

CONFERENCE COMMITTEE REPORT

MADAM PRESIDENT and MR. SPEAKER: Your committee on conference on House amendments to **SB 30** submits the following report:

The Senate accedes to all House amendments to the bill, and your committee on conference further agrees to amend the bill as printed with House Committee amendments, as follows:

On page 1, by striking all in lines 7 through 36;

By striking all on pages 2 through 12;

On page 13, by striking all in line 1 through 32; following line 32, by inserting:

"New Section 1. Sections 1 through 11, and amendments thereto, shall be known and may be cited as the ad astra rural jobs act.

New Sec. 2. As used in sections 1 through 11, and amendments thereto:

(a) "Affiliate" means a person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with another person or entity. A person is controlled by another person if the controlling person holds, directly or indirectly, the majority voting or ownership interest in the controlled person or has control over the day-to-day operations of the controlled person by contract or by law.

(b) "Approved investment company" means a person, not including an individual, seeking to make successful developmental venture capital investments in rural business concerns that will create wealth and job opportunities in identified rural areas and that has been approved by the secretary pursuant to section 4, and amendments thereto.

(c) "Closing date" means the date on which an approved investment company collects all of the committed dollar amounts, for purposes of making venture capital investments in rural

business concerns, as required under section 4(f), and amendments thereto.

(d) "Credit-eligible capital contribution" means an investment of cash in an approved investment company made:

(1) (A) For an equity interest in the approved investment company; or

(B) for the purchase, at par value or at a premium, of a debt instrument issued by the approved investment company that has a maturity date at least five years from the date of investment; and

(2) by a person subject to income tax liability imposed against such person under the Kansas income tax act, excluding withholding tax imposed under K.S.A. 79-3294 et seq., and amendments thereto, a national banking association, state bank, trust company or savings and loan association paying an annual tax on its net income pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or any insurance company paying the premium tax and privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto.

(e) "Department" means the department of commerce.

(f) "Funding" means any venture capital or venture equity investment by an approved investment company in a rural business concern or any loan to a rural business concern by an approved investment company with a final maturity date of at least two years after the date of issuance.

(g) "Growth capital" means the total of cash investments in an approved investment company, including credit-eligible capital contributions from investors and other cash investments, including government grants, guaranteed debenture funds, or other public funds, in the amount as approved by the secretary and stated on the notice issued under section 4(e), and

amendments thereto. At least 50% of growth capital must be comprised of credit-eligible capital contributions. At least 10% of growth capital must be composed of equity investments contributed by affiliates of the approved investment company, including employees, officers and directors of such affiliates.

(h) "Operating company" means a person that is doing business in Kansas or seeking to do business in Kansas and that is not a publicly traded business.

(i) "Person" means an individual, proprietorship, partnership, limited liability partnership, association, trust, estate, firm, group, corporation, limited liability corporation or other organization.

(j) "Principal business operations" means the location where at least 60% of the operating company's employees work or where employees who are paid at least 60% of the operating company's payroll work. An operating company whose principal business operations is not in Kansas that has agreed to move the location of its principal business operations using the proceeds of its funding for a purpose of meeting the definition of a rural business concern shall be deemed to have its principal business operations in the new location at the time of such agreement, subject to the operating company completing the agreed relocation within 180 days after funding.

(k) "Rural area" means a location:

(1) That is not within a city with a population greater than 60,000, or within the urbanized area contiguous and adjacent to the city, according to the most recent decennial United States census; or

(2) determined to be a "rural area" by the secretary upon consideration of factors

including, but not limited to:

(A) Population density, density of commercial development and availability of non-farm employment; or

(B) attachment to the urbanized area of a city as defined in paragraph (1) by a contiguous area of urbanized census blocks that is not more than two census blocks wide.

(l) "Rural business concern" means an operating company that:

(1) Has its principal business operations in one or more rural areas in Kansas;

(2) has fewer than 500 employees or had an average federal adjusted gross income of less than \$15,000,000 in the three preceding tax years; and

(3) engages in industries related to manufacturing, plant sciences, technology, or agricultural technology or, if not engaged in such industries, the secretary makes a determination that the targeted funding of the operating company will be highly beneficial to the economic growth of the state and the rural area or areas in which the operating company is or will be located.

(m) "Secretary" means the secretary of commerce.

New Sec. 3. (a) There is hereby established in the state treasury the ad astra rural jobs fund, which shall be administered by the secretary of commerce. All expenditures from the ad astra rural jobs fund shall be solely for the administration of the ad astra rural jobs act. All expenditures from the ad astra rural jobs fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of commerce or the secretary's designee.

(b) All moneys received by the secretary for the ad astra rural jobs act shall be

deposited in the state treasury in accordance with the provisions of K.S.A. 75-4215, and amendments thereto, and shall be credited to the ad astra rural jobs fund.

(c) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the ad astra rural jobs fund interest earnings based on:

(1) The average daily balance of moneys in the ad astra rural jobs fund established by this section for the preceding month; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

New Sec. 4. (a) Beginning on January 1, 2018, the department shall accept applications for approved investment companies. The application shall include:

(1) The amount of growth capital sought by the applicant;

(2) either:

(A) A copy of the applicant's or its affiliate's license as a rural business investment company under 7 U.S.C. § 2009cc or as a small business investment company under 15 U.S.C. § 681 and evidence demonstrating that the applicant or its affiliates have invested a minimum amount, as required by rules and regulations promulgated by the secretary, in operating companies and in operating companies located in rural areas; or

(B) evidence demonstrating that the applicant or its affiliates have invested a minimum amount, as required in rules and regulations promulgated by the secretary, in non-publicly traded companies through one or more federal or state tax credit programs administered by an agency of this state and evidence that the applicant has domiciled in this state for the three years preceding its application;

(3) an estimate of the number of jobs that will be created or retained in Kansas as a result of the applicant's funding;

(4) a 10-year business plan for the applicant's proposed funding that includes a revenue impact assessment prepared by a nationally recognized third-party independent economic forecasting firm approved by the secretary, and that projects state and local tax revenue to be generated by the applicant's funding under the business plan;

(5) an affidavit from each investor in the applicant stating a commitment to make a credit-eligible capital contribution in support of the business plan and the amount of such credit-eligible capital contribution;

(6) a nonrefundable application fee not to exceed \$5,000; and

(7) such other information as may be required in rules and regulations promulgated by the secretary.

(b) The secretary shall make an application determination within 60 days of receipt in the order in which applications are received. The secretary shall deem applications received on the same day as received simultaneously. Except as provided under section 7(d), and amendments thereto, the secretary shall not approve more than \$100,000,000 in growth capital and not more than \$50,000,000 in credit-eligible contributions under this section. If requests for growth capital exceed this limitation, the secretary shall proportionally reduce the growth capital and the credit-eligible capital contributions for each approved application as necessary to meet the limitation. No application by an applicant and its affiliates shall be approved for more than $\frac{1}{3}$ the limitation provided in this subsection.

(c) The secretary shall deny an application submitted under this section if:

- (1) The application fee is not paid in full;
 - (2) the applicant does not satisfy all the requirements under subsection (a)(2);
 - (3) the revenue impact assessment does not demonstrate that the applicant's business plan will result in a positive economic impact in a rural area or areas in Kansas over a 10-year period that exceeds the cumulative amount of tax credits the applicant seeks;
 - (4) (A) commitments for credit-eligible capital contributions do not equal at least 50% of the total growth capital sought under the applicant's business plan; or
(B) commitments of equity investments contributed by affiliates of the approved investment company, including employees, officers and directors of such affiliates, do not equal at least 10% of the total growth capital sought;
 - (5) the secretary has already approved the maximum amount of growth capital and credit-eligible capital contributions allowed under subsection (b); or
 - (6) the secretary determines that the applicant does not satisfy any other requirement of the department as set forth in rules and regulations promulgated by the secretary.
- (d) If the secretary denies an application, the applicant may provide additional information within 15 days of the notice of denial to the secretary to complete, clarify or cure defects in the application identified by the secretary. The secretary shall reconsider the application and make a determination within 30 days of receiving all additional information to be considered before approving any pending applications submitted after the denied applicant's original submission date. The secretary shall not deny an application or reduce the requested growth capital for reasons other than those described under subsection (b) or (c).
- (e) If the application is approved, the secretary shall provide written notice to the

applicant stating:

(1) The applicant is an approved investment company; and

(2) the approved amount of the growth capital.

(f) (1) After receiving notice of approval from the department pursuant to subsection (e), an approved investment company shall within 60 days:

(A) Collect the credit-eligible capital contributions from each investor whose affidavit was listed in the application; and

(B) collect one or more investments of cash that, if added to credit-eligible capital contributions, equal the approved investment company's growth capital and deliver to the department documentation sufficient to prove that such amounts have been collected.

(2) If the approved investment company fails to fully comply with the provisions of paragraph (1), the approved investment company's approval shall lapse and the lapsed corresponding growth capital and credit-eligible capital contributions previously approved by the secretary shall not count toward the total growth capital and credit-eligible capital contribution limits of subsection (b). The secretary shall first award lapsed growth capital pro rata to each approved investment company that was awarded less than its requested growth capital in the order in which the application was received. Each approved recipient investment company may allocate such awarded growth capital to its investors in its discretion. Any remaining growth capital and available tax credits may be awarded by the secretary to successful new applicants.

(g) Application fees submitted to the department shall be deposited in the state treasury and credited to the ad astra rural jobs fund. No other fee shall be charged for the administration of tax credits by the department or the department of revenue. If necessary, the department may

request and, subject to appropriation acts, shall receive appropriations necessary to implement and administer the program.

(h) The department shall provide a copy of the notice required in subsection (e) to the department of revenue.

New Sec. 5. An approved investment company, before making a funding, shall request a written opinion from the department stating whether the business in which it proposes to invest is a rural business concern. The department shall respond to a request with its determination within 30 business days of receiving such request. If the department fails to respond within 30 business days of receiving the request, the business for which determination is sought shall be considered a rural business concern. The department's determination shall govern whether the business is considered a rural business concern for purposes of sections 1 through 11, and amendments thereto, except for a failure of a rural business concern to complete and maintain any agreed relocations of its principal business operations or for fraud.

New Sec. 6. (a) There shall be allowed as a credit against the tax liability of a taxpayer subject to the tax imposed under the Kansas income tax act, the annual tax on net income pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premium tax and privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, for taxpayers that make a credit-eligible capital contribution to an approved investment company and that receive a tax credit certificate issued under this section. The credit shall not be sold, transferred or allocated to any other entity, except an affiliate.

(b) The taxpayer shall earn a vested credit equal to the amount of the taxpayer's credit-eligible capital contribution to the approved investment company upon providing documentation

to the department of the contribution. Upon review and approval of the documentation, the department shall issue a tax credit certificate in the amount of the tax credit approval by the department to the taxpayer. The taxpayer may claim an amount up to 20% of the tax credit certificate authorized under this section for each of the five tax years beginning on or after July 1, 2019, exclusive of amounts carried forward under subsection (c).

(c) If the amount of the tax credit exceeds the taxpayer's tax liability for the taxable year, the amount thereof which exceeds the tax liability may be carried forward for deduction from the taxpayer's tax liability in the succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability, except that no such tax credit shall be carried forward for deduction after the fifth taxable year succeeding the taxable year in which such credit initially was claimed.

(d) The maximum amount of credits claimed in any one fiscal year by all taxpayers pursuant to this section shall not exceed \$10,000,000, exclusive of amounts carried forward under subsection (c).

New Sec. 7. (a) The secretary shall revoke a tax credit certificate issued under section 6, and amendments thereto, upon a determination by the secretary of commerce that any of the following occur with respect to an approved investment company before it exits the program in accordance with section 8, and amendments thereto:

(1) The approved investment company does not invest 100% of its growth capital in funding within two years of the closing date;

(2) the approved investment company, after investing 100% of its growth capital in funding, fails to maintain that investment for the five years after the closing date. An investment

that is sold or repaid, in whole or in part, shall be deemed maintained if the approved investment company reinvests an amount equal to the returned or recovered portion, excluding any profits realized, in other funding within 12 months of the receipt of the returned or recovered portion;

(3) the approved investment company, before exiting the program, makes a distribution or payment that results in the approved investment fund having less than 100% of its growth capital invested in fundings or available for investment in fundings and held as cash or other marketable securities;

(4) the approved investment company invests more than 20% of its growth capital in the same rural business concern, including amounts invested in affiliates of such rural business concern;

(5) the approved investment company invests funding in a rural business concern that, directly or indirectly through an affiliate, owns, has the right to acquire an ownership interest in, makes a loan to, or makes an investment in the approved investment company, an affiliate of the approved investment company, or an investor in the approved investment company. This paragraph shall not apply to investments in publicly traded securities by a rural business concern or an owner or affiliate of such rural business concern. For purposes of this paragraph, an approved investment company shall not be considered an affiliate of a rural business concern solely as a result of its funding; or

(6) the approved investment company invests funding in a rural business concern that fails to meet or maintain an agreed relocation of its principal business operations.

(b) Before revoking one or more tax credit certificates pursuant to subsection (a), the secretary shall notify the approved investment company of the reasons for the pending

revocation. The approved investment company shall have 90 days from the date of such notice to correct the violations to the satisfaction of the secretary and avoid revocation of the tax credit certificate. The approved investment company shall be charged \$5,000 per day for each day taken after 90 days to correct the violations, and such amounts shall be deposited in the state treasury to the credit of the ad astra rural jobs fund.

(c) If the secretary revokes a tax credit certificate, the department of revenue shall make an assessment for the amount of the credit claimed by the certificate holder before the certificate was revoked.

(d) If tax credit certificates are revoked under this section, the associated growth capital and credit-eligible capital contributions do not count toward the limit on total growth capital and credit-eligible capital contributions described under section 4(b), and amendments thereto. The secretary shall first award reverted growth capital pro rata to each approved investment company that was awarded less than its requested growth capital. Any remaining growth capital may be awarded by the department to new approved investment companies.

New Sec. 8. (a) After five calendar years from the closing date, an approved investment company shall be allowed to leave the program if none of the approved investment company's tax credit certificates were revoked or are pending revocation. The secretary shall release an approved investment company from the program and the regulations of sections 1 through 11, and amendments thereto, within 60 days of receiving a request to exit.

(b) If the number of jobs created or retained by the rural business concerns that received fundings from an approved investment fund through the date of the proposed distribution is:

(1) Less than 60% of the amount projected in the approved investment fund's business

plan filed as part of its application for certification, then the state shall receive 30% of any distribution or payment to an equity holder in an approved investment fund in excess of the sum of the amount of equity capital invested in the approved investment fund by such equity holder and an amount equal to any projected increase in the equity holder's federal or state tax liability, including penalties and interest, related to the equity holder's ownership, management or operation of the approved investment fund;

(2) greater than 60% but less than 100% of the amount projected in the approved investment fund's business plan filed as part of its application for certification, then the state shall receive 15% of any distribution or payment to an equity holder in an approved investment fund in excess of the sum of the amount of equity capital invested in the approved investment fund by such equity holder and an amount equal to any projected increase in the equity holder's federal or state tax liability, including penalties and interest, related to the equity holder's ownership, management or operation of the approved investment fund; or

(3) equal to or greater than the amount projected in the approved investment fund's business plan filed as part of its application for certification, then the state shall receive 0% of any distribution or payment to an equity holder in an approved investment fund in excess of the sum of the amount of equity capital invested in the approved investment fund by such equity holder and an amount equal to any projected increase in the equity holder's federal or state tax liability, including penalties and interest, related to the equity holder's ownership, management or operation of the approved investment fund.

(c) The secretary shall not revoke a tax credit certificate due to any actions of an approved investment company that occur after the date the department acknowledges an

approved investment company's exit from the program.

(d) Moneys received by the secretary pursuant to this section shall be deposited in the state treasury to the credit of the ad astra rural jobs fund.

New Sec. 9. (a) Each approved investment company shall submit a report to the department on or before the fifth business day after the second anniversary of the closing date containing:

- (1) The approved investment company's bank statements evidencing each funding;
- (2) the name and location of each business receiving funding, including evidence that the business qualified as a rural business concern at the time the investment was made;
- (3) the number of employment positions created or retained as a result of the approved investment company's fundings as of December 31st of the preceding year; and
- (4) other information necessary for the department to administer the program.

(b) On or before April 30th of each year following the year in which the report required under subsection (a) is due, the approved investment company shall submit an annual report to the department containing:

- (1) The number of employment positions created or retained as a result of the approved investment company's fundings as of December 31st of the preceding calendar year;
- (2) the average annual salary of such positions; and
- (3) any other information required by the department.

New Sec. 10. The secretary of revenue and the secretary of commerce may promulgate rules and regulations to implement the provisions of the ad astra rural jobs act.

New Sec. 11. (a) Except as provided in subsection (b), the provisions of the ad astra

rural jobs act shall sunset on December 31 of the sixth year following the effective date of this act.

(b) Nothing in this section shall be construed so as to preclude a taxpayer that makes a qualified equity investment prior to the sunset of the ad astra rural jobs act from claiming tax credits relating to such qualified equity investment for each credit allowance date.

New Sec. 12. As used in sections 12 through 15, and amendments thereto:

(a) "Aerospace" means relating to vehicles or objects for the purpose of suborbital, orbital or space flight, whether for private or public, or civil or defense-related purposes.

(b) "Aviation" means relating to vehicles or objects, except parachutes, for the purpose of controlled flight through the air, regardless of how propelled or controlled, or whether manned or unmanned, whether for private or public, or civil or defense-related purposes.

(c) "Aviation sector" means a private or public organization engaged in the manufacture of aviation or aerospace hardware or software, aviation or aerospace maintenance, aviation or aerospace repair and overhaul, supply of parts to the aviation or aerospace industry, provision of services and support relating to the aviation or aerospace industry, research and development of aviation or aerospace technology and systems, and the education and training of aviation or aerospace personnel.

(d) "Compensation" means payments in the form of contract labor for which the payor is required to provide a federal tax form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee or full-time employee, or salary or other remuneration. "Compensation" shall not include employer-provided retirement, medical or healthcare benefits, reimbursement for travel, meals, lodging or any other expense.

(e) "Institution" means a state educational institution, municipal university, institute of technology, community college or technical college, as those terms are defined in K.S.A. 74-3201b, and amendments thereto, or any other public or private college or university that is accredited by a national or regional accrediting body.

(f) "Qualified employee" means any person newly employed by or first contracting with a qualified employer on or after January 1, 2018, who has been awarded an undergraduate or graduate degree, or a technical degree or certificate from a qualified program by an institution.

(g) "Qualified employer" means a sole proprietorship, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity or public entity whose principal business activity involves the aviation sector.

(h) "Qualified program" means: (1) A program that has been accredited by the engineering accreditation commission of the accreditation board for engineering and technology (ABET) or the higher learning commission and that awards an undergraduate or graduate degree; or (2) a program within the meaning of an associate of applied science degree program or career technical education program, as those programs are defined in K.S.A. 72-4412, and amendments thereto, which results in the awarding of a degree or certificate that prepares the graduate for gainful employment with a qualified employer.

(i) "Tuition" means the amount paid for enrollment and instruction in a qualified program. "Tuition" shall not include the cost of books, fees or room and board. "Tuition" includes both amounts paid during participation in a qualified program or tuition debt upon completion of a qualified program.

New Sec. 13. (a) For taxable years beginning after December 31, 2017, a qualified

employer subject to the tax imposed under the provisions of the Kansas income tax act shall be allowed a credit against the tax for tuition reimbursed to a qualified employee.

(b) The credit may be claimed only if the qualified employee has been awarded an undergraduate or graduate degree, or technical degree or certificate from a qualified program within one year prior to or following the commencement of employment with the qualified employer and may be claimed each year thereafter that the qualified employee remains employed up to the fourth year of employment.

(c) The credit shall be in an amount equal to 50% of the tuition reimbursed during the taxable year for which the credit is claimed to a qualified employee, except that in no event shall the credit exceed 50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a state educational institution in Kansas, as determined by the secretary of revenue.

(d) The credit shall not be used to reduce the tax liability of the qualified employer to less than zero.

New Sec. 14. (a) For taxable years beginning after December 31, 2017, a qualified employer subject to the tax imposed under the provisions of the Kansas income tax act shall be allowed a credit against the tax for compensation paid during the taxable year to a qualified employee in the first through fifth consecutive years of employment. Except as otherwise provided, the credit shall be in an amount equal to:

- (1) Ten percent of the compensation paid if the qualified employee graduated from an institution located in this state; or
- (2) five percent of the compensation paid if the qualified employee graduated from an

institution located outside the state.

(b) The credit shall not exceed \$15,000 annually for each qualified employee, if the qualified employee graduated from an institution located in this state, or \$7,500 annually for each qualified employee, if the qualified employee graduated from an institution located outside this state.

(c) The credit shall not be used to reduce the tax liability of the qualified employer to less than zero.

(d) No credit shall be claimed for compensation paid to a qualified employee after the fifth year of employment of the qualified employee.

New Sec. 15. (a) For taxable years beginning after December 31, 2017, a taxpayer who becomes a qualified employee during the taxable year shall be allowed a credit against the tax imposed under the provisions of the Kansas income tax act in an amount equal to \$5,000. The credit shall be deducted from the taxpayer's income tax liability for the taxable year in which the taxpayer is or has been a qualified employee and may be claimed each year the taxpayer achieves the status of a qualified employee for the four taxable years succeeding the taxable year in which the credit was first allowed.

(b) If the amount of the credit allowed a qualified employee is greater than the qualified employee's income tax liability for the taxable year in which the credit is allowed, the amount of the credit which exceeds the tax liability may be carried over for deduction from the qualified employee's income tax liability in the next succeeding taxable year or years, except that the tax credit may not be carried over for deduction after the fourth taxable year succeeding the taxable year in which the credit was first allowed.

New Sec. 16. (a) The secretary of revenue may adopt rules and regulations necessary or convenient for the implementation and administration of sections 12 through 15, and amendments thereto.

(b) The secretary of revenue shall annually submit a written report to the house appropriations committee and to the senate ways and means committee, or the successors to those committees, beginning with the 2019 legislative session. The report shall contain information regarding the cost and effectiveness of the tax credit program described in sections 12 through 15, and amendments thereto. The secretary also may include in the report any recommendations for changes to law necessary to implement sections 12 through 15, and amendments thereto.

New Sec. 17. No new credits shall be issued or may be earned under the provisions of sections 12 through 15, and amendments thereto, after December 31, 2022.

New Sec. 18. (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 2020, 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 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. 19. K.S.A. 2016 Supp. 12-17,165 is hereby amended to read as follows: 12-17,165. (a) When a city or county proposes to establish a STAR bond project district, within an eligible area, the city or county shall adopt a resolution stating that the city or county is considering the establishment of a STAR bond project district. Such resolution shall:

(1) Give notice that a public hearing will be held to consider the establishment of a STAR bond project district and fix the date, hour and place of such public hearing;

(2) describe the proposed boundaries of the STAR bond project district;

(3) describe the STAR bond project district plan;

(4) state that a description and map of the proposed STAR bond project district are available for inspection at a time and place designated; and

(5) state that the governing body will consider findings necessary for the establishment of a STAR bond project district.

Notice shall be given as prescribed in ~~subsection (f)(2)~~ of K.S.A. 2016 Supp. 12-17,166~~(f)(2)~~, and amendments thereto.

(b) The city or county shall submit the proposed STAR bond project district to the secretary for a determination that the district is an eligible area as defined in K.S.A. 2016 Supp. 12-17,162, and amendments thereto.

(c) Upon the conclusion of the public hearing, and a finding by the secretary that the proposed project district is an eligible area, the governing body of the municipality shall pass an ordinance or resolution.

(1) An ordinance or resolution for a STAR bond project district shall:

(A) Make findings that the STAR bond project district proposed to be developed is an historic theater, or a STAR bond project as defined in K.S.A. 2016 Supp. 12-17,162, and amendments thereto;

(B) contain a STAR bond project district plan that identifies all of the proposed STAR bond project areas and identifies in a general manner all of the buildings and facilities that are proposed to be constructed or improved in each STAR bond project area. The boundaries of such STAR bond project district shall not include any area not designated in the notice required by subsection (a); and

(C) contain the legal description of the STAR bond project district and may establish the STAR bond project district.

(2) If no ordinance or resolution is passed by the city or county within 30 days from the conclusion of the public hearing, then such STAR bond project district shall not be established.

(d) The governing body of a city or county may establish a STAR bond project district within that city or such city may establish a district inclusive of land outside the boundaries of the city or wholly outside the boundaries of such city upon written consent of the board of county commissioners. Prior to providing written consent, the board of county commissioners must provide notice and hold a hearing as is required of a city pursuant to subsection (a) for the establishment of a STAR bond project district.

The governing body of a county may establish a STAR bond project district within the unincorporated area of the county.

(e) One or more STAR bond projects may be undertaken by a city or county within a

STAR bond project district after such STAR bond project district has been established in the manner provided by this section.

(f) No privately owned property subject to ad valorem taxes shall be acquired and redeveloped under the provisions of K.S.A. 2016 Supp. 12-17,160 et seq., and amendments thereto, if the board of county commissioners or the board of education levying taxes on such property determines by resolution adopted within 30 days following the conclusion of the hearing for the establishment of the STAR bond project district required by subsection (a) that the proposed STAR bond project district will have an adverse effect on such county or school district. The board of county commissioners or board of education shall deliver a copy of such resolution to the city or county. The city or county shall within 30 days of receipt of such resolution pass an ordinance or resolution dissolving the STAR bond project district. The provisions of this subsection shall not apply if the STAR bond project plan provides that ad valorem property tax revenues of the county or the school district levying taxes on such property will not be adversely impacted.

(g) A STAR bond project shall not include a project for a gambling casino.

(h) No new STAR bond project district may be established from the effective date of this act through July 1, 2018, except that, for STAR bond project districts established prior to the effective date of this act, the forgoing shall not prohibit a city or county from utilizing all provisions of the STAR bonds financing act, including, but not limited to, K.S.A. 2016 Supp. 12-17,171, and amendments thereto.

Sec. 20. K.S.A. 2016 Supp. 12-17,179 is hereby amended to read as follows: 12-17,179. (a) A city that created a redevelopment district in an eligible area that was approved for

STAR bonds prior to the effective date of this act for the city of Manhattan Discovery Center on December 28, 2006, and the Schlitterbahn project in Wyandotte county on December 23, 2005, may by ordinance elect to have the provisions of this act applicable to such redevelopment district.

(b) The provisions of this act regarding STAR bond projects shall expire on and after July 1, ~~2017~~ 2020.

Sec. 21. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as follows: 79-32,120. (a) (1) If federal taxable income of an individual is determined by itemizing deductions from such individual's federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction.

(2) For the tax year commencing on January 1, 2013, the Kansas itemized deduction of an individual means 70% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(3) For the tax year commencing on January 1, 2014, the Kansas itemized deduction of an individual means 65% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(4) For the tax years commencing on and after January 1, 2015, and ending before January 1, 2018, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A)

100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (C) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(5) For the tax year commencing on and after January 1, 2018, and ending before January 1, 2019, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(6) For the tax year commencing on and after January 1, 2019, and ending before January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 75% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 75% of the

amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 75% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(7) For the tax years commencing on and after January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 100% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 100% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 100% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code

(b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

Sec. 22. K.S.A. 2016 Supp. 12-17,165, 12-17,179 and 79-32,120 are hereby repealed."

Also on page 13, in line 34, after "book" by inserting "and upon the date 2017 Senate Bill

No. 19 becomes effective and such bill contains revenue raising enhancements that include increased tax collections generated from an increase in individual income tax rates in K.S.A 79-32,110 and the sunset of the provisions contained in K.S.A. 79-32,117(c)(xx)"

And by renumbering sections accordingly;

On page 1, in the title, in line 1, by striking all after the stricken material; by striking all in lines 2 and 3; in line 4, by striking "and 79-3602" and inserting "taxation; relating to income tax, credits, ad astra rural jobs act, graduates of aerospace and aviation-related educational programs and their employers, expenses for household and dependent care services necessary for gainful employment, itemized deductions; sales and compensating use tax, collection and distribution thereof, STAR bonds; amending K.S.A. 2016 Supp. 12-17,165, 12-17,179 and 79-32,120";

And your committee on conference recommends the adoption of this report.

Conferees on part of House

Conferees on part of Senate