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{As Amended by House Committee of the Whole}

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As Amended by House Committee

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*As Amended by Senate Committee*

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*Session of 2014*

## SENATE BILL No. 265

By Committee on Assessment and Taxation

1-16

1 AN ACT concerning income tax; relating to homestead refund~~s~~, income  
2 defined, eligibility; **deductions, self-employment taxes; withholding,**  
3 **non-resident pass-through entity income; {credits, adoption**  
4 **expenses;}** amending K.S.A. 2013 Supp. **79-32,117**, 79-32,263 and 79-  
5 4502 and repealing the existing sections; **also repealing K.S.A. 2013**  
6 **Supp. 79-32,100e.**

7  
8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1. K.S.A. 2013 Supp. 79-32,263 is hereby amended to read as  
10 follows: 79-32,263. This act shall be known and may be cited as the  
11 selective assistance for effective senior relief (SAFESR). There shall be  
12 allowed as a credit against the tax liability of a taxpayer imposed under the  
13 Kansas income tax act, the following: (a) For tax years 2008, 2009 and  
14 2010, an amount equal to 45% of the amount of property and ad valorem  
15 taxes actually and timely paid as described in this section; and (b) for tax  
16 year 2011 and all tax years thereafter, an amount equal to 75% of the  
17 amount of property and ad valorem taxes actually and timely paid by a  
18 taxpayer who is 65 years of age or older and who has household income  
19 equal to or less than 120% of the federal poverty level for two persons if  
20 such taxes were paid upon real or personal property used for residential  
21 purposes of such taxpayer which is the taxpayer's principal place of  
22 residence for the tax year in which the tax credit is claimed. The amount of  
23 any such credit for any such taxpayer shall not exceed the amount of  
24 property and ad valorem taxes paid by such taxpayer as specified in this  
25 section. A taxpayer shall not take the credit pursuant to this section if such  
26 taxpayer has received a homestead property tax refund pursuant to K.S.A.  
27 79-4501 et seq., and amendments thereto, for such property for such tax  
28 year. Subject to the provisions of this section, if the amount of such tax  
29 credit exceeds the taxpayer's income tax liability for the taxable year, the  
30 amount of such excess credit which exceeds such tax liability shall be

1 refunded to the taxpayer. The secretary of revenue shall adopt rules and  
2 regulations regarding the filing of documents that support the amount of  
3 the credit claimed pursuant to this section. For purposes of this section,  
4 "household income" means all income *as defined in K.S.A. 79-4502(a),*  
5 *and amendments thereto*, including *any* payments received under the  
6 federal social security act, received by persons of a household in a  
7 calendar year while members of such household. The provisions of this act  
8 shall be part of and supplemental to the homestead property tax refund act.

9 Sec. 2. K.S.A. 2013 Supp. 79-4502 is hereby amended to read as  
10 follows: 79-4502. As used in this act, unless the context clearly indicates  
11 otherwise:

12 (a) "Income" means the sum of adjusted gross income under the  
13 Kansas income tax act ***effective for tax year 2013 and thereafter without***  
14 ***regard to any modifications pursuant to K.S.A. 79-32,117(b)(xx) through***  
15 ***(xxiii) and (c)(xx), and amendments thereto***, maintenance, support money,  
16 cash public assistance and relief, not including any refund granted under  
17 this act, the gross amount of any pension or annuity, including all  
18 monetary retirement benefits from whatever source derived, including but  
19 not limited to, all payments received under the railroad retirement act,  
20 except disability payments, payments received under the federal social  
21 security act, except that for determination of what constitutes income such  
22 amount shall not exceed 50% of any such social security payments and  
23 shall not include any social security payments to a claimant who prior to  
24 attaining full retirement age had been receiving disability payments under  
25 the federal social security act in an amount not to exceed the amount of  
26 such disability payments or 50% of any such social security payments,  
27 whichever is greater, all dividends and interest from whatever source  
28 derived not included in adjusted gross income, workers compensation and  
29 the gross amount of "loss of time" insurance. Income does not include gifts  
30 from nongovernmental sources or surplus food or other relief in kind  
31 supplied by a governmental agency, nor shall net operating losses and net  
32 capital losses be considered in the determination of income. Income does  
33 not include veterans disability pensions. Income does not include disability  
34 payments received under the federal social security act.

35 (b) "Household" means a claimant, a claimant and spouse who  
36 occupy the homestead or a claimant and one or more individuals not  
37 related as husband and wife who together occupy a homestead.

38 (c) "Household income" means all income received by all persons of  
39 a household in a calendar year while members of such household.

40 (d) "Homestead" means the dwelling, or any part thereof, owned and  
41 occupied as a residence by the household and so much of the land  
42 surrounding it, as defined as a home site for ad valorem tax purposes, and  
43 may consist of a part of a multi-dwelling or multi-purpose building and a

1 part of the land upon which it is built or a manufactured home or mobile  
2 home and the land upon which it is situated. "Owned" includes a vendee in  
3 possession under a land contract, a life tenant, a beneficiary under a trust  
4 and one or more joint tenants or tenants in common.

5 (e) "Claimant" means a person who has filed a claim under the  
6 provisions of this act and was, during the entire calendar year preceding  
7 the year in which such claim was filed for refund under this act, except as  
8 provided in K.S.A. 79-4503, and amendments thereto, both domiciled in  
9 this state and was: (1) A person having a disability; (2) a person who is 55  
10 years of age or older; (3) a disabled veteran; (4) the surviving spouse of  
11 active duty military personnel who died in the line of duty; or (5) a person  
12 other than a person included under (1), (2), (3) or (4) having one or more  
13 dependent children under 18 years of age residing at the person's  
14 homestead during the calendar year immediately preceding the year in  
15 which a claim is filed under this act. The surviving spouse of a disabled  
16 veteran who was receiving benefits pursuant to subsection (e)(3) of this  
17 section at the time of the veterans' death, shall be eligible to continue to  
18 receive benefits until such time the surviving spouse remarries.

19 When a homestead is occupied by two or more individuals and more  
20 than one of the individuals is able to qualify as a claimant, the individuals  
21 may determine between them as to whom the claimant will be. If they are  
22 unable to agree, the matter shall be referred to the secretary of revenue  
23 whose decision shall be final.

24 (f) "Property taxes accrued" means property taxes, exclusive of  
25 special assessments, delinquent interest and charges for service, levied on  
26 a claimant's homestead in 1979 or any calendar year thereafter by the state  
27 of Kansas and the political and taxing subdivisions of the state. When a  
28 homestead is owned by two or more persons or entities as joint tenants or  
29 tenants in common and one or more of the persons or entities is not a  
30 member of claimant's household, "property taxes accrued" is that part of  
31 property taxes levied on the homestead that reflects the ownership  
32 percentage of the claimant's household. For purposes of this act, property  
33 taxes are "levied" when the tax roll is delivered to the local treasurer with  
34 the treasurer's warrant for collection. When a claimant and household own  
35 their homestead part of a calendar year, "property taxes accrued" means  
36 only taxes levied on the homestead when both owned and occupied as a  
37 homestead by the claimant's household at the time of the levy, multiplied  
38 by the percentage of 12 months that the property was owned and occupied  
39 by the household as its homestead in the year. When a household owns and  
40 occupies two or more different homesteads in the same calendar year,  
41 property taxes accrued shall be the sum of the taxes allocable to those  
42 several properties while occupied by the household as its homestead  
43 during the year. Whenever a homestead is an integral part of a larger unit

1 such as a multi-purpose or multi-dwelling building, property taxes accrued  
2 shall be that percentage of the total property taxes accrued as the value of  
3 the homestead is of the total value. For the purpose of this act, the word  
4 "unit" refers to that parcel of property covered by a single tax statement of  
5 which the homestead is a part.

6 (g) "Disability" means:

7 (1) Inability to engage in any substantial gainful activity by reason of  
8 any medically determinable physical or mental impairment which can be  
9 expected to result in death or has lasted or can be expected to last for a  
10 continuous period of not less than 12 months, and an individual shall be  
11 determined to be under a disability only if the physical or mental  
12 impairment or impairments are of such severity that the individual is not  
13 only unable to do the individual's previous work but cannot, considering  
14 age, education and work experience, engage in any other kind of  
15 substantial gainful work which exists in the national economy, regardless  
16 of whether such work exists in the immediate area in which the individual  
17 lives or whether a specific job vacancy exists for the individual, or whether  
18 the individual would be hired if application was made for work. For  
19 purposes of the preceding sentence (with respect to any individual), "work  
20 which exists in the national economy" means work which exists in  
21 significant numbers either in the region where the individual lives or in  
22 several regions of the country; for purposes of this subsection, a "physical  
23 or mental impairment" is an impairment that results from anatomical,  
24 physiological or psychological abnormalities which are demonstrable by  
25 medically acceptable clinical and laboratory diagnostic techniques; or

26 (2) blindness and inability by reason of blindness to engage in  
27 substantial gainful activity requiring skills or abilities comparable to those  
28 of any gainful activity in which the individual has previously engaged with  
29 some regularity and over a substantial period of time.

30 (h) "Blindness" means central visual acuity of  $^{20}/_{200}$  or less in the  
31 better eye with the use of a correcting lens. An eye which is accompanied  
32 by a limitation in the fields of vision such that the widest diameter of the  
33 visual field subtends an angle no greater than 20 degrees shall be  
34 considered for the purpose of this paragraph as having a central visual  
35 acuity of  $^{20}/_{200}$  or less.

36 (i) "Disabled veteran" means a person who is a resident of Kansas  
37 and has been honorably discharged from active service in any branch of  
38 the armed forces of the United States or Kansas national guard and who  
39 has been certified by the United States department of veterans affairs or its  
40 successor to have a 50% permanent disability sustained through military  
41 action or accident or resulting from disease contracted while in such active  
42 service.

43 **Sec. 3. K.S.A. 2013 Supp. 79-32,117 is hereby amended to read as**

1 follows: 79-32,117. (a) The Kansas adjusted gross income of an  
2 individual means such individual's federal adjusted gross income for  
3 the taxable year, with the modifications specified in this section.

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

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

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

25 (iii) The federal net operating loss deduction.

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

41 (v) The amount of any depreciation deduction or business  
42 expense deduction claimed on the taxpayer's federal income tax  
43 return for any capital expenditure in making any building or facility

1 accessible to the handicapped, for which expenditure the taxpayer  
2 claimed the credit allowed by K.S.A. 79-32,177, and amendments  
3 thereto.

4 (vi) Any amount of designated employee contributions picked up  
5 by an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-  
6 4965, and amendments thereto.

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

10 (viii) The amount of any costs incurred for improvements to a  
11 swine facility, claimed for deduction in determining federal adjusted  
12 gross income, to the extent the same is claimed as the basis for any  
13 credit allowed pursuant to K.S.A. 2013 Supp. 79-32,204, and  
14 amendments thereto.

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

21 (x) Amounts received as nonqualified withdrawals, as defined by  
22 K.S.A. 2013 Supp. 75-643, and amendments thereto, if, at the time of  
23 contribution to a family postsecondary education savings account,  
24 such amounts were subtracted from the federal adjusted gross income  
25 pursuant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and  
26 amendments thereto, or if such amounts are not already included in  
27 the federal adjusted gross income.

28 (xi) The amount of any contribution made to the same extent the  
29 same is claimed as the basis for the credit allowed pursuant to K.S.A.  
30 2013 Supp. 74-50,154, and amendments thereto.

31 (xii) For taxable years commencing after December 31, 2004,  
32 amounts received as withdrawals not in accordance with the  
33 provisions of K.S.A. 2013 Supp. 74-50,204, and amendments thereto,  
34 if, at the time of contribution to an individual development account,  
35 such amounts were subtracted from the federal adjusted gross income  
36 pursuant to paragraph (xiii) of subsection (c), or if such amounts are  
37 not already included in the federal adjusted gross income.

38 (xiii) The amount of any expenditures claimed for deduction in  
39 determining federal adjusted gross income, to the extent the same is  
40 claimed as the basis for any credit allowed pursuant to K.S.A. 2013  
41 Supp. 79-32,217 through 79-32,220 or 79-32,222, and amendments  
42 thereto.

43 (xiv) The amount of any amortization deduction claimed in

1 determining federal adjusted gross income to the extent the same is  
2 claimed for deduction pursuant to K.S.A. 2013 Supp. 79-32,221, and  
3 amendments thereto.

4 (xv) The amount of any expenditures claimed for deduction in  
5 determining federal adjusted gross income, to the extent the same is  
6 claimed as the basis for any credit allowed pursuant to K.S.A. 2013  
7 Supp. 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-  
8 32,233 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245  
9 through 79-32,248 or 79-32,251 through 79-32,254, and amendments  
10 thereto.

11 (xvi) The amount of any amortization deduction claimed in  
12 determining federal adjusted gross income to the extent the same is  
13 claimed for deduction pursuant to K.S.A. 2013 Supp. 79-32,227, 79-  
14 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
15 thereto.

16 (xvii) The amount of any amortization deduction claimed in  
17 determining federal adjusted gross income to the extent the same is  
18 claimed for deduction pursuant to K.S.A. 2013 Supp. 79-32,256, and  
19 amendments thereto.

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

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

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

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

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

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

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

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

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



1 abortion coverage, a health benefit plan, as defined in K.S.A. 2013  
2 Supp. 65-6731, and amendments thereto, when such expenses were  
3 paid or incurred for abortion coverage or amounts contributed to  
4 health savings accounts for such taxpayer's employees for the  
5 purchase of an optional rider for coverage of abortion in accordance  
6 with K.S.A. 2013 Supp. 40-2,190, and amendments thereto, to the  
7 extent that such taxes and assessments are claimed as a deduction for  
8 federal income tax purposes.

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

10 (i) Interest or dividend income on obligations or securities of any  
11 authority, commission or instrumentality of the United States and its  
12 possessions less any related expenses directly incurred in the purchase  
13 of such obligations or securities, to the extent included in federal  
14 adjusted gross income but exempt from state income taxes under the  
15 laws of the United States.

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

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

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

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

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

42 (vii) Amounts received as annuities under the federal civil service  
43 retirement system from the civil service retirement and disability fund

1 and other amounts received as retirement benefits in whatever form  
2 which were earned for being employed by the federal government or  
3 for service in the armed forces of the United States.

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

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

12 (x) For taxable years beginning after December 31, 1976, the  
13 amount of the federal tentative jobs tax credit disallowance under the  
14 provisions of 26 U.S.C. § 280 C. For taxable years ending after  
15 December 31, 1978, the amount of the targeted jobs tax credit and  
16 work incentive credit disallowances under 26 U.S.C. § 280 C.

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

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

23 (xiii) For taxable years beginning after December 31, 2004,  
24 amounts contributed to and the amount of income earned on  
25 contributions deposited to an individual development account under  
26 K.S.A. 2013 Supp. 74-50,201 et seq., and amendments thereto.

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

41 (xv) For all taxable years beginning after December 31, 2006,  
42 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
43 joint return, for each designated beneficiary which are contributed to

1 a family postsecondary education savings account established under  
2 the Kansas postsecondary education savings program or a qualified  
3 tuition program established and maintained by another state or  
4 agency or instrumentality thereof pursuant to section 529 of the  
5 internal revenue code of 1986, as amended, for the purpose of paying  
6 the qualified higher education expenses of a designated beneficiary at  
7 an institution of postsecondary education. The terms and phrases used  
8 in this paragraph shall have the meaning respectively ascribed thereto  
9 by the provisions of K.S.A. 2013 Supp. 75-643, and amendments  
10 thereto, and the provisions of such section are hereby incorporated by  
11 reference for all purposes thereof.

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

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

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

43 (xix) Amounts received by retired employees of Washburn

1 university as retirement and pension benefits under the university's  
2 retirement plan.

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

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

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

29 {New Sec. 4. Commencing in tax year 2014, and all tax years  
30 thereafter, and in addition to the credit provided in subsection (b),  
31 there shall be allowed as a credit against the tax liability of a resident  
32 individual imposed under the Kansas income tax act an amount equal  
33 to: (1) 25% of the amount of the credit allowed against such  
34 taxpayer's federal income tax liability pursuant to section 23 of the  
35 federal internal revenue code determined without regard to subsection  
36 (c) of such section; (2) in addition to subsection (a)(1), 25% of the  
37 amount of such federal income tax credit, if the child adopted by the  
38 taxpayer was a resident of Kansas prior to such lawful adoption; and  
39 (3) in addition to subsections (a)(1) and (a)(2), 25% of the amount of  
40 such federal income tax credit, if the child adopted by the taxpayer is  
41 a child with special needs, as defined in section 23 of the federal  
42 internal revenue code, and the child was a resident of Kansas prior to  
43 such lawful adoption, for the taxable year in which such credit was

1 **claimed against the taxpayer's federal income tax liability.**

2 **(b) Commencing in tax year 2014, and all tax years thereafter,**  
3 **there shall be allowed as a credit against the tax liability of a resident**  
4 **individual imposed under the Kansas income tax act an amount equal**  
5 **to \$1,500 for the taxable year in which occurs the lawful adoption of a**  
6 **child in the custody of the secretary for children and families or a**  
7 **child with special needs, whether or not such individual is reimbursed**  
8 **for all or part of qualified adoption expenses or has received a public**  
9 **or private grant therefor. As used in this subsection, terms and**  
10 **phrases shall have the meanings ascribed thereto by the provisions of**  
11 **section 23 of the federal internal revenue code.**

12 **(c) The credit allowed by subsections (a) and (b) shall not exceed**  
13 **the amount of the tax imposed by K.S.A. 79-32,110, and amendments**  
14 **thereto, reduced by the sum of any other credits allowable pursuant to**  
15 **law. If the amount of such tax credit exceeds the taxpayer's income tax**  
16 **liability for such taxable year, the amount thereof which exceeds such**  
17 **tax liability may be carried over for deduction from the taxpayer's**  
18 **income tax liability in the next succeeding taxable year or years until**  
19 **the total amount of the tax credits has been deducted from tax**  
20 **liability.}**

21 ~~Sec. 3, 4, {5.}~~ K.S.A. 2013 Supp. 79-32,100e, 79-32,117, 79-32,263  
22 and 79-4502 are hereby repealed.

23 ~~Sec. 4, 5, {6.}~~ This act shall take effect and be in force from and after  
24 its publication in the statute book.