

(Corrected)

{As Amended by House Committee of the Whole}

As Amended by House Committee

Session of 2013

HOUSE BILL No. 2267

By Committee on Taxation

2-8

1 AN ACT concerning income taxation; relating to credits;{,} high
2 performance incentive program; **{deductions, certain expenses**
3 **related to living donor organ donations;}** amending K.S.A. 2012
4 Supp. 74-50,131{,} **79-32,117}** and ~~repealing the existing section and~~
5 **79-32,160a and repealing the existing sections; also repealing**
6 **K.S.A. 2012 Supp. 79-32,160f.**
7

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

9 Section 1. K.S.A. 2012 Supp. 74-50,131 is hereby amended to read as
10 follows: 74-50,131. Commencing after December 31, ~~1999 2011~~ **2012**: (a)
11 As used in this act: "Qualified firm" means a for-profit business
12 establishment, subject to state income, sales or property taxes, identified
13 under the North American industry classification system (NAICS)
14 subsectors 112, 221, 311 to 339, 423 to 425, 481 to 519, 521 to 721 and
15 811 to 928 or is identified as a corporate or regional headquarters or back-
16 office operation of a national or multi-national corporation regardless of
17 NAICS designation. The secretary of commerce shall determine eligibility
18 when a difference exists between a firm's primary business activity and
19 NAICS designation. A business establishment may be assigned a NAICS
20 designation according to the primary business activity at a single physical
21 location in the state.

22 (b) In the case of firms in NAICS subsectors 221, 423 to 425, 481 to
23 519, 521 to 721 and 811 to 928, the business establishment must also
24 demonstrate the following:

25 (1) More than $\frac{1}{2}$ of its gross revenues are a result of sales to
26 commercial or governmental customers outside the state of Kansas; or

27 (2) more than $\frac{1}{2}$ of its gross revenues are a result of sales to Kansas
28 manufacturing firms within NAICS subsectors 311 to 339; or

29 (3) more than $\frac{1}{2}$ of its gross revenues are a result of a combination of
30 sales described in (1) and (2).

31 (c) For purposes of determining whether one of the average wage
32 options described in subsection (d) below is satisfied, business
33 establishments located within a metropolitan county, as defined in K.S.A.

1 74-50,114, and amendments thereto, will be compared only to other
2 businesses within that metropolitan county, and business establishments
3 located outside of a metropolitan county will be compared to businesses
4 within an aggregation of counties representing the business establishment's
5 region of the state, which regional aggregation will exclude metropolitan
6 counties. Such aggregation shall be determined by the department of
7 commerce.

8 (d) Additionally, a business establishment having met the criteria as
9 established in subsection (a) or (b), and using the comparison method
10 described in subsection (c), must meet one of the following criteria:

11 (1) The establishment with 500 or fewer full-time equivalent
12 employees will provide an average wage that is above the average wage
13 paid by all firms with 500 or fewer full-time equivalent employees which
14 share the appropriate NAICS designation.

15 (2) The establishment with 500 or fewer full-time equivalent
16 employees is the sole firm within its appropriate NAICS designation
17 which has 500 or fewer full-time equivalent employees.

18 (3) The establishment with more than 500 full-time equivalent
19 employees will provide an average wage that is above the average wage
20 paid by firms with more than 500 full-time equivalent employees which
21 share the appropriate NAICS designation.

22 (4) The establishment with more than 500 full-time equivalent
23 employees is the sole firm within its appropriate NAICS designation
24 which has more than 500 full-time equivalent employees, in which event it
25 shall either provide an average wage that is above the average wage paid
26 by all firms with 500 or fewer full-time equivalent employees which share
27 the appropriate NAICS designation, or be the sole firm within its
28 appropriate NAICS designation.

29 (e) As an alternative to the requirements of subsections (c) and (d), a
30 firm having met the requirements of subsections (a) or (b), may qualify, if
31 excluding taxable disbursements to company owners, the business
32 establishment's annual average wage must be greater than or equal to 1.5
33 times the aggregate average wage paid by industries covered by the
34 employment security law based on data maintained by the secretary of
35 labor.

36 (f) For the purposes of this section, the number of full-time
37 equivalent employees shall be determined by dividing the number of hours
38 worked by part-time employees during the pertinent measurement interval
39 by an amount equal to the corresponding multiple of a 40-hour work week
40 and adding the quotient to the number of full-time employees.

41 (g) The secretary of commerce shall certify annually to the secretary
42 of revenue that a firm meets the criteria for a qualified firm and that the
43 firm is eligible for the benefits and assistance provided under this act. The

1 secretary of commerce is hereby authorized to obtain any and all
2 information necessary to determine such eligibility. Information obtained
3 under this section shall not be subject to disclosure pursuant to K.S.A. 45-
4 215 et seq., and amendments thereto, but shall upon request be made
5 available to the legislative post audit division. The secretary of commerce
6 shall publish rules and regulations for the implementation of this act. Such
7 rules and regulations shall include, but not be limited to:

8 (1) A definition of "training and education" for purposes of K.S.A.
9 74-50,132, and amendments thereto.

10 (2) Establishment of eligibility requirements and application
11 procedures for expenditures from the high performance incentive fund
12 created in K.S.A. 74-50,133, and amendments thereto.

13 (3) Establishment of approval guidelines for private consultants
14 authorized pursuant to K.S.A. 74-50,133, and amendments thereto.

15 (4) Establishment of guidelines for prioritizing business assistance
16 programs pursuant to K.S.A. 74-50,133, and amendments thereto.

17 (5) A definition of "commercial customer" for the purpose of K.S.A.
18 74-50,133, and amendments thereto.

19 (6) A definition of "headquarters" for the purpose of K.S.A. 74-
20 50,133, and amendments thereto.

21 (7) Establishment of guidelines concerning the use and disclosure of
22 any information obtained to determine the eligibility of a firm for the
23 assistance and benefits provided for by this act.

24 **Sec. 2. K.S.A. 2012 Supp. 79-32,160a is hereby amended to read**
25 **as follows: 79-32,160a. (a) For taxable years commencing after**
26 **December 31, 1999, and before January 1, 2012, any taxpayer who shall**
27 **invest in a qualified business facility, as defined in subsection (b) of**
28 **K.S.A. 79-32,154, and amendments thereto, and effective for tax years**
29 **commencing after December 31, 2010, and before January 1, 2012,**
30 **located in an area other than a metropolitan county as defined in**
31 **either K.S.A. 2012 Supp. 74-50,114 or 74-50,211, and amendments**
32 **thereto, and also meets the definition of a business in subsection (b) of**
33 **K.S.A. 74-50,114, and amendments thereto, shall be allowed a credit**
34 **for such investment, in an amount determined under subsection (b) or**
35 **(c), as the case requires, against the tax imposed by the Kansas income**
36 **tax act or where the qualified business facility is the principal place**
37 **from which the trade or business of the taxpayer is directed or**
38 **managed and the facility has facilitated the creation of at least 20 new**
39 **full-time positions, against the premium tax or privilege fees imposed**
40 **pursuant to K.S.A. 40-252, and amendments thereto, or as measured**
41 **by the net income of financial institutions imposed pursuant to article**
42 **11 of chapter 79 of the Kansas Statutes Annotated, and amendments**
43 **thereto, for the taxable year during which commencement of**

1 commercial operations, as defined in subsection (f) of K.S.A. 79-
2 32,154, and amendments thereto, occurs at such qualified business
3 facility. In the case of a taxpayer who meets the definition of a
4 manufacturing business in subsection (d) of K.S.A. 74-50,114, and
5 amendments thereto, no credit shall be allowed under this section
6 unless the number of qualified business facility employees, as
7 determined under subsection (d) of K.S.A. 79-32,154, and
8 amendments thereto, engaged or maintained in employment at the
9 qualified business facility as a direct result of the investment by the
10 taxpayer for the taxable year for which the credit is claimed equals or
11 exceeds two. In the case of a taxpayer who meets the definition of a
12 nonmanufacturing business in subsection (f) of K.S.A. 74-50,114, and
13 amendments thereto, no credit shall be allowed under this section
14 unless the number of qualified business facility employees, as
15 determined under subsection (d) of K.S.A. 79-32,154, and
16 amendments thereto, engaged or maintained in employment at the
17 qualified business facility as a direct result of the investment by the
18 taxpayer for the taxable year for which the credit is claimed equals or
19 exceeds five. Where an employee performs services for the taxpayer
20 outside the qualified business facility, the employee shall be considered
21 engaged or maintained in employment at the qualified business facility
22 if: (1) The employee's service performed outside the qualified business
23 facility is incidental to the employee's service inside the qualified
24 business facility; or (2) the base of operations or, the place from which
25 the service is directed or controlled, is at the qualified business facility.

26 (b) The credit allowed by subsection (a) for any taxpayer who
27 invests in a qualified business facility which is located in a designated
28 nonmetropolitan region established under K.S.A. 74-50,116, and
29 amendments thereto, on or after the effective date of this act, shall be
30 a portion of the income tax imposed by the Kansas income tax act on
31 the taxpayer's Kansas taxable income, the premium tax or privilege
32 fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or
33 the privilege tax as measured by the net income of financial
34 institutions imposed pursuant to article 11 of chapter 79 of the Kansas
35 Statutes Annotated, *and amendments thereto*, for the taxable year for
36 which such credit is allowed, but in the case where the qualified
37 business facility investment was made prior to January 1, 1996, not in
38 excess of 50% of such tax. Such portion shall be an amount equal to
39 the sum of the following:

40 (1) Two thousand five hundred dollars for each qualified business
41 facility employee determined under K.S.A. 79-32,154, and
42 amendments thereto; plus

43 (2) one thousand dollars for each \$100,000, or major fraction

1 thereof, which shall be deemed to be 51% or more, in qualified
2 business facility investment, as determined under K.S.A. 79-32,154,
3 and amendments thereto.

4 (c) The credit allowed by subsection (a) for any taxpayer who
5 invests in a qualified business facility, which is not located in a
6 nonmetropolitan region established under K.S.A. 74-50,116, and
7 amendments thereto, and effective for tax years commencing after
8 December 31, 2010, and before January 1, 2012, located in an area
9 other than a metropolitan county as defined in either K.S.A. 2012
10 Supp. 74-50,114 or 74-50,211, and amendments thereto, and which
11 also meets the definition of business in subsection (b) of K.S.A. 74-
12 50,114, and amendments thereto, on or after the effective date of this
13 act, shall be a portion of the income tax imposed by the Kansas
14 income tax act on the taxpayer's Kansas taxable income, the premium
15 tax or privilege fees imposed pursuant to K.S.A. 40-252, and
16 amendments thereto, or the privilege tax as measured by the net
17 income of financial institutions imposed pursuant to article 11 of
18 chapter 79 of the Kansas Statutes Annotated, and amendments thereto,
19 for the taxable year for which such credit is allowed, but in the case
20 where the qualified business facility investment was made prior to
21 January 1, 1996, not in excess of 50% of such tax. Such portion shall
22 be an amount equal to the sum of the following:

23 (1) One thousand five hundred dollars for each qualified business
24 facility employee as determined under K.S.A. 79-32,154, and
25 amendments thereto; and

26 (2) one thousand dollars for each \$100,000, or major fraction
27 thereof, which shall be deemed to be 51% or more, in qualified
28 business facility investment as determined under K.S.A. 79-32,154,
29 and amendments thereto.

30 (d) The credit allowed by subsection (a) for each qualified
31 business facility employee and for qualified business facility
32 investment shall be a one-time credit. If the amount of the credit
33 allowed under subsection (a) exceeds the tax imposed by the Kansas
34 income tax act on the taxpayer's Kansas taxable income, the premium
35 tax and privilege fees imposed pursuant to K.S.A. 40-252, and
36 amendments thereto, or the privilege tax as measured by the net
37 income of financial institutions imposed pursuant to article 11 of
38 chapter 79 of the Kansas Statutes Annotated, and amendments thereto,
39 for the taxable year, or in the case where the qualified business facility
40 investment was made prior to January 1, 1996, 50% of such tax
41 imposed upon the amount which exceeds such tax liability or such
42 portion thereof may be carried over for credit in the same manner in
43 the succeeding taxable years until the total amount of such credit is

1 used. Except that, before the credit is allowed, a taxpayer, who meets
2 the definition of a manufacturing business in subsection (d) of K.S.A.
3 74-50,114, and amendments thereto, shall recertify annually that the
4 net increase of a minimum of two qualified business facility employees
5 has continued to be maintained and a taxpayer, who meets the
6 definition of a nonmanufacturing business in subsection (f) of K.S.A.
7 74-50,114, and amendments thereto, shall recertify annually that the
8 net increase of a minimum of five qualified business employees has
9 continued to be maintained.

10 (e) Notwithstanding the foregoing provisions of this section, any
11 taxpayer qualified and certified under the provisions of K.S.A. 74-
12 50,131, and amendments thereto; which, prior to making a
13 commitment to invest in a qualified Kansas business, has filed a
14 certificate of intent to invest in a qualified business facility in a form
15 satisfactory to the secretary of commerce; and that has received
16 written approval from the secretary of commerce for participation
17 and has participated, during the tax year for which the exemption is
18 claimed, in the Kansas industrial training, Kansas industrial
19 retraining or the state of Kansas investments in lifelong learning
20 program or is eligible for the tax credit established in K.S.A. 74-
21 50,132, and amendments thereto, shall be entitled to a credit in an
22 amount equal to 10% of that portion of the qualified business facility
23 investment which exceeds \$50,000 in lieu of the credit provided in
24 subsection (b)(2) or (c)(2) without regard to the number of qualified
25 business facility employees engaged or maintained in employment at
26 the qualified business facility. The credit allowed by this subsection
27 shall be a one-time credit. If the amount thereof exceeds the tax
28 imposed by the Kansas income tax act on the taxpayer's Kansas
29 taxable income or the premium tax or privilege fees imposed pursuant
30 to K.S.A. 40-252, and amendments thereto, or the privilege tax as
31 measured by net income of financial institutions imposed pursuant to
32 article 11 of chapter 79 of the Kansas Statutes Annotated, *and*
33 *amendments thereto*, for the taxable year, the amount thereof which
34 exceeds such tax liability may be carried forward for credit in the
35 succeeding taxable year or years until the total amount of the tax
36 credit is used, except that no such tax credit shall be carried forward
37 for deduction after the 16th taxable year succeeding the taxable year
38 in which such credit initially was claimed, and no carryforward shall
39 be allowed for deduction in any succeeding taxable year unless the
40 taxpayer certifies under oath that the taxpayer continues to meet the
41 requirements of K.S.A. 74-50,131, and amendments thereto, and this
42 act. In no event shall any credit allowed under this section that expired
43 during any taxable year prior to the taxable year commencing

1 January 1, 2011, be revived under the provisions of this act.

2 (f) For tax years commencing after December 31, 2005, any
3 taxpayer claiming credits pursuant to this section, as a condition for
4 claiming and qualifying for such credits, shall provide information
5 pursuant to K.S.A. 2012 Supp. 79-32,243, and amendments thereto, as
6 part of the tax return in which such credits are claimed. Such credits
7 shall not be denied solely on the basis of the contents of the
8 information provided by the taxpayer pursuant to K.S.A. 2012 Supp.
9 79-32,243, and amendments thereto.

10 (g) This section and K.S.A. 79-32,160b, and amendments thereto,
11 shall be part of and supplemental to the job expansion and investment
12 credit act of 1976, and amendments thereto.

13 {Sec. 3. K.S.A. 2012 Supp. 79-32,117 is hereby amended to read as
14 follows: 79-32,117. (a) The Kansas adjusted gross income of an
15 individual means such individual's federal adjusted gross income for
16 the taxable year, with the modifications specified in this section.

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

18 (i) Interest income less any related expenses directly incurred in
19 the purchase of state or political subdivision obligations, to the extent
20 that the same is not included in federal adjusted gross income, on
21 obligations of any state or political subdivision thereof, but to the
22 extent that interest income on obligations of this state or a political
23 subdivision thereof issued prior to January 1, 1988, is specifically
24 exempt from income tax under the laws of this state authorizing the
25 issuance of such obligations, it shall be excluded from computation of
26 Kansas adjusted gross income whether or not included in federal
27 adjusted gross income. Interest income on obligations of this state or a
28 political subdivision thereof issued after December 31, 1987, shall be
29 excluded from computation of Kansas adjusted gross income whether
30 or not included in federal adjusted gross income.

31 (ii) Taxes on or measured by income or fees or payments in lieu of
32 income taxes imposed by this state or any other taxing jurisdiction to
33 the extent deductible in determining federal adjusted gross income
34 and not credited against federal income tax. This paragraph shall not
35 apply to taxes imposed under the provisions of K.S.A. 79-1107 or 79-
36 1108, and amendments thereto, for privilege tax year 1995, and all
37 such years thereafter.

38 (iii) The federal net operating loss deduction.

39 (iv) Federal income tax refunds received by the taxpayer if the
40 deduction of the taxes being refunded resulted in a tax benefit for
41 Kansas income tax purposes during a prior taxable year. Such refunds
42 shall be included in income in the year actually received regardless of
43 the method of accounting used by the taxpayer. For purposes hereof, a

1 tax benefit shall be deemed to have resulted if the amount of the tax
2 had been deducted in determining income subject to a Kansas income
3 tax for a prior year regardless of the rate of taxation applied in such
4 prior year to the Kansas taxable income, but only that portion of the
5 refund shall be included as bears the same proportion to the total
6 refund received as the federal taxes deducted in the year to which such
7 refund is attributable bears to the total federal income taxes paid for
8 such year. For purposes of the foregoing sentence, federal taxes shall
9 be considered to have been deducted only to the extent such deduction
10 does not reduce Kansas taxable income below zero.

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

17 (vi) Any amount of designated employee contributions picked up
18 by an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-
19 4965, and amendments thereto.

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

23 (viii) The amount of any costs incurred for improvements to a
24 swine facility, claimed for deduction in determining federal adjusted
25 gross income, to the extent the same is claimed as the basis for any
26 credit allowed pursuant to K.S.A. 2012 Supp. 79-32,204, and
27 amendments thereto.

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

34 (x) Amounts received as nonqualified withdrawals, as defined by
35 K.S.A. 2012 Supp. 75-643, and amendments thereto, if, at the time of
36 contribution to a family postsecondary education savings account,
37 such amounts were subtracted from the federal adjusted gross income
38 pursuant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and
39 amendments thereto, or if such amounts are not already included in
40 the federal adjusted gross income.

41 (xi) The amount of any contribution made to the same extent the
42 same is claimed as the basis for the credit allowed pursuant to K.S.A.
43 2012 Supp. 74-50,154, and amendments thereto.

1 (xii) For taxable years commencing after December 31, 2004,
2 amounts received as withdrawals not in accordance with the
3 provisions of K.S.A. 2012 Supp. 74-50,204, and amendments thereto,
4 if, at the time of contribution to an individual development account,
5 such amounts were subtracted from the federal adjusted gross income
6 pursuant to paragraph (xiii) of subsection (c), or if such amounts are
7 not already included in the federal adjusted gross income.

8 (xiii) The amount of any expenditures claimed for deduction in
9 determining federal adjusted gross income, to the extent the same is
10 claimed as the basis for any credit allowed pursuant to K.S.A. 2012
11 Supp. 79-32,217 through 79-32,220 or 79-32,222, and amendments
12 thereto.

13 (xiv) 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. 2012 Supp. 79-32,221, and
16 amendments thereto.

17 (xv) The amount of any expenditures claimed for deduction in
18 determining federal adjusted gross income, to the extent the same is
19 claimed as the basis for any credit allowed pursuant to K.S.A. 2012
20 Supp. 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-
21 32,233 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245
22 through 79-32,248 or 79-32,251 through 79-32,254, and amendments
23 thereto.

24 (xvi) The amount of any amortization deduction claimed in
25 determining federal adjusted gross income to the extent the same is
26 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,227, 79-
27 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
28 thereto.

29 (xvii) The amount of any amortization deduction claimed in
30 determining federal adjusted gross income to the extent the same is
31 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,256, and
32 amendments thereto.

33 (xviii) For taxable years commencing after December 31, 2006,
34 the amount of any ad valorem or property taxes and assessments paid
35 to a state other than Kansas or local government located in a state
36 other than Kansas by a taxpayer who resides in a state other than
37 Kansas, when the law of such state does not allow a resident of Kansas
38 who earns income in such other state to claim a deduction for ad
39 valorem or property taxes or assessments paid to a political
40 subdivision of the state of Kansas in determining taxable income for
41 income tax purposes in such other state, to the extent that such taxes
42 and assessments are claimed as an itemized deduction for federal
43 income tax purposes.

1 **(ix) For all taxable years beginning after December 31, 2012, the**
2 **amount of any: (1) Loss from business as determined under the**
3 **federal internal revenue code and reported from schedule C and on**
4 **line 12 of the taxpayer's form 1040 federal individual income tax**
5 **return; (2) loss from rental real estate, royalties, partnerships, S**
6 **corporations, estates, trusts, residual interest in real estate mortgage**
7 **investment conduits and net farm rental as determined under the**
8 **federal internal revenue code and reported from schedule E and on**
9 **line 17 of the taxpayer's form 1040 federal individual income tax**
10 **return; and (3) farm loss as determined under the federal internal**
11 **revenue code and reported from schedule F and on line 18 of the**
12 **taxpayer's form 1040 federal income tax return; all to the extent**
13 **deducted or subtracted in determining the taxpayer's federal adjusted**
14 **gross income. For purposes of this subsection, references to the federal**
15 **form 1040 and federal schedule C, schedule E, and schedule F, shall be**
16 **to such form and schedules as they existed for tax year 2011, and as**
17 **revised thereafter by the internal revenue service.**

18 **(xx) For all taxable years beginning after December 31, 2012, the**
19 **amount of any deduction for self-employment taxes under section**
20 **164(f) of the federal internal revenue code as in effect on January 1,**
21 **2012, and amendments thereto, in determining the federal adjusted**
22 **gross income of an individual taxpayer.**

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

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

34 **(xxiii) For all taxable years beginning after December 31, 2012,**
35 **the amount of any deduction for domestic production activities under**
36 **section 199 of the federal internal revenue code as in effect on January**
37 **1, 2012, and amendments thereto, in determining the federal adjusted**
38 **gross income of an individual taxpayer.**

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

40 **(i) Interest or dividend income on obligations or securities of any**
41 **authority, commission or instrumentality of the United States and its**
42 **possessions less any related expenses directly incurred in the purchase**
43 **of such obligations or securities, to the extent included in federal**

1 adjusted gross income but exempt from state income taxes under the
2 laws of the United States.

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

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

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

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

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

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

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

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

42 (x) For taxable years beginning after December 31, 1976, the
43 amount of the federal tentative jobs tax credit disallowance under the

1 provisions of 26 U.S.C. § 280 C. For taxable years ending after
2 December 31, 1978, the amount of the targeted jobs tax credit and
3 work incentive credit disallowances under 26 U.S.C. § 280 C.

4 (xi) For taxable years beginning after December 31, 1986,
5 dividend income on stock issued by Kansas Venture Capital, Inc.

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

10 (xiii) For taxable years beginning after December 31, 2004, amounts
11 contributed to and the amount of income earned on contributions
12 deposited to an individual development account under K.S.A. 2012
13 Supp. 74-50,201 et seq., and amendments thereto.

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

28 (xv) For all taxable years beginning after December 31, 2006,
29 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
30 joint return, for each designated beneficiary which are contributed to
31 a family postsecondary education savings account established under
32 the Kansas postsecondary education savings program or a qualified
33 tuition program established and maintained by another state or
34 agency or instrumentality thereof pursuant to section 529 of the
35 internal revenue code of 1986, as amended, for the purpose of paying
36 the qualified higher education expenses of a designated beneficiary at
37 an institution of postsecondary education. The terms and phrases used
38 in this paragraph shall have the meaning respectively ascribed thereto
39 by the provisions of K.S.A. 2012 Supp. 75-643, and amendments
40 thereto, and the provisions of such section are hereby incorporated by
41 reference for all purposes thereof.

42 (xvi) For all taxable years beginning after December 31, 2004,
43 amounts received by taxpayers who are or were members of the

1 armed forces of the United States, including service in the Kansas
2 army and air national guard, as a recruitment, sign up or retention
3 bonus received by such taxpayer as an incentive to join, enlist or
4 remain in the armed services of the United States, including service in
5 the Kansas army and air national guard, and amounts received for
6 repayment of educational or student loans incurred by or obligated to
7 such taxpayer and received by such taxpayer as a result of such
8 taxpayer's service in the armed forces of the United States, including
9 service in the Kansas army and air national guard.

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

18 (xviii) For the taxable year beginning after December 31, 2006,
19 amounts received as benefits under the federal social security act
20 which are included in federal adjusted gross income of a taxpayer with
21 federal adjusted gross income of \$50,000 or less, whether such
22 taxpayer's filing status is single, head of household, married filing
23 separate or married filing jointly; and for all taxable years beginning
24 after December 31, 2007, amounts received as benefits under the
25 federal social security act which are included in federal adjusted gross
26 income of a taxpayer with federal adjusted gross income of \$75,000 or
27 less, whether such taxpayer's filing status is single, head of household,
28 married filing separate or married filing jointly.

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

32 (xx) For all taxable years beginning after December 31, 2012, the
33 amount of any: (1) Net profit from business as determined under the
34 federal internal revenue code and reported from schedule C and on
35 line 12 of the taxpayer's form 1040 federal individual income tax
36 return; (2) net income from rental real estate, royalties, partnerships,
37 S corporations, estates, trusts, residual interest in real estate mortgage
38 investment conduits and net farm rental as determined under the
39 federal internal revenue code and reported from schedule E and on
40 line 17 of the taxpayer's form 1040 federal individual income tax
41 return; and (3) net farm profit as determined under the federal
42 internal revenue code and reported from schedule F and on line 18 of
43 the taxpayer's form 1040 federal income tax return; all to the extent

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

6 *(xxi) For all taxable years beginning after December 31, 2013,*
7 *amounts equal to the unreimbursed travel, lodging and medical*
8 *expenditures directly incurred by a taxpayer while living, or a dependent*
9 *of the taxpayer while living, for the donation of one or more human organs*
10 *of the taxpayer, or a dependent of the taxpayer, to another person for*
11 *human organ transplantation. The expenses may be claimed as a*
12 *subtraction modification provided for in this section to the extent the*
13 *expenses are not already subtracted from the taxpayer's federal adjusted*
14 *gross income. In no circumstances shall the subtraction modification*
15 *provided for in this section for any individual, or a dependent, exceed*
16 *\$5,000. As used in this section, "human organ" means all or part of a liver,*
17 *pancreas, kidney, intestine, lung or bone marrow. The provisions of this*
18 *paragraph shall take effect on the day the secretary of revenue certifies to*
19 *the director of the budget that the cost for the department of revenue of*
20 *modifications to the automated tax system for the purpose of implementing*
21 *this paragraph will not exceed \$20,000.*

22 **(d) There shall be added to or subtracted from federal adjusted**
23 **gross income the taxpayer's share, as beneficiary of an estate or trust,**
24 **of the Kansas fiduciary adjustment determined under K.S.A. 79-**
25 **32,135, and amendments thereto.**

26 **(e) The amount of modifications required to be made under this**
27 **section by a partner which relates to items of income, gain, loss,**
28 **deduction or credit of a partnership shall be determined under K.S.A.**
29 **79-32,131, and amendments thereto, to the extent that such items**
30 **affect federal adjusted gross income of the partner.}**

31 ~~Sec. 2-3{4.}~~ K.S.A. 2012 Supp. 74-50,131 is, ~~{79-32,117,}~~ 79-
32 32,160a and 79-32,160f are hereby repealed.

33 ~~Sec. 3-4{5.}~~ This act shall take effect and be in force from and after
34 its publication in the statute book.