taxpayer received the income or gain.

(v) The amount of any refund or credit for overpayment of taxes on
or measured by income or fees or payments in lieu of income taxes
imposed by this state, or any taxing jurisdiction, to the extent included in
gross income for federal income tax purposes.

(vi) Accumulation distributions received by a taxpayer as a
beneficiary of a trust to the extent that the same are included in federal
adjusted gross income.

(vii) Amounts received as annuities under the federal civil service
retirement system from the civil service retirement and disability fund and
other amounts received as retirement benefits in whatever form which
were earned for being employed by the federal government or for service
in the armed forces of the United States.

(viii) Amounts received by retired railroad employees as a
supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
228c (a)(1) et seq.

(ix) Amounts received by retired employees of a city and by retired
employees of any board of such city as retirement allowances pursuant to
K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
amendments thereto.

(x) For taxable years beginning after December 31, 1976, the amount
of the federal tentative jobs tax credit disallowance under the provisions of
26 U.S.C. § 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, 1986, dividend
income on stock issued by Kansas venture capital, inc.

(xii) For taxable years beginning after December 31, 1989, amounts
received by retired employees of a board of public utilities as pension and
retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,
and amendments thereto.

(xiii) For taxable years beginning after December 31, 2004, amounts
contributed to and the amount of income earned on contributions deposited
to an individual development account under K.S.A. 2016 Supp. 74-50,201
et seq., and amendments thereto.

(xiv) For all taxable years commencing after December 31, 1996, that
portion of any income of a bank organized under the laws of this state or
any other state, a national banking association organized under the laws of
the United States, an association organized under the savings and loan
code of this state or any other state, or a federal savings association
organized under the laws of the United States, for which an election as an
S corporation under subchapter S of the federal internal revenue code is in
effect, which accrues to the taxpayer who is a stockholder of such
corporation and which is not distributed to the stockholders as dividends of
the corporation. For all taxable years beginning after December 31, 2012,
the amount of modification under this subsection shall exclude the portion
of income or loss reported on schedule E and included on line 17 of the
taxpayer's form 1040 federal individual income tax return.

(xv) For all taxable years beginning after December 31, 2006,
amounts not exceeding $3,000, or $6,000 for a married couple filing a
joint return, for each designated beneficiary which are contributed to a
family postsecondary education savings account established under the
Kansas postsecondary education savings program or a qualified tuition
program established and maintained by another state or agency or
instrumentality thereof pursuant to section 529 of the internal revenue
code of 1986, as amended, for the purpose of paying the qualified higher
education expenses of a designated beneficiary at an institution of
postsecondary education. The terms and phrases used in this paragraph
shall have the meaning respectively ascribed thereto by the provisions of
K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of
such section 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 the taxable year beginning after December 31, 2006,
amounts received as benefits under the federal social security act which
are included in federal adjusted gross income of a taxpayer with federal
adjusted gross income of $50,000 or less, whether such taxpayer's filing
status is single, head of household, married filing separate or married filing jointly; and for all taxable years beginning after December 31, 2007, amounts received as benefits under the federal social security act which are included in federal adjusted gross income of a taxpayer with federal adjusted gross income of $75,000 or less, whether such taxpayer's filing status is single, head of household, married filing separate or married filing jointly.

(xix) Amounts received by retired employees of Washburn university as retirement and pension benefits under the university's retirement plan.

(xx) For all taxable years beginning after December 31, 2012, the amount of any: (1) Net profit from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; (2) net income, not including guaranteed payments as defined in section 707(c) of the federal internal revenue code and as reported to the taxpayer from federal schedule K-1, (form 1065-B), in box 9, code F or as reported to the taxpayer from federal schedule K-1, (form 1065) in box 4, from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) net farm profit as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; all to the extent included in the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011 and as revised thereafter by the internal revenue service.

(xxi) For all taxable years beginning after December 31, 2013, amounts equal to the unreimbursed travel, lodging and medical expenditures directly incurred by a taxpayer while living, or a dependent of the taxpayer while living, for the donation of one or more human organs of the taxpayer, or a dependent of the taxpayer, to another person for human organ transplantation. The expenses may be claimed as a subtraction modification provided for in this section to the extent the expenses are not already subtracted from the taxpayer's federal adjusted gross income. In no circumstances shall the subtraction modification provided for in this section for any individual, or a dependent, exceed $5,000. As used in this section, "human organ" means all or part of a liver, pancreas, kidney, intestine, lung or bone marrow. The provisions of this paragraph shall take effect on the day the secretary of revenue certifies to the director of the budget that the cost for the department of revenue of
modifications to the automated tax system for the purpose of implementing this paragraph will not exceed $20,000.

(xxxi) For all taxable years beginning after December 31, 2012, 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.

(xxxii) 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.

(xxxiii) For all taxable years beginning after December 31, 2012, the net gain from the sale from 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) For tax year 2018, and all tax years thereafter, the subtraction modification described in subsection (c)(xx) shall only be allowed to a taxpayer who receives such net profit, net income or net farm profit from an entity that has at least one employee receiving an annual statement required by K.S.A. 79-3299, and amendments thereto.

Sec. 3. K.S.A. 2016 Supp. 79-32,110, 79-32,117 and 79-32,269 are hereby repealed.

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