AN ACT concerning education; relating to school choice; creating the Kansas empowerment scholarship act; amending K.S.A. 2017 Supp. 79-32,117 and repealing the existing section; also repealing K.S.A. 2017 Supp. 79-32,117o.

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

1. Sections 1 through 12, and amendments thereto, shall be known and may be cited as the Kansas empowerment scholarship act.

2. As used in this act:
   (a) "Account" means a Kansas empowerment scholarship account.
   (b) "Department" means the Kansas department of education.
   (c) "Parent" means a parent, legal guardian custodian or other person with authority to act on behalf of a qualified student.
   (d) "Participating learning entity" means a nonpublic entity that satisfies at least one of the requirements set forth in section 8(a)(1), and amendments thereto.
   (e) "Postsecondary educational institution" means any public or private postsecondary educational institution as such terms are defined in K.S.A. 74-3201b, and amendments thereto.
   (f) "Program" means the Kansas empowerment scholarship program established under section 3, and amendments thereto.
   (g) "Qualified student" means a resident of Kansas who:
      (1) Is or has been enrolled in kindergarten or any of the grades one through 12 in a school district organized under the laws of this state; or
      (2) has established an account pursuant to this act; and
      (3) (A) has not graduated from high school, or has graduated from high school and is attending a postsecondary educational institution in Kansas and has not reached the age of 21.
   (h) "Resident school district" means the school district in which a qualified student would be enrolled based on such qualified student's residence.
   (i) "Treasurer" means the state treasurer or the state treasurer's designee.
New Sec. 3. (a) The treasurer shall administer the Kansas empowerment scholarship program, which is hereby established. The purpose of the program is to provide options for the education of Kansas students.

(b) The treasurer shall establish a Kansas empowerment scholarship account for each qualified student whose parent satisfies the requirements of this act.

(c) The treasurer shall maintain an explanation of the following information on the treasurer's website and provide a hard copy of such information to any person who requests it:

1. The allowable uses of moneys in an account;
2. The responsibilities of a parent of a qualified student participating in the program;
3. The effect of participation in the program by qualified students with an individualized education program (IEP) or an education plan under section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504 plan);
4. The duties of the treasurer; and
5. A list of participating learning entities.

New Sec. 4. (a) To establish an account, the parent of a qualified student shall enter into a written agreement with the treasurer, in a manner and on a form prescribed by the treasurer.

(b) The agreement between the parent of a qualified student and the treasurer shall provide:

1. The qualified student shall not enroll full-time in the qualified student's resident school district;
2. The qualified student shall receive instruction from a participating learning entity or postsecondary educational institution;
3. The parent shall comply with all requirements and rules and regulations of the program; and
4. The money in the qualified student's account shall only be expended as authorized by this program.

(c) Only one account may be established for each qualified student. A parent acting on behalf of more than one qualified student shall have a separate written agreement for each qualified student.

(d) A written agreement entered pursuant to this act shall have a term of one year, but may be terminated early pursuant to subsection (e). Such written agreement shall be executed on or before August 1 of the current school year. Such written agreement may be renewed annually by August 1 upon the written consent of the parent and the treasurer in a manner determined by the treasurer, except the parent may submit a request to the treasurer for an extension of time for renewal not to exceed 30 days. Failure to renew a written agreement does not preclude renewal of such agreement.
written agreement in a subsequent year. A written agreement that has been
terminated pursuant to subsection (e) shall not be renewed.

(e) (1) A written agreement may be terminated by the treasurer upon a
determination that:
(A) Money in an account has been used for purposes other than those
allowed by the program;
(B) the qualified student no longer satisfies the definition of a
"qualified student" as defined in section 2, and amendments thereto; or
(C) the qualified student enrolls in such student's resident school
district on a full-time basis.

(2) A written agreement may be terminated by a parent at any time.
To terminate a written agreement, such parent shall notify the treasurer in
writing of such termination.

(3) When a written agreement is terminated, the account associated
with such agreement shall be deemed no longer active, and the treasurer
shall close the account in accordance with section 5(d)(2), and
amendments thereto.

New Sec. 5. (a) (1) There is hereby established in the state treasury
the Kansas empowerment scholarship fund to be administered by the state
treasurer. Money in the Kansas empowerment scholarship fund shall be
expended only for the purposes established in this act. All moneys
received pursuant to section 6, and amendments thereto, shall be deposited
in the state treasury in accordance with the provisions of K.S.A. 75-4215,
and amendments thereto, and shall be credited to the Kansas
empowerment scholarship fund.

(2) On or before the 10th of each month, the director of accounts and
reports shall transfer from the state general fund to the Kansas
empowerment scholarship fund interest earnings based on:
(A) The average daily balance of moneys in the Kansas
empowerment scholarship fund; and
(B) the net earnings rate of the pooled money investment portfolio for
the preceding month.

(b) (1) Upon execution of an agreement in accordance with section 4,
and amendments thereto, the treasurer shall establish an account in the
Kansas empowerment scholarship fund in the state treasury in the name of
the qualified student. Upon establishment of such account, the treasurer
shall notify the resident school district of the establishment of such an
account for the qualified student.

(2) For fiscal year 2019, the number of accounts that may be
established pursuant to this act shall not exceed 30,000. For fiscal year
2020, the number of accounts that may be established pursuant to this act
shall not exceed 60,000. For fiscal year 2021 and each fiscal year
thereafter, the number of accounts that may be established pursuant to this
act shall be unlimited.

(c) (1) (A) The treasurer shall transfer to a qualified student's account in the Kansas empowerment scholarship fund an aggregate annual amount equal to 80% of the BASE aid, as defined in K.S.A. 2017 Supp. 72-5132, and amendments thereto, for the immediately preceding school year. The treasurer shall make such transfers in quarterly installments pursuant to a schedule determined by the treasurer.

(B) In addition to any amounts transferred to a qualified student's account pursuant to subparagraph (A), the treasurer shall transfer to a qualified student's account an amount equal to the fees for transportation provided by a participating learning entity required for the qualified student to travel to and from such participating learning entity. Prior to any such transfer, the participating learning entity shall certify the fees for such transportation. In no event shall such transfer exceed $750.

(2) If a qualified student enrolls in such student's resident school district on a part-time basis, such qualified student or such student's parent shall notify the treasurer and the treasurer shall prorate the amount to be transferred under subsection (c)(1)(A).

(3) The treasurer may deduct a percentage of the amount to be transferred into an account pursuant to subsection (c)(1)(A) as reimbursement for the administrative costs of implementing the provisions of this act as follows:

(A) Up to 5% each year for the first two years money is transferred to a qualified student's account under subsection (c)(1)(A); and

(B) up to 2.5% the third year and each subsequent year money is transferred to a qualified student's account under subsection (c)(1)(A).

(4) No transfers shall be made to any qualified student's account after such student has graduated from high school.

(d) (1) Each account shall remain active until:

(A) A written agreement is terminated pursuant to section 4, and amendments thereto;

(B) July 30 following the date on which the qualified student reaches the age of 21; or

(C) there are two consecutive years of nonrenewal of an agreement.

(2) When the treasurer determines an account is no longer active, the treasurer shall close the account and certify the amount of funds remaining in the account to the director of accounts and reports. Such certified amount shall be transferred from the closed account to the Kansas empowerment scholarship fund.

(e) The treasurer shall develop a system for payment of services by participating parents by electronic funds transfer. However, such system shall not require parents to be reimbursed for out-of-pocket expenses. All transfers shall be only for expenditures approved by the treasurer. The
treasurer may contract with a third party for the purposes of this subsection.

New Sec. 6. (a) The treasurer shall notify the state board of education as to the names of the students participating in the program and the resident school district of each such student.

(b) For school year 2018-2019, and each school year thereafter, a qualified student shall be counted in the enrollment of such qualified student's resident school district for the purposes of calculating the amount of the state foundation aid per student for the school district. An amount equal to 80% of the BASE aid, as defined in K.S.A. 2017 Supp. 72-5132, and amendments thereto, shall be multiplied by the total number of qualified students in such school district who are participating in the program and have not graduated from high school. The state board of education shall certify the resulting product to the director of accounts and reports. Upon receipt of such certification, the director shall transfer such certified amount from the state general fund to the Kansas empowerment scholarship fund established in section 5, and amendments thereto.

(c) For school year 2018-2019 and each school year thereafter, the state board shall deduct from the amount of state foundation aid for each school district an amount equal to the amount certified under subsection (b).

New Sec. 7. (a) Moneys in the qualified student's account may be accessed by such qualified student's parent, but shall only be expended by such parent for the following purposes:

(1) Tuition and fees charged by a participating learning entity;
(2) textbooks and other supplies required by a participating learning entity;
(3) educational therapies or services provided by a licensed or accredited education provider;
(4) tutoring services provided by a certified tutor;
(5) curriculum materials;
(6) tuition or fees charged by an accredited private online learning program;
(7) fees for any nationally standardized norm-referenced achievement test, advanced placement examination or other examination related to admission to a postsecondary institution;
(8) contracted services from a public school district, including individual classes;
(9) fees for transportation provided by a participating learning entity required for the qualified student to travel to and from a participating learning entity;
(10) tuition and fees charged by a postsecondary educational institution; and
(11) any other education expenses approved by the treasurer.

(b) The treasurer shall notify the parent of any expenditures from a qualified student's account that do not meet the requirements of subsection (a). Such parent shall repay the cost of any such expenditures within 30 days of notification by the treasurer.

(c) Except as provided in section 5(d), and amendments thereto, funds remaining in an account at the end of a school year shall roll over to the next succeeding school year.

(d) A participating learning entity providing education services purchased with funds from an account shall not share, refund or rebate any portion of such funds to the parent or qualified student. Any such refund or rebate shall be made directly into the qualified student's account.

(e) No personal deposits may be made into an account.

(f) (1) The treasurer shall conduct or contract to conduct annual audits of empowerment scholarship accounts to ensure compliance with the provisions of this act. The treasurer shall also conduct or contract to conduct random and quarterly audits of empowerment scholarship accounts as needed to ensure compliance with this act.

(2) If the treasurer determines money in an account has been used for purposes other than those allowed by subsection (a), the treasurer may:

(A) Prohibit expenditures from the account until such time as determined by the treasurer;

(B) prorate amounts to be deposited in such account under section 5, and amendments thereto, by an amount equal to the total amount used for purposes other than those allowed by subsection (a); or

(C) terminate the account.

New Sec. 8. (a) To become a participating learning entity, an applicant shall submit an application to the treasurer on a form and in a manner prescribed by the treasurer. Such application shall include proof of the following:

(1) The applicant is:

(A) an accredited nonpublic school registered with the state board of education pursuant to K.S.A. 2017 Supp. 72-4346, and amendments thereto;

(B) an accredited program of distance education that is not operated by a public school or the department;

(C) a tutor or tutoring facility that is accredited by a state, regional or national accrediting organization;

(D) an educational therapy provider; or

(E) a special education services provider; and

(2) if the applicant is a nonpublic school, then the applicant provides instruction in at least those subjects required by K.S.A. 2017 Supp. 72-3214, 72-3217 and 72-3235, and amendments thereto.
(b) The treasurer shall approve an application or request additional information as necessary to prove an applicant meets the criteria to be deemed a participating learning entity within 45 days of receiving the application. If the applicant is unable to provide such additional information, the treasurer may deny the application.

(c) The treasurer shall conduct, or contract for the performance of, an audit of a participating learning entity selected at random each year to determine whether the participating learning entity is compliant with the requirements of subsection (a).

(d) (1) The treasurer may revoke a participating learning entity's approval if the treasurer determines the participating learning entity:

(A) Has routinely failed to comply with the provisions of this act or applicable rules and regulations; or

(B) has failed to provide any educational services required by law to a qualified student receiving instruction from the entity if the entity is accepting payments made from such student's account.

(2) Prior to revoking a participating learning entity's approval, the treasurer shall notify such participating learning entity of impending revocation and the reason for such revocation. The participating learning entity shall have 30 days from the time it was notified to cure the matter identified in the notice. If the participating learning entity fails to cure within 30 days, such participating learning entity's approval shall be revoked. A participating learning entity whose approval has been revoked shall not be allowed to participate in the program until such time the treasurer determines such participating learning entity is in compliance with the requirements of this act.

(3) If the treasurer revokes a participating learning entity's approval, the treasurer shall immediately notify each parent of a qualified student participating in the program and receiving instruction from such participating learning entity.

(e) The treasurer may notify the attorney general or the district attorney of the county where the participating learning entity is located if a participating learning entity's approval was revoked because of misuse of money paid from an account.

New Sec. 9. Enrollment of a qualified student in a nonpublic school that is a participating learning entity shall be considered a parental placement of such student under the individuals with disabilities education act, 20 U.S.C. § 1400 et seq.

New Sec. 10. The provisions of this act shall be subject to the Kansas administrative procedure act.

New Sec. 11. On or before January 1, 2019, the treasurer shall adopt rules and regulations necessary to carry out the provisions of this act.

New Sec. 12. Nothing in this act shall be deemed to limit the
independence or autonomy of a participating learning entity or to make the
actions of a participating learning entity the actions of the state
government.

Sec. 13. 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
obligations of this state or a political subdivision thereof issued after
December 31, 1987, shall be excluded from computation of Kansas
adjusted gross income whether or not included in federal adjusted gross
income.

(ii) Taxes on or measured by income or fees or payments in lieu of
income taxes imposed by this state or any other taxing jurisdiction to the
extent deductible in determining federal adjusted gross income and not
credited against federal income tax. This paragraph shall not apply to taxes
imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
amendments thereto, for privilege tax year 1995, and all such years
thereafter.

(iii) The federal net operating loss deduction, except that the federal
net operating loss deduction shall not be added to an individual's federal
adjusted gross income for tax years beginning after December 31, 2016.

(iv) Federal income tax refunds received by the taxpayer if the
deduction of the taxes being refunded resulted in a tax benefit for Kansas
income tax purposes during a prior taxable year. Such refunds shall be
included in income in the year actually received regardless of the method
of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
be deemed to have resulted if the amount of the tax had been deducted in
determining income subject to a Kansas income tax for a prior year
regardless of the rate of taxation applied in such prior year to the Kansas
taxable income, but only that portion of the refund shall be included as
bears the same proportion to the total refund received as the federal taxes
deducted in the year to which such refund is attributable bears to the total
federal income taxes paid for such year. For purposes of the foregoing
sentence, federal taxes shall be considered to have been deducted only to
the extent such deduction does not reduce Kansas taxable income below
zero.

(v) The amount of any depreciation deduction or business expense
deduction claimed on the taxpayer's federal income tax return for any
capital expenditure in making any building or facility accessible to the
handicapped, for which expenditure the taxpayer claimed the credit
allowed by K.S.A. 79-32,177, and amendments thereto.

(vi) Any amount of designated employee contributions picked up by
an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
and amendments thereto.

(vii) The amount of any charitable contribution made to the extent the
same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
32,196, and amendments thereto.

(viii) The amount of any costs incurred for improvements to a swine
facility, claimed for deduction in determining federal adjusted gross
income, to the extent the same is claimed as the basis for any credit
allowed pursuant to K.S.A. 2017 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. 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 pursuant
to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
are not already included in the federal adjusted gross income.

(xi) The amount of any contribution made to the same extent the
same is claimed as the basis for the credit allowed pursuant to K.S.A. 2017
Supp. 74-50,154, and amendments thereto.

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

(xiii) The amount of any expenditures claimed for deduction in
determining federal adjusted gross income, to the extent the same is
claimed as the basis for any credit allowed pursuant to K.S.A. 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
determining 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
determining 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.
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. 2017 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. 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
ending before January 1, 2017, the amount of any: (1) Loss from business
as determined under the federal internal revenue code and reported from
schedule C and on line 12 of the taxpayer's form 1040 federal individual
income tax return; (2) loss from rental real estate, royalties, partnerships, S
corporations, except those with wholly owned subsidiaries subject to the
Kansas privilege tax, estates, trusts, residual interest in real estate
mortgage investment conduits and net farm rental as determined under the
federal internal revenue code and reported from schedule E and on line 17
of the taxpayer's form 1040 federal individual income tax return; and (3)
farm loss as determined under the federal internal revenue code and
reported from schedule F and on line 18 of the taxpayer's form 1040
federal income tax return; all to the extent deducted or subtracted in
determining the taxpayer's federal adjusted gross income. For purposes of
this subsection, references to the federal form 1040 and federal schedule
C, schedule E, and schedule F, shall be to such form and schedules as they
existed for tax year 2011, and as revised thereafter by the internal revenue
service.
(xx) For taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of any deduction for self-
employment taxes under section 164(f) of the federal internal revenue
code as in effect on January 1, 2012, and amendments thereto, in
determining the federal adjusted gross income of an individual taxpayer, to
the extent the deduction is attributable to income reported on schedule C,
E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
tax return.
(xxi) For taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of any deduction for pension,
profit sharing, and annuity plans of self-employed individuals under
section 62(a)(6) of the federal internal revenue code as in effect on January
1, 2012, and amendments thereto, in determining the federal adjusted gross
income of an individual taxpayer.
(xxii) For taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of any deduction for health
insurance under section 162(l) of the federal internal revenue code as in
effect on January 1, 2012, and amendments thereto, in determining the
federal adjusted gross income of an individual taxpayer.
(xxiii) For taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of any deduction for domestic
production activities under section 199 of the federal internal revenue code
as in effect on January 1, 2012, and amendments thereto, in determining the
federal adjusted gross income of an individual taxpayer.
(xxiv) For taxable years commencing after December 31, 2013, that
portion of the amount of any expenditure deduction claimed in
determining federal adjusted gross income for expenses paid for medical
care of the taxpayer or the taxpayer's spouse or dependents when such
expenses were paid or incurred for an abortion, or for a health benefit plan,
as defined in K.S.A. 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
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. 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
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 a deduction for federal income tax purposes.

(xxvi) For all taxable years beginning after December 31, 2016, the
amount of any charitable contribution made to the extent the same is
claimed as the basis for the credit allowed pursuant to K.S.A. 2017 Supp.
72-4357, and amendments thereto, and is also claimed as an itemized
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. 2017 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 taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of modification under this
subsection shall exclude the portion of income or loss reported on schedule
E and included on line 17 of the taxpayer's form 1040 federal individual
income tax return.

(xv) For all taxable years beginning after December 31, 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. 2017 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 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.

(xxii) For taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of net gain from the sale of: (1) Cattle and horses, regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by such taxpayer for 24 months or more from the date of acquisition; and (2) other livestock,
regardless of age, held by the taxpayer for draft, breeding, dairy or 
sporting purposes, and held by such taxpayer for 12 months or more from 
the date of acquisition. The subtraction from federal adjusted gross income 
shall be limited to the amount of the additions recognized under the 
provisions of subsection (b)(xix) attributable to the business in which the 
livestock sold had been used. As used in this paragraph, the term 
"livestock" shall not include poultry.

(xxiii) For all taxable years beginning after December 31, 2012, 
amounts received under either the Overland Park, Kansas police 
department retirement plan or the Overland Park, Kansas fire department 
retirement plan, both as established by the city of Overland Park, pursuant 
to the city's home rule authority.

(xxiv) For taxable years beginning after December 31, 2013, and 
ending before January 1, 2017, the net gain from the sale from Christmas 
trees grown in Kansas and held by the taxpayer for six years or more.

(xxv) For all taxable years beginning after December 31, 2017, 
amounts deposited in a Kansas empowerment scholarship account 
established by agreement between the taxpayer and the state treasurer 
pursuant to section 4, and amendments thereto, except any amounts 
transferred by the state treasurer from such account to the Kansas 
empowerment scholarship fund pursuant to section 5, and amendments 
thereto, shall not be subtracted from federal adjusted gross income.

(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. 14. K.S.A. 2017 Supp. 79-32,117 and 79-32,117o are hereby 
repealed.

Sec. 15. This act shall take effect and be in force from and after its 
publishation in the statute book.