

_____ BILL NO. _____

By Committee on _____

1 AN ACT concerning income taxation; relating to the determination of Kansas adjusted
2 gross income; increasing the income limit to qualify for the subtraction
3 modification for social security income; amending K.S.A. 2022 Supp. 79-32,117
4 and repealing the existing section.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 2022 Supp. 79-32,117 is hereby amended to read as follows: 79-
8 32,117. (a) The Kansas adjusted gross income of an individual means such individual's
9 federal adjusted gross income for the taxable year, with the modifications specified in this
10 section.

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

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

1 thereof issued after December 31, 1987, shall be excluded from computation of Kansas
2 adjusted gross income whether or not included in federal adjusted gross income.

3 (ii) Taxes on or measured by income or fees or payments in lieu of income taxes
4 imposed by this state or any other taxing jurisdiction to the extent deductible in
5 determining federal adjusted gross income and not credited against federal income tax.

6 This paragraph shall not apply to taxes imposed under the provisions of K.S.A. 79-1107
7 or 79-1108, and amendments thereto, for privilege tax year 1995, and all such years
8 thereafter.

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

12 (iv) Federal income tax refunds received by the taxpayer if the deduction of the taxes
13 being refunded resulted in a tax benefit for Kansas income tax purposes during a prior
14 taxable year. Such refunds shall be included in income in the year actually received
15 regardless of the method of accounting used by the taxpayer. For purposes hereof, a tax
16 benefit shall be deemed to have resulted if the amount of the tax had been deducted in
17 determining income subject to a Kansas income tax for a prior year regardless of the rate
18 of taxation applied in such prior year to the Kansas taxable income, but only that portion
19 of the refund shall be included as bears the same proportion to the total refund received as
20 the federal taxes deducted in the year to which such refund is attributable bears to the
21 total federal income taxes paid for such year. For purposes of the foregoing sentence,
22 federal taxes shall be considered to have been deducted only to the extent such deduction
23 does not reduce Kansas taxable income below zero.

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

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

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

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

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

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

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

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

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

12 (xiv) The amount of any amortization deduction claimed in determining federal
13 adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A.
14 79-32,221, and amendments thereto.

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

20 (xvi) The amount of any amortization deduction claimed in determining federal
21 adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A.
22 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
23 thereto.

1 (xvii) The amount of any amortization deduction claimed in determining federal
2 adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A.
3 79-32,256, and amendments thereto.

4 (xviii) For taxable years commencing after December 31, 2006, the amount of any ad
5 valorem or property taxes and assessments paid to a state other than Kansas or local
6 government located in a state other than Kansas by a taxpayer who resides in a state other
7 than Kansas, when the law of such state does not allow a resident of Kansas who earns
8 income in such other state to claim a deduction for ad valorem or property taxes or
9 assessments paid to a political subdivision of the state of Kansas in determining taxable
10 income for income tax purposes in such other state, to the extent that such taxes and
11 assessments are claimed as an itemized deduction for federal income tax purposes.

12 (xix) For taxable years beginning after December 31, 2012, and ending before
13 January 1, 2017, the amount of any: (1) Loss from business as determined under the
14 federal internal revenue code and reported from schedule C and on line 12 of the
15 taxpayer's form 1040 federal individual income tax return; (2) loss from rental real estate,
16 royalties, partnerships, S corporations, except those with wholly owned subsidiaries
17 subject to the Kansas privilege tax, estates, trusts, residual interest in real estate mortgage
18 investment conduits and net farm rental as determined under the federal internal revenue
19 code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal
20 individual income tax return; and (3) farm loss as determined under the federal internal
21 revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040
22 federal income tax return; all to the extent deducted or subtracted in determining the
23 taxpayer's federal adjusted gross income. For purposes of this subsection, references to

1 the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to
2 such form and schedules as they existed for tax year 2011, and as revised thereafter by
3 the internal revenue service.

4 (xx) For taxable years beginning after December 31, 2012, and ending before January
5 1, 2017, the amount of any deduction for self-employment taxes under section 164(f) of
6 the federal internal revenue code as in effect on January 1, 2012, and amendments
7 thereto, in determining the federal adjusted gross income of an individual taxpayer, to the
8 extent the deduction is attributable to income reported on schedule C, E or F and on line
9 12, 17 or 18 of the taxpayer's form 1040 federal income tax return.

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

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

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

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

9 (xxv) For taxable years commencing after December 31, 2013, that portion of the
10 amount of any expenditure deduction claimed in determining federal adjusted gross
11 income for expenses paid by a taxpayer for health care when such expenses were paid or
12 incurred for abortion coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
13 amendments thereto, when such expenses were paid or incurred for abortion coverage or
14 amounts contributed to health savings accounts for such taxpayer's employees for the
15 purchase of an optional rider for coverage of abortion in accordance with K.S.A. 40-
16 2,190, and amendments thereto, to the extent that such taxes and assessments are claimed
17 as a deduction for federal income tax purposes.

18 (xxvi) For all taxable years beginning after December 31, 2016, the amount of any
19 charitable contribution made to the extent the same is claimed as the basis for the credit
20 allowed pursuant to K.S.A. 72-4357, and amendments thereto, and is also claimed as an
21 itemized deduction for federal income tax purposes.

1 (xxvii) For all taxable years commencing after December 31, 2020, the amount
2 deducted by reason of a carryforward of disallowed business interest pursuant to section
3 163(j) of the federal internal revenue code of 1986, as in effect on January 1, 2018.

4 (xxviii) For all taxable years beginning after December 31, 2021, the amount of any
5 contributions to, or earnings from, a first-time home buyer savings account if
6 distributions from the account were not used to pay for expenses or transactions
7 authorized pursuant to K.S.A. 2022 Supp. 58-4904, and amendments thereto, or were not
8 held for the minimum length of time required pursuant to K.S.A. 2022 Supp. 58-4904,
9 and amendments thereto. Contributions to, or earnings from, such account shall also
10 include any amount resulting from the account holder not designating a surviving transfer
11 on death beneficiary pursuant to K.S.A. 2022 Supp. 58-4904(e), and amendments thereto.

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

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

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

21 (iii) The portion of any gain or loss from the sale or other disposition of property
22 having a higher adjusted basis for Kansas income tax purposes than for federal income
23 tax purposes on the date such property was sold or disposed of in a transaction in which

1 gain or loss was recognized for purposes of federal income tax that does not exceed such
2 difference in basis, but if a gain is considered a long-term capital gain for federal income
3 tax purposes, the modification shall be limited to that portion of such gain which is
4 included in federal adjusted gross income.

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

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

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

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

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

22 (ix) Amounts received by retired employees of a city and by retired employees of any
23 board of such city as retirement allowances pursuant to K.S.A. 13-14,106, and

1 amendments thereto, or pursuant to any charter ordinance exempting a city from the
2 provisions of K.S.A. 13-14,106, and amendments thereto.

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

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

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

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

15 (xiv) For all taxable years commencing after December 31, 1996, that portion of any
16 income of a bank organized under the laws of this state or any other state, a national
17 banking association organized under the laws of the United States, an association
18 organized under 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 which an election
20 as an S corporation under subchapter S of the federal internal revenue code is in effect,
21 which accrues to the taxpayer who is a stockholder of such corporation and which is not
22 distributed to the stockholders as dividends of the corporation. For taxable years
23 beginning after December 31, 2012, and ending before January 1, 2017, the amount of

1 modification under this subsection shall exclude the portion of income or loss reported on
2 schedule E and included on line 17 of the taxpayer's form 1040 federal individual income
3 tax return.

4 (xv) For all taxable years beginning after December 31, 2017, the cumulative
5 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a joint return, for
6 each designated beneficiary that are contributed to: (1) A family postsecondary education
7 savings account established under the Kansas postsecondary education savings program
8 or a qualified tuition program established and maintained by another state or agency or
9 instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as
10 amended, for the purpose of paying the qualified higher education expenses of a
11 designated beneficiary; or (2) an achieving a better life experience (ABLE) account
12 established under the Kansas ABLE savings program or a qualified ABLE program
13 established and maintained by another state or agency or instrumentality thereof pursuant
14 to section 529A of the internal revenue code of 1986, as amended, for the purpose of
15 saving private funds to support an individual with a disability. The terms and phrases
16 used in this paragraph shall have the meaning respectively ascribed thereto by the
17 provisions of K.S.A. 75-643 and 75-652, and amendments thereto, and the provisions of
18 such sections are hereby incorporated by reference for all purposes thereof.

19 (xvi) For all taxable years beginning after December 31, 2004, amounts received by
20 taxpayers who are or were members of the armed forces of the United States, including
21 service in the Kansas army and air national guard, as a recruitment, sign up or retention
22 bonus received by such taxpayer as an incentive to join, enlist or remain in the armed
23 services of the United States, including service in the Kansas army and air national guard,

1 and amounts received for repayment of educational or student loans incurred by or
2 obligated to such taxpayer and received by such taxpayer as a result of such taxpayer's
3 service in the armed forces of the United States, including service in the Kansas army and
4 air national guard.

5 (xvii) For all taxable years beginning after December 31, 2004, amounts received by
6 taxpayers who are eligible members of the Kansas army and air national guard as a
7 reimbursement pursuant to K.S.A. 48-281, and amendments thereto, and amounts
8 received for death benefits pursuant to K.S.A. 48-282, and amendments thereto, to the
9 extent that such death benefits are included in federal adjusted gross income of the
10 taxpayer.

11 ~~(xviii) For the taxable year beginning after December 31, 2006, amounts received as~~
12 ~~benefits under the federal social security act which are included in federal adjusted gross~~
13 ~~income of a taxpayer with federal adjusted gross income of \$50,000 or less, whether such~~
14 ~~taxpayer's filing status is single, head of household, married filing separate or married~~
15 ~~filing jointly; and (A) For all taxable years beginning after December 31, 2007, amounts~~
16 received as benefits under the federal social security act ~~which~~ *that* are included in
17 federal adjusted gross income of a taxpayer with federal adjusted gross income of
18 \$75,000 or less, whether ~~such~~ *that* taxpayer's filing status is single, head of household,
19 married filing separate or married filing jointly.

20 *(B) For all taxable years beginning after December 31, 2022, a portion of amounts*
21 *received as benefits under the federal social security act that are included in federal*
22 *adjusted gross income of a taxpayer with federal adjusted gross income greater than*

1 \$75,000 and less than \$100,000, whether that taxpayer's filing status is single, head of
2 household, married filing separate or married filing jointly, calculated as follows:

3 (1) Subtract the federal adjusted gross income of that taxpayer from 100,000 (the
4 result must be greater than zero);

5 (2) Divide the result of (c)(xviii)(B)(1) by 25,000; and

6 (3) Multiply the result of (c)(xviii)(B)(2) by the amounts received as benefits under
7 the federal social security act that are included in federal adjusted gross income of that
8 taxpayer.

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

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

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

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

18 (xxii) For taxable years beginning after December 31, 2012, and ending before
19 January 1, 2017, the amount of net gain from the sale of: (1) Cattle and horses, regardless
20 of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by
21 such taxpayer for 24 months or more from the date of acquisition; and (2) other livestock,
22 regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and
23 held by such taxpayer for 12 months or more from the date of acquisition. The

1 subtraction from federal adjusted gross income shall be limited to the amount of the
2 additions recognized under the provisions of subsection (b)(xix) attributable to the
3 business in which the livestock sold had been used. As used in this paragraph, the term
4 “livestock” shall not include poultry.

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

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

12 (xxv) For all taxable years commencing after December 31, 2020, 100% of global
13 intangible low-taxed income under section 951A of the federal internal revenue code of
14 1986, before any deductions allowed under section 250(a)(1)(B) of such code.

15 (xxvi) For all taxable years commencing after December 31, 2020, the amount
16 disallowed as a deduction pursuant to section 163(j) of the federal internal revenue code
17 of 1986, as in effect on January 1, 2018.

18 (xxvii) For taxable years commencing after December 31, 2020, the amount
19 disallowed as a deduction pursuant to section 274 of the federal internal revenue code of
20 1986 for meal expenditures shall be allowed to the extent such expense was deductible
21 for determining federal income tax and was allowed and in effect on December 31, 2017.

22 (xxviii) For all taxable years beginning after December 31, 2021: (1) The amount
23 contributed to a first-time home buyer savings account pursuant to K.S.A. 2022 Supp. 58-

1 4903, and amendments thereto, in an amount not to exceed \$3,000 for an individual or
2 \$6,000 for a married couple filing a joint return; or (2) amounts received as income
3 earned from assets in a first-time home buyer savings account.

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

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

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

14 Sec. 2. K.S.A. 2022 Supp. 79-32,117 is hereby repealed.

15 Sec. 3. This act shall take effect and be in force from and after its publication in the
16 statute book.