

HOUSE BILL No. 2409

By Committee on Taxation

3-22

1 AN ACT concerning postsecondary educational institutions; authorizing
2 income tax credits for certain contributions; relating to scholarships for
3 students with financial need; amending K.S.A. 2018 Supp. 79-32,117
4 and 79-32,138 and repealing the existing sections.
5

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

7 New Section 1. (a) On and after July 1, 2019, any taxpayer who
8 contributes in the manner prescribed by this section to a postsecondary
9 educational institution, community college or technical college shall be
10 allowed a credit against the tax imposed by the Kansas income tax act, the
11 premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and
12 amendments thereto, or the privilege tax as measured by net income of
13 financial institutions imposed pursuant to article 11 of chapter 79 of the
14 Kansas Statutes Annotated, and amendments thereto. The tax credit
15 allowed by this section is applicable for the tax year 2019 for any
16 contributions made on and after July 1, 2019, and for each tax year
17 thereafter for any contributions made during the entire tax year. The
18 amount of the credit allowed by this section shall not exceed 70% of the
19 total amount contributed during the taxable year by the taxpayer to a
20 postsecondary educational institution, community college or technical
21 college for such purposes. If the amount of the tax credit for a taxpayer
22 who contributes to a postsecondary educational institution, community
23 college or technical college exceeds the taxpayer's income tax liability for
24 the tax year, the amount that exceeds the tax liability may be carried over
25 for deduction from the taxpayer's income tax liability in the next
26 succeeding taxable year or years until the total amount of the tax credit has
27 been deducted from tax liability.

28 (b) Prior to the issuance of any tax credits pursuant to this section, the
29 structure of the process in which contributions received by a
30 postsecondary educational institution, community college or technical
31 college qualify as tax credits allowed and issued pursuant to this section
32 shall be developed by the state board of regents in consultation with the
33 secretary of revenue and the foundation or endowment association of any
34 such postsecondary educational institution, community college or
35 technical college.

36 (c) (1) Upon receipt of any such contributions to a postsecondary

1 educational institution, community college or technical college made
2 pursuant to the provisions of this section, such contributions shall be
3 deposited to the credit of a financial need scholarship fund established by
4 the postsecondary educational institution, community college or technical
5 college. Expenditures from such fund shall only be made for the purpose
6 provided in this section.

7 (2) Contributions received pursuant to this section by any
8 postsecondary educational institution, community college or technical
9 college shall only be used by the institution or college to provide
10 scholarships to students who demonstrate financial need and are attending
11 such institution or college.

12 (d) In no event shall the total amount of contributions for any
13 taxpayer allowed under this section exceed \$500,000 for any tax year. For
14 each tax year, in no event shall the total amount of credits allowed under
15 this section exceed \$10,000,000 for any one tax year. Except as otherwise
16 provided, the allocation of such tax credits for each individual
17 postsecondary educational institution, community college or technical
18 college shall be determined by the state board of regents in consultation
19 with the secretary of revenue and the foundation or endowment association
20 of each postsecondary educational institution, community college or
21 technical college, and such determination shall be completed prior to the
22 issuance of any tax credits pursuant to this section.

23 (e) As used in this section:

24 (1) "Community college" means any community college established
25 under the laws of this state.

26 (2) "Financial need" means the difference between a student's
27 available financial resources and the student's total anticipated cost of
28 attendance at a certain postsecondary educational institution, community
29 college or technical college. A student's financial resources shall be
30 determined on the basis of criteria provided under the federal methodology
31 of need analysis.

32 (3) "Postsecondary educational institution" means the university of
33 Kansas, Kansas state university, Wichita state university, Emporia state
34 university, Pittsburg state university, Fort Hays state university and
35 Washburn university.

36 (4) "Technical college" means a technical college established under
37 the laws of this state.

38 (f) The secretary of revenue shall submit an annual report to the
39 legislature to assist the legislature in the evaluation of the utilization of
40 credits claimed pursuant to this section, including information specific as
41 to each postsecondary educational institution, community college or
42 technical college. Such report shall be due on or before the first day of the
43 legislative session following the tax year in which the credits were

1 claimed.

2 (g) The secretary of revenue shall adopt rules and regulations
3 necessary to administer the provisions of this section.

4 Sec. 2. K.S.A. 2018 Supp. 79-32,117 is hereby amended to read as
5 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
6 means such individual's federal adjusted gross income for the taxable year,
7 with the modifications specified in this section.

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

9 (i) Interest income less any related expenses directly incurred in the
10 purchase of state or political subdivision obligations, to the extent that the
11 same is not included in federal adjusted gross income, on obligations of
12 any state or political subdivision thereof, but to the extent that interest
13 income on obligations of this state or a political subdivision thereof issued
14 prior to January 1, 1988, is specifically exempt from income tax under the
15 laws of this state authorizing the issuance of such obligations, it shall be
16 excluded from computation of Kansas adjusted gross income whether or
17 not included in federal adjusted gross income. Interest income on
18 obligations of this state or a political subdivision thereof issued after
19 December 31, 1987, shall be excluded from computation of Kansas
20 adjusted gross income whether or not included in federal adjusted gross
21 income.

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

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

32 (iv) Federal income tax refunds received by the taxpayer if the
33 deduction of the taxes being refunded resulted in a tax benefit for Kansas
34 income tax purposes during a prior taxable year. Such refunds shall be
35 included in income in the year actually received regardless of the method
36 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
37 be deemed to have resulted if the amount of the tax had been deducted in
38 determining income subject to a Kansas income tax for a prior year
39 regardless of the rate of taxation applied in such prior year to the Kansas
40 taxable income, but only that portion of the refund shall be included as
41 bears the same proportion to the total refund received as the federal taxes
42 deducted in the year to which such refund is attributable bears to the total
43 federal income taxes paid for such year. For purposes of the foregoing

1 sentence, federal taxes shall be considered to have been deducted only to
2 the extent such deduction does not reduce Kansas taxable income below
3 zero.

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

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

12 (vii) The amount of any charitable contribution made to the extent the
13 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
14 32,196, and amendments thereto.

15 (viii) The amount of any costs incurred for improvements to a swine
16 facility, claimed for deduction in determining federal adjusted gross
17 income, to the extent the same is claimed as the basis for any credit
18 allowed pursuant to K.S.A. 2018 Supp. 79-32,204, and amendments
19 thereto.

20 (ix) The amount of any ad valorem taxes and assessments paid and
21 the amount of any costs incurred for habitat management or construction
22 and maintenance of improvements on real property, claimed for deduction
23 in determining federal adjusted gross income, to the extent the same is
24 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
25 and amendments thereto.

26 (x) Amounts received as nonqualified withdrawals, as defined by
27 K.S.A. 2018 Supp. 75-643, and amendments thereto, if, at the time of
28 contribution to a family postsecondary education savings account, such
29 amounts were subtracted from the federal adjusted gross income pursuant
30 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
31 are not already included in the federal adjusted gross income.

32 (xi) The amount of any contribution made to the same extent the
33 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
34 50,154, and amendments thereto.

35 (xii) For taxable years commencing after December 31, 2004,
36 amounts received as withdrawals not in accordance with the provisions of
37 K.S.A. 74-50,204, and amendments thereto, if, at the time of contribution
38 to an individual development account, such amounts were subtracted from
39 the federal adjusted gross income pursuant to subsection (c)(xiii), or if
40 such amounts are not already included in the federal adjusted gross
41 income.

42 (xiii) The amount of any expenditures claimed for deduction in
43 determining federal adjusted gross income, to the extent the same is

1 claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp.
2 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

3 (xiv) The amount of any amortization deduction claimed in
4 determining federal adjusted gross income to the extent the same is
5 claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,221, and
6 amendments thereto.

7 (xv) The amount of any expenditures claimed for deduction in
8 determining federal adjusted gross income, to the extent the same is
9 claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp.
10 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
11 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
12 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

13 (xvi) The amount of any amortization deduction claimed in
14 determining federal adjusted gross income to the extent the same is
15 claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,227, 79-
16 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
17 thereto.

18 (xvii) The amount of any amortization deduction claimed in
19 determining federal adjusted gross income to the extent the same is
20 claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,256, and
21 amendments thereto.

22 (xviii) For taxable years commencing after December 31, 2006, the
23 amount of any ad valorem or property taxes and assessments paid to a state
24 other than Kansas or local government located in a state other than Kansas
25 by a taxpayer who resides in a state other than Kansas, when the law of
26 such state does not allow a resident of Kansas who earns income in such
27 other state to claim a deduction for ad valorem or property taxes or
28 assessments paid to a political subdivision of the state of Kansas in
29 determining taxable income for income tax purposes in such other state,
30 to the extent that such taxes and assessments are claimed as an itemized
31 deduction for federal income tax purposes.

32 (xix) For taxable years beginning after December 31, 2012, and
33 ending before January 1, 2017, the amount of any: (1) Loss from business
34 as determined under the federal internal revenue code and reported from
35 schedule C and on line 12 of the taxpayer's form 1040 federal individual
36 income tax return; (2) loss from rental real estate, royalties, partnerships, S
37 corporations, except those with wholly owned subsidiaries subject to the
38 Kansas privilege tax, estates, trusts, residual interest in real estate
39 mortgage investment conduits and net farm rental as determined under the
40 federal internal revenue code and reported from schedule E and on line 17
41 of the taxpayer's form 1040 federal individual income tax return; and (3)
42 farm loss as determined under the federal internal revenue code and
43 reported from schedule F and on line 18 of the taxpayer's form 1040

1 federal income tax return; all to the extent deducted or subtracted in
2 determining the taxpayer's federal adjusted gross income. For purposes of
3 this subsection, references to the federal form 1040 and federal schedule
4 C, schedule E, and schedule F, shall be to such form and schedules as they
5 existed for tax year 2011, and as revised thereafter by the internal revenue
6 service.

7 (xx) For taxable years beginning after December 31, 2012, and
8 ending before January 1, 2017, the amount of any deduction for self-
9 employment taxes under section 164(f) of the federal internal revenue
10 code as in effect on January 1, 2012, and amendments thereto, in
11 determining the federal adjusted gross income of an individual taxpayer, to
12 the extent the deduction is attributable to income reported on schedule C,
13 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
14 tax return.

15 (xxi) For taxable years beginning after December 31, 2012, and
16 ending before January 1, 2017, the amount of any deduction for pension,
17 profit sharing, and annuity plans of self-employed individuals under
18 section 62(a)(6) of the federal internal revenue code as in effect on January
19 1, 2012, and amendments thereto, in determining the federal adjusted gross
20 income of an individual taxpayer.

21 (xxii) For taxable years beginning after December 31, 2012, and
22 ending before January 1, 2017, the amount of any deduction for health
23 insurance under section 162(l) of the federal internal revenue code as in
24 effect on January 1, 2012, and amendments thereto, in determining the
25 federal adjusted gross income of an individual taxpayer.

26 (xxiii) For taxable years beginning after December 31, 2012, and
27 ending before January 1, 2017, the amount of any deduction for domestic
28 production activities under section 199 of the federal internal revenue code
29 as in effect on January 1, 2012, and amendments thereto, in determining
30 the federal adjusted gross income of an individual taxpayer.

31 (xxiv) For taxable years commencing after December 31, 2013, that
32 portion of the amount of any expenditure deduction claimed in
33 determining federal adjusted gross income for expenses paid for medical
34 care of the taxpayer or the taxpayer's spouse or dependents when such
35 expenses were paid or incurred for an abortion, or for a health benefit plan,
36 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
37 an optional rider for coverage of abortion in accordance with K.S.A. 2018
38 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
39 assessments are claimed as an itemized deduction for federal income tax
40 purposes.

41 (xxv) For taxable years commencing after December 31, 2013, that
42 portion of the amount of any expenditure deduction claimed in
43 determining federal adjusted gross income for expenses paid by a taxpayer

1 for health care when such expenses were paid or incurred for abortion
2 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
3 amendments thereto, when such expenses were paid or incurred for
4 abortion coverage or amounts contributed to health savings accounts for
5 such taxpayer's employees for the purchase of an optional rider for
6 coverage of abortion in accordance with K.S.A. 2018 Supp. 40-2,190, and
7 amendments thereto, to the extent that such taxes and assessments are
8 claimed as a deduction for federal income tax purposes.

9 (xxvi) For all taxable years beginning after December 31, 2016, the
10 amount of any charitable contribution made to the extent the same is
11 claimed as the basis for the credit allowed pursuant to K.S.A. ~~72-99a07~~
12 ~~72-4357~~, and amendments thereto, *or section 1, and amendments thereto*,
13 and is also claimed as an itemized deduction for federal income tax
14 purposes.

15 (c) There shall be subtracted from federal adjusted gross income:

16 (i) Interest or dividend income on obligations or securities of any
17 authority, commission or instrumentality of the United States and its
18 possessions less any related expenses directly incurred in the purchase of
19 such obligations or securities, to the extent included in federal adjusted
20 gross income but exempt from state income taxes under the laws of the
21 United States.

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

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

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

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

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

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

9 (viii) Amounts received by retired railroad employees as a
10 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
11 228c (a)(1) et seq.

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

17 (x) For taxable years beginning after December 31, 1976, the amount
18 of the federal tentative jobs tax credit disallowance under the provisions of
19 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
20 amount of the targeted jobs tax credit and work incentive credit
21 disallowances under 26 U.S.C. § 280 C.

22 (xi) For taxable years beginning after December 31, 1986, dividend
23 income on stock issued by Kansas venture capital, inc.

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

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

32 (xiv) For all taxable years commencing after December 31, 1996, that
33 portion of any income of a bank organized under the laws of this state or
34 any other state, a national banking association organized under the laws of
35 the United States, an association organized under the savings and loan
36 code of this state or any other state, or a federal savings association
37 organized under the laws of the United States, for which an election as an
38 S corporation under subchapter S of the federal internal revenue code is in
39 effect, which accrues to the taxpayer who is a stockholder of such
40 corporation and which is not distributed to the stockholders as dividends of
41 the corporation. For taxable years beginning after December 31, 2012, and
42 ending before January 1, 2017, the amount of modification under this
43 subsection shall exclude the portion of income or loss reported on schedule

1 E and included on line 17 of the taxpayer's form 1040 federal individual
2 income tax return.

3 (xv) For all taxable years beginning after December 31, 2006,
4 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
5 joint return, for each designated beneficiary which are contributed to a
6 family postsecondary education savings account established under the
7 Kansas postsecondary education savings program or a qualified tuition
8 program established and maintained by another state or agency or
9 instrumentality thereof pursuant to section 529 of the internal revenue
10 code of 1986, as amended, for the purpose of paying the qualified higher
11 education expenses of a designated beneficiary at an institution of
12 postsecondary education. The terms and phrases used in this paragraph
13 shall have the meaning respectively ascribed thereto by the provisions of
14 K.S.A. 2018 Supp. 75-643, and amendments thereto, and the provisions of
15 such section are hereby incorporated by reference for all purposes thereof.

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

26 (xvii) For all taxable years beginning after December 31, 2004,
27 amounts received by taxpayers who are eligible members of the Kansas
28 army and air national guard as a reimbursement pursuant to K.S.A. 48-
29 281, and amendments thereto, and amounts received for death benefits
30 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
31 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
32 amendments thereto, to the extent that such death benefits are included in
33 federal adjusted gross income of the taxpayer.

34 (xviii) For the taxable year beginning after December 31, 2006,
35 amounts received as benefits under the federal social security act which
36 are included in federal adjusted gross income of a taxpayer with federal
37 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
38 status is single, head of household, married filing separate or married filing
39 jointly; and for all taxable years beginning after December 31, 2007,
40 amounts received as benefits under the federal social security act which
41 are included in federal adjusted gross income of a taxpayer with federal
42 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
43 status is single, head of household, married filing separate or married filing

1 jointly.

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

4 (xx) For taxable years beginning after December 31, 2012, and
5 ending before January 1, 2017, the amount of any: (1) Net profit from
6 business as determined under the federal internal revenue code and
7 reported from schedule C and on line 12 of the taxpayer's form 1040
8 federal individual income tax return; (2) net income, not including
9 guaranteed payments as defined in section 707(c) of the federal internal
10 revenue code and as reported to the taxpayer from federal schedule K-1,
11 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
12 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,
13 partnerships, S corporations, estates, trusts, residual interest in real estate
14 mortgage investment conduits and net farm rental as determined under the
15 federal internal revenue code and reported from schedule E and on line 17
16 of the taxpayer's form 1040 federal individual income tax return; and (3)
17 net farm profit as determined under the federal internal revenue code and
18 reported from schedule F and on line 18 of the taxpayer's form 1040
19 federal income tax return; all to the extent included in the taxpayer's
20 federal adjusted gross income. For purposes of this subsection, references
21 to the federal form 1040 and federal schedule C, schedule E, and schedule
22 F, shall be to such form and schedules as they existed for tax year 2011
23 and as revised thereafter by the internal revenue service.

24 (xxi) For all taxable years beginning after December 31, 2013,
25 amounts equal to the unreimbursed travel, lodging and medical
26 expenditures directly incurred by a taxpayer while living, or a dependent
27 of the taxpayer while living, for the donation of one or more human organs
28 of the taxpayer, or a dependent of the taxpayer, to another person for
29 human organ transplantation. The expenses may be claimed as a
30 subtraction modification provided for in this section to the extent the
31 expenses are not already subtracted from the taxpayer's federal adjusted
32 gross income. In no circumstances shall the subtraction modification
33 provided for in this section for any individual, or a dependent, exceed
34 \$5,000. As used in this section, "human organ" means all or part of a liver,
35 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
36 paragraph shall take effect on the day the secretary of revenue certifies to
37 the director of the budget that the cost for the department of revenue of
38 modifications to the automated tax system for the purpose of
39 implementing this paragraph will not exceed \$20,000.

40 (xxii) For taxable years beginning after December 31, 2012, and
41 ending before January 1, 2017, the amount of net gain from the sale of: (1)
42 Cattle and horses, regardless of age, held by the taxpayer for draft,
43 breeding, dairy or sporting purposes, and held by such taxpayer for 24

1 months or more from the date of acquisition; and (2) other livestock,
2 regardless of age, held by the taxpayer for draft, breeding, dairy or
3 sporting purposes, and held by such taxpayer for 12 months or more from
4 the date of acquisition. The subtraction from federal adjusted gross income
5 shall be limited to the amount of the additions recognized under the
6 provisions of subsection (b)(xix) attributable to the business in which the
7 livestock sold had been used. As used in this paragraph, the term
8 "livestock" shall not include poultry.

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

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

17 (d) There shall be added to or subtracted from federal adjusted gross
18 income the taxpayer's share, as beneficiary of an estate or trust, of the
19 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
20 amendments thereto.

21 (e) The amount of modifications required to be made under this
22 section by a partner which relates to items of income, gain, loss, deduction
23 or credit of a partnership shall be determined under K.S.A. 79-32,131, and
24 amendments thereto, to the extent that such items affect federal adjusted
25 gross income of the partner.

26 (f) No taxpayer shall be assessed penalties and interest from the
27 underpayment of taxes due to changes to this section that became law on
28 July 1, 2017, so long as such underpayment is rectified on or before April
29 17, 2018.

30 Sec. 3. K.S.A. 2018 Supp. 79-32,138 is hereby amended to read as
31 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
32 under this act shall be the corporation's federal taxable income for the
33 taxable year with the modifications specified in this section.

34 (b) There shall be added to federal taxable income: (i) The same
35 modifications as are set forth in K.S.A. 79-32,117(b), and amendments
36 thereto, with respect to resident individuals, except subsections (b)(xix),
37 (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

38 (ii) the amount of all depreciation deductions claimed for any
39 property upon which the deduction allowed by K.S.A. 2018 Supp. 79-
40 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
41 32,255 or 79-32,256, and amendments thereto, is claimed;

42 (iii) the amount of any charitable contribution deduction claimed for
43 any contribution or gift to or for the use of any racially segregated

1 educational institution;

2 (iv) for taxable years commencing December 31, 2013, that portion
3 of the amount of any expenditure deduction claimed in determining federal
4 adjusted gross income for expenses paid by a taxpayer for health care
5 when such expenses were paid or incurred for abortion coverage, a health
6 benefit plan, as defined in K.S.A. 65-6731, and amendments thereto, when
7 such expenses were paid or incurred for abortion coverage or amounts
8 contributed to health savings accounts for such taxpayer's employees for
9 the purchase of an optional rider for coverage of abortion in accordance
10 with K.S.A. 2018 Supp. 40-2,190, and amendments thereto;

11 (v) the amount of any charitable contribution deduction claimed for
12 any contribution or gift made to a scholarship granting organization to the
13 extent the same is claimed as the basis for the credit allowed pursuant to
14 K.S.A. 72-4357, and amendments thereto; ~~and~~

15 (vi) the federal net operating loss deduction; *and*

16 (vii) *the amount of any charitable contribution deduction claimed for*
17 *any contribution or gift made to a postsecondary educational institution,*
18 *community college or technical college to the extent the same is claimed*
19 *as the basis for the credit allowed pursuant to section 1, and amendments*
20 *thereto.*

21 (c) There shall be subtracted from federal taxable income: (i) The
22 same modifications as are set forth in K.S.A. 79-32,117(c), and
23 amendments thereto, with respect to resident individuals, except
24 subsection (c)(xx);

25 (ii) the federal income tax liability for any taxable year commencing
26 prior to December 31, 1971, for which a Kansas return was filed after
27 reduction for all credits thereon, except credits for payments on estimates
28 of federal income tax, credits for gasoline and lubricating oil tax, and for
29 foreign tax credits if, on the Kansas income tax return for such prior year,
30 the federal income tax deduction was computed on the basis of the federal
31 income tax paid in such prior year, rather than as accrued. Notwithstanding
32 the foregoing, the deduction for federal income tax liability for any year
33 shall not exceed that portion of the total federal income tax liability for
34 such year which bears the same ratio to the total federal income tax
35 liability for such year as the Kansas taxable income, as computed before
36 any deductions for federal income taxes and after application of
37 subsections (d) and (e) ~~of this section~~ as existing for such year, bears to the
38 federal taxable income for the same year;

39 (iii) an amount for the amortization deduction allowed pursuant to
40 K.S.A. 2018 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
41 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto;

42 (iv) for all taxable years commencing after December 31, 1987, the
43 amount included in federal taxable income pursuant to the provisions of

1 section 78 of the internal revenue code; and

2 (v) for all taxable years commencing after December 31, 1987, 80%
3 of dividends from corporations incorporated outside of the United States
4 or the District of Columbia which are included in federal taxable income.

5 (d) If any corporation derives all of its income from sources within
6 Kansas in any taxable year commencing after December 31, 1979, its
7 Kansas taxable income shall be the sum resulting after application of
8 subsections (a) through (c) ~~hereof~~. Otherwise, such corporation's Kansas
9 taxable income in any such taxable year, after excluding any refunds of
10 federal income tax and before the deduction of federal income taxes
11 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
12 3271 through K.S.A. 79-3293, and amendments thereto, plus any refund of
13 federal income tax as determined under K.S.A. 79-32,117(b)(iv), and
14 amendments thereto, and minus the deduction for federal income taxes as
15 provided by subsection (c)(ii) shall be such corporation's Kansas taxable
16 income.

17 (e) A corporation may make an election with respect to its first
18 taxable year commencing after December 31, 1982, whereby no addition
19 modifications as provided for in subsection (b)(ii) and subtraction
20 modifications as provided for in subsection (c)(iii) as those subsections
21 existed prior to their amendment by this act, shall be required to be made
22 for such taxable year.

23 Sec. 4. K.S.A. 2018 Supp. 79-32,117 and 79-32,138 are hereby
24 repealed.

25 Sec. 5. This act shall take effect and be in force from and after its
26 publication in the statute book.