

Special Session of 2024

SENATE BILL No. 1

AN ACT concerning taxation; relating to income tax; modifying tax rates for individuals; eliminating the income limit to qualify for a subtraction modification for social security income; increasing the Kansas standard deduction and the Kansas personal exemption; increasing the tax credit amount for household and dependent care expenses; relating to privilege tax; decreasing the normal tax rate; relating to property tax; excluding internal revenue code section 1031 exchange transactions as indicators of fair market value; increasing the extent of exemption for residential property from the statewide school levy; providing for certain transfers to the state school district finance fund; abolishing the local ad valorem tax reduction fund and the county and city revenue sharing fund; amending K.S.A. 65-163j, 65-3306, 65-3327, 75-2556, 79-503a, 79-5a27, 79-1107, 79-1108, 79-1479 and 79-32,111c and K.S.A. 2023 Supp. 74-8768, 79-201x, 79-2988, as amended by section 15 of 2024 Senate Bill No. 410, 79-32,110, 79-32,117, as amended by section 14 of 2023 Senate Bill No. 27, 79-32,119 and 79-32,121 and repealing the existing sections; also repealing K.S.A. 19-2694, 79-2960, 79-2961, 79-2962, 79-2965, 79-2966 and 79-2967 and K.S.A. 2023 Supp. 79-2959, as amended by section 189 of 2023 Senate Bill No. 28, and 79-2964, as amended by section 190 of 2023 Senate Bill No. 28.

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

New Section 1. On July 1, 2024, the director of accounts and reports shall transfer all moneys in the local ad valorem tax reduction fund to the state general fund. On July 1, 2024, all liabilities of the local ad valorem tax reduction fund are hereby transferred to and imposed on the state general fund, and the local ad valorem tax reduction fund is hereby abolished.

New Sec. 2. On July 1, 2024, the director of accounts and reports shall transfer all moneys in the county and city revenue sharing fund to the state general fund. On July 1, 2024, all liabilities of the county and city revenue sharing fund are hereby transferred to and imposed on the state general fund, and the county and city revenue sharing fund is hereby abolished.

New Sec. 3. On August 15, 2024, and each August 15 thereafter, the director of the budget, in consultation with the director of property valuation, shall certify to the director of accounts and reports if the exemption provided by K.S.A. 79-201x, and amendments thereto, is increased from \$42,049 for any tax year. The director of the budget shall certify to the director of accounts and reports and shall transfer a copy of such certification to the director of legislative research the amount of revenue that the increase in the exemption provided by K.S.A. 79-201x, and amendments thereto, would have generated for the tax year if the exemption amount was \$42,049. Upon receipt of such certification, or as soon thereafter as moneys are available, the director of accounts and reports shall transfer such certified amount from the state general fund to the state school district finance fund of the department of education.

Sec. 4. K.S.A. 65-163j is hereby amended to read as follows: 65-163j. (a) The dedicated source of revenue for repayment of a loan to a municipality may include service charges, connection fees, special assessments, property taxes, grants or any other source of revenue lawfully available to the municipality for such purpose. In order to ensure repayment by municipalities of the amounts of loans provided under this act, the secretary, after consultation with the governing body of any municipality ~~which~~ that receives a loan, may adopt charges to be levied against individuals and entities served by the project. Any such charges shall remain in effect until the total amount of the loan, and any interest thereon, has been repaid. The charges shall, insofar as is practicable, be equitably assessed and may be in the form of a surcharge to the existing charges of the municipality. The governing body of any municipality ~~which~~ that receives a loan under this act shall collect any charges established by the secretary and shall pay the moneys collected therefrom to the secretary in accordance with procedures established by the secretary.

~~(b) Upon the failure of a municipality to meet the repayment terms and conditions of the agreement, the secretary may order the treasurer of the county in which the municipality is located to pay to the secretary such portion of the municipality's share of the local ad valorem tax reduction fund as may be necessary to meet the terms of the agreement, notwithstanding the provisions of K.S.A. 79-2960 and 79-2961, and amendments thereto. Upon the issuance of such an order, the municipality shall not be required to make the tax levy reductions otherwise required by K.S.A. 79-2960 and 79-2961, and amendments thereto.~~

~~(e)~~—Municipalities ~~which~~ *that* are provided with loans under this act shall maintain project accounts in accordance with generally accepted government accounting standards.

~~(d)~~*(c)* Any loans received by a municipality under the provisions of this act shall be construed to be bonds for the purposes of K.S.A. 10-1116 and 79-5028, and amendments thereto, and the amount of such loans shall not be included within any limitation on the bonded indebtedness of the municipality.

Sec. 5. K.S.A. 65-3306 is hereby amended to read as follows: 65-3306. The secretary's annual request for appropriations to the water pollution control account shall be based on an estimate of the fiscal needs for the ensuing budget year, less any amounts received by the secretary from any public or private grants or contributions and moneys in such account shall be used solely for the purposes provided for by this act. Moneys allocated to a municipality shall be encumbered as an expenditure of this account upon the formal letting of a contract for the improvement notwithstanding the date ~~on which~~ *when* actual payment is made of the state financial assistance. Any municipality may contribute moneys to the state water pollution control account. If there are no uncommitted or unencumbered moneys in the water pollution control account, any municipality applying for any water pollution control project as defined in K.S.A. 65-3302, *and amendments thereto*, shall as a condition of such application certify in writing to the secretary that a contribution in the amount of ~~twenty-five percent~~ (25%) of the eligible cost of such project will be made to the water pollution control account by such municipality prior to formal letting of a construction contract. Upon receipt by the secretary, each such contribution shall be retained in a subaccount of the water pollution control account for use solely in the project for which the municipality has made application.

~~Notwithstanding the provisions of K.S.A. 79-2960 and 79-2961, any municipality applying for such a water pollution control project may make such contribution from all or such part of its share of the local ad valorem tax reduction fund as may be necessary for such purpose, and to the extent such fund is pledged and used for such purpose the municipality shall not be required to make the tax levy reductions otherwise required by K.S.A. 79-2960 and 79-2961. Taxes levied by any municipality by reason of its failure to make such reduction in its levies shall not be subject to or be considered in computing the aggregate limitation upon the levy of taxes by such municipality under the provisions of K.S.A. 79-5003.~~

Sec. 6. K.S.A. 65-3327 is hereby amended to read as follows: 65-3327. (a) The dedicated source of revenue for repayment of the loans may include service charges, connection fees, special assessments, property taxes, grants or any other source of revenue lawfully available to the municipality for such purpose. In order to ensure repayment by municipalities of the amounts of loans provided under K.S.A. 65-3321 through 65-3329, and amendments thereto, the secretary, after consultation with the governing body of any municipality which

receives a loan, may adopt charges to be levied against users of the project. Any such charges shall remain in effect until the total amount of the loan, and any interest thereon, has been repaid. The charges shall, insofar as is practicable, be equitably assessed and may be in the form of a surcharge to the existing charges of the municipality. The governing body of any municipality which receives a loan under K.S.A. 65-3321 through 65-3329, and amendments thereto, shall collect any charges established by the secretary and shall pay the moneys collected therefrom to the secretary in accordance with procedures established by the secretary.

~~(b) Upon the failure of a municipality to meet the repayment terms and conditions of the agreement, the secretary may order the treasurer of the county in which the municipality is located to pay to the secretary such portion of the municipality's share of the local ad valorem tax reduction fund as may be necessary to meet the terms of the agreement, notwithstanding the provisions of K.S.A. 79-2960 and 79-2961 and amendments thereto. Upon the issuance of such an order, the municipality shall not be required to make the tax levy reductions otherwise required by K.S.A. 79-2960 and 79-2961 and amendments thereto.~~

~~(e)~~ Municipalities ~~which~~ *that* are provided with loans under K.S.A. 65-3321 through 65-3329, and amendments thereto, shall maintain project accounts in accordance with generally accepted government accounting standards.

~~(d)~~*(c)* Municipalities ~~which~~ *that* receive a grant and an allowance under the federal act with respect to project costs for which a loan was provided under K.S.A. 65-3321 through 65-3329, and amendments thereto, shall promptly repay such loan to the extent of the allowance received under the federal act.

~~(e)~~*(d)* Any loans received by a municipality under the provisions of K.S.A. 65-3321 through 65-3329, and amendments thereto, shall be construed to be bonds for the purposes of K.S.A. 10-1116 and 79-5028, and amendments thereto, and the amount of such loans shall not be included within any limitation on the bonded indebtedness of the municipality.

Sec. 7. K.S.A. 2023 Supp. 74-8768 is hereby amended to read as follows: 74-8768. (a) There is hereby created the expanded lottery act revenues fund in the state treasury. All expenditures and transfers from such fund shall be made in accordance with appropriation acts. All moneys credited to such fund shall be expended or transferred only for the purposes of reduction of state debt, state infrastructure improvements, the university engineering initiative act, ~~reduction of local ad valorem tax in the same manner as provided for allocation of amounts in the local ad valorem tax reduction fund~~ and reduction of the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, by the Kansas public employees retirement system.

(b) On July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, July 1, 2025, July 1, 2026, July 1, 2027, July 1, 2028, July 1, 2029, July 1, 2030, and July 1, 2031, or as soon thereafter such date as moneys are available, the first \$10,500,000 credited to the expanded lottery act revenues fund shall be transferred by the director of accounts and reports from the expanded lottery act revenues fund in one or more substantially equal amounts, to each of the following: The Kan-grow engineering fund – KU, Kan-grow engineering fund – KSU and Kan-grow engineering fund – WSU. Each such special revenue fund shall receive \$3,500,000 annually in each of such years. Commencing in fiscal year 2014, after such transfer has been made, 50% of the

remaining moneys credited to the fund shall be transferred on a quarterly basis by the director of accounts and reports from the fund to the Kansas public employees retirement system fund to be applied to reduce the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931 et seq., and amendments thereto, until the system as a whole attains an 80% funding ratio as certified by the board of trustees of the Kansas public employees retirement system.

Sec. 8. K.S.A. 75-2556 is hereby amended to read as follows: 75-2556. (a) The state librarian shall determine the amount of the grant-in-aid each eligible local public library is to receive based on the latest population census figures as certified by the division of the budget.

(b) Except as provided by subsection (d), no local public library shall be eligible for any state grants-in-aid if the total amount of the following paragraphs is less than the total amount produced from such sources for the same library for the previous year, based on the information contained in the official annual budgets of municipalities that are filed with the division of accounts and reports in accordance with K.S.A. 79-2930, and amendments thereto:

(1) The amount produced by the local ad valorem tax levies for the current year expenses for such library;

~~(2) the amount of moneys received from the local ad valorem tax reduction fund for current year expenses for such library;~~

~~(3) the amount of moneys received from taxes levied upon motor vehicles under the provisions of K.S.A. 79-5101 et seq., and amendments thereto, for current year expenses for such library; and~~

~~(4)(3) the amount of moneys received in the current year from collections of unpaid local ad valorem tax levies for prior year expenses for such library.~~

(c) Local public library districts in which the assessed valuation decreases shall remain eligible for state grants-in-aid so long as the ad valorem tax mill rate for the support of such library has not been reduced below the mill rate imposed for such purpose for the previous year.

(d) If a local public library fails to qualify for eligibility for any state grants-in-aid under subsection (b), the state librarian shall have the power to continue the eligibility of a local public library for any state grants-in-aid if the state librarian, after evaluation of all the circumstances, determines that the legislative intent for maintenance of local tax levy support for the on-going operations of the library is being met by the library district.

(e) The distribution so determined shall be apportioned and paid on February 15 of each year.

Sec. 9. K.S.A. 2023 Supp. 79-201x is hereby amended to read as follows: 79-201x. ~~(a)~~ For taxable year ~~2022~~ 2024, and all taxable years thereafter, the following described property, to the extent herein specified, shall be and is hereby exempt from the property tax levied pursuant to the provisions of K.S.A. 72-5142, and amendments thereto: Property used for residential purposes to the extent of ~~\$40,000~~ \$75,000 of its appraised valuation.

~~(b) For taxable year 2023, and all taxable years thereafter, the dollar amount of the extent of appraised valuation that is exempt pursuant to subsection (a) shall be adjusted to reflect the average percentage change in statewide residential valuation of all residential real property for the preceding 10 years. Such average percentage change shall not be less than zero. The director of property valuation shall calculate the average percentage change for purposes of this annual adjustment and calculate the dollar amount of the extent of appraised valuation that is exempt pursuant to this section each year.~~

Sec. 10. K.S.A. 79-503a is hereby amended to read as follows: 79-503a. "Fair market value" means the amount in terms of money that a well informed buyer is justified in paying and a well informed seller is justified in accepting for property in an open and competitive market, assuming that the parties are acting without undue compulsion. In the determination of fair market value of any real property which is subject to any special assessment, such value shall not be determined by adding the present value of the special assessment to the sales price. For the purposes of this definition it will be assumed that consummation of a sale occurs as of January 1.

Sales in and of themselves shall not be the sole criteria of fair market value but shall be used in connection with cost, income and other factors including but not by way of exclusion:

- (a) The proper classification of lands and improvements;
- (b) the size thereof;
- (c) the effect of location on value;
- (d) depreciation, including physical deterioration or functional, economic or social obsolescence;
- (e) cost of reproduction of improvements;
- (f) productivity taking into account all restrictions imposed by the state or federal government and local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families as authorized by section 42 of the federal internal revenue code of 1986, as amended;
- (g) earning capacity as indicated by lease price, by capitalization of net income or by absorption or sell-out period;
- (h) rental or reasonable rental values or rental values restricted by the state or federal government or local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families, as authorized by section 42 of the federal internal revenue code of 1986, as amended;
- (i) sale value on open market with due allowance to abnormal inflationary factors influencing such values;
- (j) restrictions or requirements imposed upon the use of real estate by the state or federal government or local governing bodies, including zoning and planning boards or commissions, and including, but not limited to, restrictions or requirements imposed upon the use of real estate rented or leased to low income individuals and families, as authorized by section 42 of the federal internal revenue code of 1986, as amended; and
- (k) comparison with values of other property of known or recognized value. The assessment-sales ratio study shall not be used as an appraisal for appraisal purposes.

The appraisal process utilized in the valuation of all real and tangible personal property for ad valorem tax purposes shall conform to generally accepted appraisal procedures and standards which are consistent with the definition of fair market value unless otherwise specified by law.

The sale price or value at which a property sells or transfers ownership in a federal internal revenue code section 1031 exchange shall not be considered an indicator of fair market value nor as a factor in arriving at fair market value. Federal internal revenue code section 1031 exchange transactions shall not be used as comparable sales for valuation purposes nor as valid sales for purposes of sales ratio studies conducted pursuant to K.S.A. 79-1485 et seq., and amendments thereto.

Sec. 11. K.S.A. 79-5a27 is hereby amended to read as follows: 79-5a27. On or before June 1 each year, the director of property valuation shall certify to the county clerk of each county the amount of assessed

valuation apportioned to each taxing unit therein for properties valued and assessed under K.S.A. 79-5a01 et seq., and amendments thereto. The county clerk shall include such assessed valuations in the applicable taxing districts with all other assessed valuations in those taxing districts and on or before June 15 notify the appropriate officials of each taxing district within the county of the assessed valuation estimates to be utilized in the preparation of budgets for ad valorem tax purposes, *except that for tax year 2024, the deadline shall be extended to July 1, 2024.* If in any year the county clerk has not received the applicable valuations from the director of property valuation, the county clerk shall use the applicable assessed valuations of the preceding year as an estimate for such notification. If the public utility has filed an application for exemption of all or a portion of its property, the director shall notify the county clerk that the exemption application has been filed and the county clerk shall not be required to include such assessed valuation in the applicable taxing districts until such time as the application is denied by the state board of tax appeals or, if judicial review of the board's order is sought, until such time as judicial review is finalized.

Sec. 12. K.S.A. 79-1107 is hereby amended to read as follows: 79-1107. (a) Every national banking association and state bank located or doing business within the state shall pay to the state for the privilege of doing business within the state a tax according to or measured by its net income for the next preceding taxable year to be computed as provided in this act. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(~~a~~)(1) *For tax year 2024, and all tax years thereafter,* the normal tax shall be an amount equal to ~~2⁺/₄%~~ 1.94% of such net income; and

(~~b~~)(2) the surtax shall be an amount equal to ~~2⁺/₈%~~ 2.125% of such net income in excess of \$25,000.

(b) The tax levied shall be in lieu of ad valorem taxes which might otherwise be imposed by the state or political subdivisions thereof upon shares of capital stock or the intangible assets of national banking associations and state banks.

Sec. 13. K.S.A. 79-1108 is hereby amended to read as follows: 79-1108. (a) Every trust company and savings and loan association located or doing business within the state shall pay to the state for the privilege of doing business within the state a tax according to or measured by its net income for the next preceding taxable year to be computed as provided in this act. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(~~a~~)(1) *For tax year 2024, and all tax years thereafter,* the normal tax on every trust company and savings and loan association shall be an amount equal to ~~2⁺/₄%~~ 1.93% of such net income; and

(~~b~~)(2) the surtax on every trust company and savings and loan association shall be an amount equal to ~~2⁺/₄%~~ 2.25% of such net income in excess of \$25,000.

(b) The tax levied shall be in lieu of ad valorem taxes which might otherwise be imposed by the state or political subdivision thereof upon shares of capital stock or other intangible assets of trust companies and savings and loan associations.

Sec. 14. K.S.A. 79-1479 is hereby amended to read as follows: 79-1479. (a) On or before January 15, 1992, and quarterly thereafter, the county or district appraiser shall submit to the director of property valuation a progress report indicating actions taken during the preceding quarter calendar year to implement the appraisal of property in the county or district. Whenever the director of property valuation shall determine that any county has failed, neglected or refused to properly provide for the appraisal of property or the updating of the

appraisals on an annual basis in substantial compliance with the provisions of law and the guidelines and timetables prescribed by the director, the director shall file with the state board of tax appeals a complaint stating the facts upon which the director has made the determination of noncompliance as provided by K.S.A. 79-1413a, and amendments thereto. If, as a result of such proceeding, the state board of tax appeals finds that the county is not in substantial compliance with the provisions of law and the guidelines and timetables of the director of property valuation providing for the appraisal of all property in the county or the updating of the appraisals on an annual basis, it shall order the immediate assumption of the duties of the office of county appraiser by the director of the division of property valuation until such time as the director of property valuation determines that the county is in substantial compliance with the provisions of law. ~~In addition, the board shall order the state treasurer to withhold all or a portion of the county's entitlement to moneys from either or both of the local ad valorem tax reduction fund and the city and county revenue sharing fund for the year following the year in which the order is issued.~~ Upon service of any such order on the board of county commissioners, the appraiser shall immediately deliver to the director of property valuation, or the director's designee, all books, records and papers pertaining to the appraiser's office.

Any county for which the director of the division of property valuation is ordered by the state board of tax appeals to assume the responsibility and duties of the office of county appraiser shall reimburse the state for the actual costs incurred by the director of the division of property valuation in the assumption and carrying out of such responsibility and duties, including any contracting costs in the event it is necessary for the director of property valuation to contract with private appraisal firms to carry out such responsibilities and duties.

(b) On or before June 1 of each year, the director of property valuation shall review the appraisal of property in each county or district to determine if property within the county or district is being appraised or valued in accordance with the requirements of law. If the director determines the property in any county or district is not being appraised in accordance with the requirements of law, the director of property valuation shall notify the county or district appraiser and the board of county commissioners of any county or counties affected that the county has 30 days within which to submit to the director a plan for bringing the appraisal of property within the county into compliance.

If a plan is submitted and approved by the director the county or district shall proceed to implement the plan as submitted. The director shall continue to monitor the program to insure that the plan is implemented as submitted. If no plan is submitted or if the director does not approve the plan, the director shall petition the state board of tax appeals for a review of the plan or, if no plan is submitted, for authority for the division of property valuation to assume control of the appraisal program of the county and to proceed to bring the same into compliance with the requirements of law.

If the state board of tax appeals approves the plan, the county or district appraiser shall proceed to implement the plan as submitted. If no plan has been submitted or the plan submitted is not approved, the board shall fix a time within which the county may submit a plan or an amended plan for approval. If no plan is submitted and approved within the time prescribed by the board, the board shall order the division of property valuation to assume control of the appraisal program of the county ~~and shall certify its order to the state treasurer who shall withhold distributions of the county's share of moneys from the county~~

~~and city revenue sharing fund and the local ad valorem tax reduction fund and credit the same to the general fund of the state for the year following the year in which the board's order is made.~~ The director of property valuation shall certify the amount of the cost incurred by the division in bringing the program in compliance to the state board of tax appeals. The board shall order the county commissioners to reimburse the state for such costs.

(c) The state board of tax appeals shall within 60 days after the publication of the Kansas assessment/sales ratio study review such publication to determine county compliance with K.S.A. 79-1439, and amendments thereto. If in the determination of the board one or more counties are not in substantial compliance and the director of property valuation has not acted under subsection (b), the board shall order the director of property valuation to take such corrective action as is necessary or to show cause for noncompliance.

Sec. 15. On and after July 1, 2024, K.S.A. 2023 Supp. 79-2988, as amended by section 15 of 2024 Senate Bill No. 410, is hereby amended to read as follows: 79-2988. (a) On or before June 15 each year, the county clerk shall calculate the revenue neutral rate for each taxing subdivision and include such revenue neutral rate on the notice of the estimated assessed valuation provided to each taxing subdivision for budget purposes, *except that for tax year 2024, the deadline shall be extended to July 1, 2024.* The director of accounts and reports shall modify the prescribed budget information form to show the revenue neutral rate.

(b) Except as otherwise provided in this section, no tax rate in excess of the revenue neutral rate shall be levied by the governing body of any taxing subdivision unless a resolution or ordinance has been approved by the governing body according to the following procedure:

(1) At least 10 days in advance of the public hearing, the governing body shall publish notice of its proposed intent to exceed the revenue neutral rate by publishing notice:

(A) On the website of the governing body, if the governing body maintains a website; and

(B) in a weekly or daily newspaper of the county having a general circulation therein. The notice shall include, but not be limited to, its proposed tax rate, its revenue neutral rate and the date, time and location of the public hearing.

(2) On or before July 20, the governing body shall notify the county clerk of its proposed intent to exceed the revenue neutral rate and provide the date, time and location of the public hearing and its proposed tax rate. For all tax years commencing after December 31, 2021, the county clerk shall notify each taxpayer with property in the taxing subdivision, by mail directed to the taxpayer's last known address, of the proposed intent to exceed the revenue neutral rate at least 10 days in advance of the public hearing. Alternatively, the county clerk may transmit the notice to the taxpayer by electronic means at least 10 days in advance of the public hearing, if such taxpayer and county clerk have consented in writing to service by electronic means. The county clerk is not required to send a notice to a property owner of property that is exempt from ad valorem taxation. The county clerk shall consolidate the required information for all taxing subdivisions relevant to the taxpayer's property on one notice. The notice shall be in a format prescribed by the director of accounts and reports. The notice shall include, but not be limited to:

(A) The following heading:

"NOTICE OF PROPOSED PROPERTY TAX INCREASE AND PUBLIC HEARINGS

[Current year] [County name] County Revenue Neutral Rate Notice

This is NOT a bill. Do not remit payment.";

(B) the following statement:

"This notice contains estimates of the tax on your property and proposed property tax increases. THE ACTUAL TAX ON YOUR PROPERTY MAY INCREASE OR DECREASE FROM THESE ESTIMATES. Governing bodies of taxing subdivisions must vote in order to exceed the Revenue Neutral Rate to increase the total property taxes collected. Governing bodies will vote at public hearings at the dates, times and locations listed. Taxpayers may attend and comment at the hearings. Property tax statements will be issued after mill rates are finalized and taxes are calculated.";

(C) the appraised value and assessed value of the taxpayer's property for the current year and the previous year;

(D) the amount of property tax of each taxing subdivision on the taxpayer's property from the previous year's tax statement in a column titled: "[Previous year] Tax";

(E) the estimated amount of property tax for the current year of each taxing subdivision on the taxpayer's property based on the revenue neutral rate of each taxing subdivision in a column titled: "[Current year] Tax at Revenue Neutral Rate";

(F) the estimated amount of property tax for the current year of each taxing subdivision on the taxpayer's property based on either: (i) The revenue neutral rate for a taxing subdivision that does not intend to exceed its revenue neutral rate; or (ii) the proposed tax rate provided by the taxing subdivision, if the taxing subdivision notified the county clerk of its proposed intent to exceed its revenue neutral rate in a column titled: "[Current year] Maximum Tax";

(G) the difference between the amount of the current year's maximum tax and the previous year's tax, reflected in dollars and a percentage, for each taxing subdivision in a column titled: "[Current year] Maximum Tax Exceeding [Previous year] Tax";

(H) the date, time and location of the public hearing of each taxing subdivision that notified the county clerk of its proposed intent to exceed its revenue neutral rate in a column titled: "Date, Time and Location of Public Hearing"; and

(I) for each taxing subdivision public hearing listed pursuant to subparagraph (H), the difference between the current year's maximum tax and the estimated amount of property tax based on the revenue neutral rate of such taxing subdivision in a column titled: "[Current year] Maximum Tax Exceeding Tax at Revenue Neutral Rate".

Although the state of Kansas is not a taxing subdivision for purposes of this section, the notice shall include the previous year's tax amount and the estimate of the tax for the current year on the taxpayer's property based on the statutory mill levies.

(3) The public hearing to consider exceeding the revenue neutral rate shall be held not sooner than August 20 and not later than September 20. The governing body shall provide interested taxpayers desiring to be heard an opportunity to present oral testimony within reasonable time limits and without unreasonable restriction on the number of individuals allowed to make public comment. The public hearing may be conducted in conjunction with the proposed budget hearing pursuant to K.S.A. 79-2929, and amendments thereto, if the governing body otherwise complies with all requirements of this section. Nothing in this section shall be construed to prohibit additional public hearings that provide additional opportunities to present testimony or public comment prior to the public hearing required by this section.

(4) A majority vote of the governing body, by the adoption of a resolution or ordinance to approve exceeding the revenue neutral rate,

shall be required prior to adoption of a proposed budget that will result in a tax rate in excess of the revenue neutral rate. Such vote of the governing body shall be conducted at the public hearing and on the same day as the commencement of the public hearing after the governing body has heard from interested taxpayers and shall be a roll call vote. If the governing body approves exceeding the revenue neutral rate, the governing body shall not adopt a budget that results in a tax rate in excess of its proposed tax rate as stated in the notice provided pursuant to this section. A copy of the resolution or ordinance to approve exceeding the revenue neutral rate and a certified copy of any roll call vote reporting, at a minimum, the name and vote of each member of the governing body related to exceeding the revenue neutral rate, whether approved or not, shall be included with the adopted budget, budget certificate and other budget forms filed with the county clerk and the director of accounts and reports and shall be published on the website of the department of administration.

(c) (1) Any governing body subject to the provisions of this section that does not comply with subsection (b) shall refund to taxpayers any property taxes over-collected based on the amount of the levy that was in excess of the revenue neutral rate.

(2) Any taxpayer of the taxing subdivision that is the subject of the complaint or such taxpayer's duly authorized representative may file a complaint with the state board of tax appeals by filing a written complaint, on a form prescribed by the board, that contains the facts that the complaining party believes show that a governing body of a taxing subdivision did not comply with the provisions of subsection (b) and that a reduction or refund of taxes is appropriate. The complaining party shall provide a copy of such complaint to the governing body of the taxing subdivision making the levy that is the subject of the complaint. Notwithstanding K.S.A. 74-2438a, and amendments thereto, no filing fee shall be charged by the executive director of the state board of tax appeals for a complaint filed pursuant to this paragraph. The governing body of the taxing subdivision making the levy that is the subject of the complaint shall be a party to the proceeding. Notice of any summary proceeding or hearing shall be served upon such governing body, the county clerk, the director of accounts and reports and the complaining party. It shall be the duty of the governing body to initiate the production of evidence to demonstrate, by a preponderance of the evidence, the validity of such levy. If upon a summary proceeding or hearing, it shall be made to appear to the satisfaction of the board that the governing body of the taxing subdivision did not comply with subsection (b), the state board of tax appeals shall order such governing body to refund to taxpayers the amount of property taxes over collected or reduce the taxes levied, if uncollected. The provisions of this paragraph shall not be construed as prohibiting any other remedies available under the law.

(d) On and after January 1, 2022, in the event that the ~~20 mills tax~~ levied by a school district pursuant to K.S.A. 72-5142, and amendments thereto, increases the property tax revenue generated for the purpose of calculating the revenue neutral rate from the previous tax year and such amount of increase in revenue generated from ~~the 20 mills such tax levied~~ is the only reason *that* the school district would exceed the total property tax revenue from the prior year, the school district shall be deemed to not have exceeded the revenue neutral rate in levying a tax rate in excess of the revenue neutral rate to take into account the increase in revenue from only ~~the 20 mills such tax levied~~.

(e) (1) Notwithstanding any other provision of law to the contrary, if the governing body of a taxing subdivision must conduct a public hearing to approve exceeding the revenue neutral rate under this

section, the governing body of the taxing subdivision shall certify, on or before October 1, to the proper county clerk the amount of ad valorem tax to be levied.

(2) If a governing body of a taxing subdivision did not comply with the provisions of subsection (b) and certifies to the county clerk an amount of ad valorem tax to be levied that would result in a tax rate in excess of its revenue neutral rate, the county clerk shall reduce the ad valorem tax to be levied to the amount resulting from such taxing subdivision's revenue neutral rate.

(f) As used in this section:

(1) "Taxing subdivision" means any political subdivision of the state that levies an ad valorem tax on property.

(2) "Revenue neutral rate" means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year's total assessed valuation. To calculate the revenue neutral rate, the county clerk shall divide the property tax revenue for such taxing subdivision levied for the previous tax year by the total of all taxable assessed valuation in such taxing subdivision for the current tax year, and then multiply the quotient by 1,000 to express the rate in mills. The revenue neutral rate shall be expressed to the third decimal place.

(g) In the event that a county clerk incurred costs of printing and postage that were not reimbursed pursuant to K.S.A. 2023 Supp. 79-2989, and amendments thereto, such county clerk may seek reimbursement from all taxing subdivisions required to send the notice. Such costs shall be shared proportionately by all taxing subdivisions that were included on the same notice based on the total property tax levied by each taxing subdivision. Payment of such costs shall be due to the county clerk by December 31.

(h) The department of administration or the director of accounts and reports shall make copies of adopted budgets, budget certificates, other budget documents and revenue neutral rate documents available to the public on the department of administration's website on a permanently accessible web page that may be accessed via a conspicuous link to that web page placed on the front page of the department's website. The department of administration or the director of accounts and reports shall also make the following information for each tax year available on such website:

- (1) A list of taxing subdivisions by county;
- (2) whether each taxing subdivision conducted a hearing to consider exceeding its revenue neutral rate;
- (3) the revenue neutral rate of each taxing subdivision;
- (4) the tax rate resulting from the adopted budget of each taxing subdivision; and
- (5) the percent change between the revenue neutral rate and the tax rate for each taxing subdivision.

(i) Notwithstanding any provisions to the contrary, in the event any governing body does not comply with the provisions of subsection (b) because such governing body did not intend to exceed its revenue neutral rate but the final taxable assessed valuation of such taxing subdivision used to calculate the actual tax levy is less than the estimated assessed valuation used to calculate the revenue neutral rate, such governing body shall be permitted to levy a tax rate that generates the same amount of property tax revenue as levied the previous year or less.

Sec. 16. K.S.A. 2023 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.*

(A) For tax year 2012:

If the taxable income is:	The tax 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

(B) For tax year 2013:

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

(C) For tax year 2014:

If the taxable income is:	The tax is:
Not over \$30,000	2.7% of Kansas taxable income
Over \$30,000	\$810 plus 4.8% of excess over \$30,000

(D) For tax years 2015 and 2016:

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

(E) For tax year 2017:

If the taxable income is:	The tax is:
Not over \$30,000	2.9% of Kansas taxable income
Over \$30,000 but not over \$60,000	\$870 plus 4.9% of excess over \$30,000
Over \$60,000	\$2,340 plus 5.2% of excess over \$60,000

(F) For tax year years 2018, and all tax years thereafter through 2023:

If the taxable income is:	The tax is:
Not over \$30,000	3.1% of Kansas taxable income
Over \$30,000 but not over \$60,000	\$930 plus 5.25% of excess over \$30,000
Over \$60,000	\$2,505 plus 5.7% of excess over \$60,000

(B) For tax year 2024, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$46,000	5.2% of Kansas taxable income
Over \$46,000	\$2,392 plus 5.58% of excess over \$46,000

(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 and 2016:

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 2017:

If the taxable income is:	The tax is:
Not over \$15,000	2.9% of Kansas taxable income
Over \$15,000 but not over \$30,000	\$435 plus 4.9% of excess over \$15,000
Over \$30,000	\$1,170 plus 5.2% of excess over \$30,000

(F) For tax year years 2018, and all tax years thereafter through 2023:

If the taxable income is:	The tax is:
Not over \$15,000.....	3.1% of Kansas taxable income
Over \$15,000 but not over \$30,000.....	\$465 plus 5.25% of excess over \$15,000
Over \$30,000.....	\$1,252.50 plus 5.7% of excess over \$30,000

(B) For tax year 2024, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$23,000.....	5.2% of Kansas taxable income
Over \$23,000.....	\$1,196 plus 5.58% of excess over \$23,000

(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 unless otherwise modified pursuant to K.S.A. 2023 Supp. 74-50,321, and amendments thereto:

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

(2) 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) Notwithstanding the provisions of subsections (a) and (b): ~~(1) For tax years 2016 and 2017, 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; and (2), for tax year years 2018, and all tax years thereafter through 2023, married individuals filing joint returns with taxable income of \$5,000 or less, and all other individuals with taxable income of \$2,500 or less, shall have a tax liability of zero.~~

(f) ~~No taxpayer shall be assessed penalties and interest arising from the underpayment of taxes due to changes to the rates in subsection (a) that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.~~

Sec. 17. K.S.A. 79-32,111c is hereby amended to read as follows: 79-32,111c. (a) There shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to ~~12.5% for tax year 2018; an amount equal to 18.75% for tax year 2019; and an amount equal to 25% for tax year~~ *years 2020 through 2023 and an amount equal to 50% for tax year 2024*, and all tax years thereafter, of the amount of the credit allowed against such taxpayer's federal income tax liability pursuant to 26 U.S.C. § 21 for the taxable year in which such credit was claimed against the taxpayer's federal income tax liability.

(b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced by the sum of any other credits allowable pursuant to law.

(c) No credit provided under this section shall be allowed to any individual who fails to provide a valid social security number issued by the social security administration, to such individual, the individual's spouse and every dependent of the individual.

Sec. 18. On and after July 1, 2024, K.S.A. 2023 Supp. 79-32,117, as amended by section 14 of 2023 Senate Bill No. 27, 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. 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. 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 subsection (c)(xv) 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. 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. 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. 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. 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. 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 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. 79-32,227, 79-32,232, 79-

32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments 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. 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. 65-6731, and amendments thereto, for the purchase of an optional rider for coverage of abortion in accordance with K.S.A. 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. 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. 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. 72-4357, and amendments thereto, and is also claimed as an itemized deduction for federal income tax purposes.

(xxvii) For all taxable years commencing after December 31, 2020, the amount of any interest expense paid or accrued in a previous taxable year but allowed as a deduction pursuant to section 163 of the federal internal revenue code in the current taxable year by reason of the carryforward of disallowed business interest pursuant to section 163(j) of the federal internal revenue code. For purposes of this paragraph, an interest expense is considered paid or accrued only in the first taxable year the deduction would have been allowable pursuant to section 163 of the federal internal revenue code if the limitation pursuant to section 163(j) of the federal internal revenue code did not exist.

(xxviii) For all taxable years beginning after December 31, 2021, the amount of any contributions to, or earnings from, a first-time home buyer savings account if distributions from the account were not used to pay for expenses or transactions authorized pursuant to K.S.A. 2023 Supp. 58-4904, and amendments thereto, or were not held for the minimum length of time required pursuant to K.S.A. 2023 Supp. 58-4904, and amendments thereto. Contributions to, or earnings from, such account shall also include any amount resulting from the account holder not designating a surviving payable on death beneficiary pursuant to K.S.A. 2023 Supp. 58-4904(e), and amendments thereto.

(xxix) For all taxable years beginning after December 31, 2024, the amount of any contributions to, or earnings from, an adoption savings account if distributions from the account were not used to pay for expenses or transactions authorized pursuant to section 4 of 2024 House Bill No. 2465, and amendments thereto, or were not held for the minimum length of time required pursuant to section 4 of 2024 House Bill No. 2465, and amendments thereto. Contributions to, or earnings from, such account shall also include any amount resulting from the account holder not designating a surviving payable on death beneficiary pursuant to section 4(e) of 2024 House Bill No. 2465, and amendments thereto.

(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) (1) For taxable years beginning after December 31, 2021, the amount of any federal credit disallowance under the provisions of 26 U.S.C. § 280C(a).

(2) For taxable years beginning after December 31, 2019, and ending before January 1, 2022, 50% of the amount of the federal employee retention credit disallowance under rules similar to the rules of 26 U.S.C. § 280C(a). The taxpayer shall be required to prove that such taxpayer previously filed Kansas income tax returns and paid Kansas income tax on the disallowed amount. Notwithstanding any other provision of law to the contrary, any claim for refund or amended return relating to this subparagraph shall be allowed to be filed on or before April 15, 2025, and no claim for refund or amended return shall be allowed or filed after April 15, 2025.

(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. 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) The cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for each designated beneficiary that are contributed to: (1) A family postsecondary education savings account established under the Kansas postsecondary education savings program or a qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as amended, for the purpose of paying the qualified higher education expenses of a designated beneficiary; or (2) an achieving a better life experience (ABLE) account established under the Kansas ABLE savings program or a qualified ABLE program established and maintained by another state or agency or instrumentality thereof pursuant to section 529A of the internal revenue code of 1986, as amended, for the purpose of saving private funds to support an individual with a disability. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and amendments thereto, and the provisions of such sections are hereby incorporated by reference for all purposes thereof. For all taxable years beginning after December 31, 2022, contributions made to a qualified tuition program account or a qualified ABLE program account pursuant to this paragraph on and after January 1 but prior to the date required for filing a return pursuant to K.S.A. 79-3221, and amendments thereto, of the successive taxable year may be elected by the taxpayer to apply to the prior taxable year if such election is made at the time of filing the return. No contribution shall be used as a modification pursuant to this paragraph in more than one taxable year.

(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, 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~~ (A) For all taxable years beginning after December 31, 2007, and ending before January 1, 2024, 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.

(B) For all taxable years beginning after December 31, 2023, amounts received as benefits under the federal social security act that are included in federal adjusted gross income of a taxpayer.

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

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

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

(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 commencing after December 31, 2020, 100% of global intangible low-taxed income under section 951A of the federal internal revenue code of 1986, before any deductions allowed under section 250(a)(1)(B) of such code.

(xxvi) (1) For all taxable years commencing after December 31, 2020, the amount of any interest expense paid or accrued in the current taxable year and disallowed as a deduction pursuant to section 163(j) of the federal internal revenue code.

(2) For purposes of this paragraph, an interest expense is considered paid or accrued only in the first taxable year the deduction would have been allowable pursuant to section 163 of the federal internal revenue code if the limitation pursuant to section 163(j) of the federal internal revenue code did not exist.

(3) For tax year 2021, an amount equal to the sum of any interest expenses paid or accrued in tax years 2018, 2019 and 2020 less the sum of amounts allowed as a deduction pursuant to section 163 of the federal internal revenue code in tax years 2018, 2019 and 2020.

(xxvii) For taxable years commencing after December 31, 2020, the amount disallowed as a deduction pursuant to section 274 of the federal internal revenue code of 1986 for meal expenditures shall be allowed to the extent such expense was deductible for determining federal income tax and was allowed and in effect on December 31, 2017.

(xxviii) For all taxable years beginning after December 31, 2021: (1) The amount contributed to a first-time home buyer savings account pursuant to K.S.A. 2023 Supp. 58-4903, and amendments thereto, in an amount not to exceed \$3,000 for an individual or \$6,000 for a married couple filing a joint return; or (2) amounts received as income earned from assets in a first-time home buyer savings account. For all taxable years beginning after December 31, 2022, contributions made to a first-time home buyer savings account pursuant to subparagraph (1) on and after January 1 but prior to the date required for filing a return pursuant to K.S.A. 79-3221, and amendments thereto, of the successive taxable year may be elected by the taxpayer to apply to the prior taxable year if

such election is made at the time of filing the return. No contribution shall be used as a modification pursuant to subparagraph (1) in more than one taxable year.

(xxix) For taxable years beginning after December 31, 2017, for an individual taxpayer who carried back federal net operating losses arising in a taxable year beginning after December 31, 2017, and before January 1, 2021, pursuant to section 172(b)(1) of the federal internal revenue code as amended by the coronavirus aid, relief, and economic security act (CARES act), the amount of such federal net operating loss carryback for each applicable year. If the amount of such federal net operating loss carryback exceeds the taxpayer's Kansas adjusted gross income for such taxable year, the amount thereof that exceeds such Kansas adjusted gross income may be carried forward as a subtraction modification in the following taxable year or years until the total amount of such federal net operating loss carryback has been deducted, except that no such unused amount shall be carried forward for deduction as a subtraction modification after the 20th taxable year following the taxable year of the net operating loss. Notwithstanding any other provision of law to the contrary, an extension of time shall be allowed for a claim for refund or amended return for tax years 2018, 2019 or 2020 limited to the application of the provisions of this paragraph and such claim for refund or amended return must be filed on or before April 15, 2025.

(xxx) For all taxable years beginning after December 31, 2024: (1) The amount contributed to an adoption savings account pursuant to section 3 of 2024 House Bill No. 2465, and amendments thereto, in an amount not to exceed \$6,000 for an individual or \$12,000 for a married couple filing a joint return; or (2) amounts received as income earned from assets in an adoption savings account.

(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.

Sec. 19. K.S.A. 2023 Supp. 79-32,119 is hereby amended to read as follows: 79-32,119. (a) The Kansas standard deduction of an individual, including a husband and wife who are either both residents or who file a joint return as if both were residents, shall be equal to the sum of the standard deduction amount allowed pursuant to this section, and the additional standard deduction amount allowed pursuant to this section for each such deduction allowable to such individual or to such husband and wife under the federal internal revenue code.

(b) For tax year 1998, and all tax years thereafter, the additional standard deduction amount shall be as follows: Single individual and head of household filing status, \$850; and married filing status, \$700.

~~(c) (1) For tax year 2013 through tax year 2020, the standard deduction amount of an individual, including husband and wife who are either both residents or who file a joint return as if both were residents, shall be as follows: Single individual filing status, \$3,000; married filing status, \$7,500; and head of household filing status, \$5,500.~~

~~(2) For tax year years 2021, and all tax years thereafter through 2023, the standard deduction amount of an individual, including husband and wife who are either both residents or who file a joint return as if both were residents, shall be as follows: Single individual~~

filing status, \$3,500; married filing status, \$8,000; and head of household filing status, \$6,000.

(2) For tax year 2024, and all tax years thereafter, the standard deduction amount of an individual, including husband and wife who are either both residents or who file a joint return as if both were residents, shall be as follows: Single individual filing status, \$3,605; married filing status, \$8,240; and head of household filing status, \$6,180.

(d) For purposes of this section, the federal standard deduction allowable to a husband and wife filing separate Kansas income tax returns shall be determined on the basis that separate federal returns were filed, and the federal standard deduction of a husband and wife filing a joint Kansas income tax return shall be determined on the basis that a joint federal income tax return was filed.

Sec. 20. K.S.A. 2023 Supp. 79-32,121 is hereby amended to read as follows: 79-32,121. (a) ~~An individual~~ For tax year 2024, and all tax years thereafter, a taxpayer shall be allowed a Kansas exemption of ~~\$2,250 for each exemption~~ as follows:

(1) In the case of married individuals filing a joint return, a personal exemption of \$18,320;

(2) in the case of all other individuals with a filing status of single, head of household or married filing separate, a personal exemption of \$9,160; and

(3) in addition to the amount allowed pursuant to paragraph (1) or (2), a personal exemption of \$2,320 for each dependent for which such ~~individual~~ taxpayer is entitled to a deduction for the taxable year for federal income tax purposes.

(b) In addition to the exemptions provided in subsection (a), any individual who has been honorably discharged from active service in any branch of the armed forces of the United States and who is certified by the United States department of veterans affairs or its successor to be in receipt of disability compensation at the 100% rate, if the disability is permanent and was sustained through military action or accident or resulted from disease contracted while in such active service, such individual shall be allowed an additional Kansas exemption of \$2,250 for tax year 2023 and all tax years thereafter.

Sec. 21. K.S.A. 65-163j, 65-3306, 65-3327, 75-2556, 79-503a, 79-5a27, 79-1107, 79-1108, 79-1479 and 79-32,111c and K.S.A. 2023 Supp. 74-8768, 79-201x, 79-32,110, 79-32,119 and 79-32,121 are hereby repealed.

Sec. 22. On and after July 1, 2024, K.S.A. 19-2694, 79-2960, 79-2961, 79-2962, 79-2965, 79-2966 and 79-2967 and K.S.A. 2023 Supp. 79-2959, as amended by section 189 of 2023 Senate Bill No. 28, 79-2964, as amended by section 190 of 2023 Senate Bill No. 28, 79-2988, as amended by section 15 of 2024 Senate Bill No. 410, and 79-32,117, as amended by section 14 of 2023 Senate Bill No. 27, are hereby repealed.

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Sec. 23. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the SENATE, and passed that body

President of the Senate.

Secretary of the Senate.

Passed the HOUSE _____

Speaker of the House.

Chief Clerk of the House.

APPROVED _____

Governor.