

**SENATE BILL No. 556**

By Committee on Assessment and Taxation

3-9

1 AN ACT concerning income taxation; relating to Kansas adjusted gross  
2 income; providing for a subtraction modification for the federal work  
3 opportunity tax credit and the employee retention credit disallowance;  
4 amending K.S.A. 2021 Supp. 79-32,117 and repealing the existing  
5 section.  
6

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

8 Section 1. K.S.A. 2021 Supp. 79-32,117 is hereby amended to read as  
9 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
10 means such individual's federal adjusted gross income for the taxable year,  
11 with the modifications specified in this section.

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

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

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

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

36 (iv) Federal income tax refunds received by the taxpayer if the

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

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

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

23 (vii) The amount of any charitable contribution made to the extent the  
24 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
25 32,196, and amendments thereto.

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

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

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

42 (xi) The amount of any contribution made to the same extent the  
43 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-

1 50,154, and amendments thereto.

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

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

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

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

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

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

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

41 (xix) For taxable years beginning after December 31, 2012, and  
42 ending before January 1, 2017, the amount of any: (1) Loss from business  
43 as determined under the federal internal revenue code and reported from

1 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
2 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
3 corporations, except those with wholly owned subsidiaries subject to the  
4 Kansas privilege tax, estates, trusts, residual interest in real estate  
5 mortgage investment conduits and net farm rental as determined under the  
6 federal internal revenue code and reported from schedule E and on line 17  
7 of the taxpayer's form 1040 federal individual income tax return; and (3)  
8 farm loss as determined under the federal internal revenue code and  
9 reported from schedule F and on line 18 of the taxpayer's form 1040  
10 federal income tax return; all to the extent deducted or subtracted in  
11 determining the taxpayer's federal adjusted gross income. For purposes of  
12 this subsection, references to the federal form 1040 and federal schedule  
13 C, schedule E, and schedule F, shall be to such form and schedules as they  
14 existed for tax year 2011, and as revised thereafter by the internal revenue  
15 service.

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

24 (xxi) For taxable years beginning after December 31, 2012, and  
25 ending before January 1, 2017, the amount of any deduction for pension,  
26 profit sharing, and annuity plans of self-employed individuals under  
27 section 62(a)(6) of the federal internal revenue code as in effect on January  
28 1, 2012, and amendments thereto, in determining the federal adjusted gross  
29 income of an individual taxpayer.

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

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

40 (xxiv) For taxable years commencing after December 31, 2013, that  
41 portion of the amount of any expenditure deduction claimed in  
42 determining federal adjusted gross income for expenses paid for medical  
43 care of the taxpayer or the taxpayer's spouse or dependents when such

1 expenses were paid or incurred for an abortion, or for a health benefit plan,  
2 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of  
3 an optional rider for coverage of abortion in accordance with K.S.A. 40-  
4 2,190, and amendments thereto, to the extent that such taxes and  
5 assessments are claimed as an itemized deduction for federal income tax  
6 purposes.

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

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

23 (xxvii) For all taxable years commencing after December 31, 2020,  
24 the amount deducted by reason of a carryforward of disallowed business  
25 interest pursuant to section 163(j) of the federal internal revenue code of  
26 1986, as in effect on January 1, 2018.

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

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

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

37 (iii) The portion of any gain or loss from the sale or other disposition  
38 of property having a higher adjusted basis for Kansas income tax purposes  
39 than for federal income tax purposes on the date such property was sold or  
40 disposed of in a transaction in which gain or loss was recognized for  
41 purposes of federal income tax that does not exceed such difference in  
42 basis, but if a gain is considered a long-term capital gain for federal  
43 income tax purposes, the modification shall be limited to that portion of

1 such gain which is included in federal adjusted gross income.

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

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

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

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

21 (viii) Amounts received by retired railroad employees as a  
22 supplemental annuity under the provisions of 45 U.S.C. §§ 228b(a) and  
23 228c(a)(1) et seq.

24 (ix) Amounts received by retired employees of a city and by retired  
25 employees of any board of such city as retirement allowances pursuant to  
26 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
27 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
28 amendments thereto.

29 (x) For taxable years beginning after December 31, 1976, the amount  
30 of the federal tentative jobs tax credit disallowance under the provisions of  
31 26 U.S.C. § 280C. For taxable years ending after December 31, 1978, the  
32 amount of the targeted jobs tax credit and work incentive credit, *work*  
33 *opportunity tax credit and similar* disallowances under 26 U.S.C. § 280C.  
34 *For taxable years beginning after December 31, 2019, and ending before*  
35 *January 1, 2022, the provisions of this paragraph shall also apply to the*  
36 *employee retention credit.*

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

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

43 (xiii) For taxable years beginning after December 31, 2004, amounts

1 contributed to and the amount of income earned on contributions deposited  
2 to an individual development account under K.S.A. 74-50,201 et seq., and  
3 amendments thereto.

4 (xiv) For all taxable years commencing after December 31, 1996, that  
5 portion of any income of a bank organized under the laws of this state or  
6 any other state, a national banking association organized under the laws of  
7 the United States, an association organized under the savings and loan  
8 code of this state or any other state, or a federal savings association  
9 organized under the laws of the United States, for which an election as an  
10 S corporation under subchapter S of the federal internal revenue code is in  
11 effect, which accrues to the taxpayer who is a stockholder of such  
12 corporation and which is not distributed to the stockholders as dividends of  
13 the corporation. For taxable years beginning after December 31, 2012, and  
14 ending before January 1, 2017, the amount of modification under this  
15 subsection shall exclude the portion of income or loss reported on schedule  
16 E and included on line 17 of the taxpayer's form 1040 federal individual  
17 income tax return.

18 (xv) For all taxable years beginning after December 31, 2017, the  
19 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple  
20 filing a joint return, for each designated beneficiary that are contributed to:  
21 (1) A family postsecondary education savings account established under  
22 the Kansas postsecondary education savings program or a qualified tuition  
23 program established and maintained by another state or agency or  
24 instrumentality thereof pursuant to section 529 of the internal revenue  
25 code of 1986, as amended, for the purpose of paying the qualified higher  
26 education expenses of a designated beneficiary; or (2) an achieving a  
27 better life experience (ABLE) account established under the Kansas ABLE  
28 savings program or a qualified ABLE program established and maintained  
29 by another state or agency or instrumentality thereof pursuant to section  
30 529A of the internal revenue code of 1986, as amended, for the purpose of  
31 saving private funds to support an individual with a disability. The terms  
32 and phrases used in this paragraph shall have the meaning respectively  
33 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and  
34 amendments thereto, and the provisions of such sections are hereby  
35 incorporated by reference for all purposes thereof.

36 (xvi) For all taxable years beginning after December 31, 2004,  
37 amounts received by taxpayers who are or were members of the armed  
38 forces of the United States, including service in the Kansas army and air  
39 national guard, as a recruitment, sign up or retention bonus received by  
40 such taxpayer as an incentive to join, enlist or remain in the armed services  
41 of the United States, including service in the Kansas army and air national  
42 guard, and amounts received for repayment of educational or student loans  
43 incurred by or obligated to such taxpayer and received by such taxpayer as

1 a result of such taxpayer's service in the armed forces of the United States,  
2 including service in the Kansas army and air national guard.

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

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

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

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

43 (xxi) For all taxable years beginning after December 31, 2013,



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

16 (xxii) For taxable years beginning after December 31, 2012, and  
17 ending before January 1, 2017, the amount of net gain from the sale of: (1)  
18 Cattle and horses, regardless of age, held by the taxpayer for draft,  
19 breeding, dairy or sporting purposes, and held by such taxpayer for 24  
20 months or more from the date of acquisition; and (2) other livestock,  
21 regardless of age, held by the taxpayer for draft, breeding, dairy or  
22 sporting purposes, and held by such taxpayer for 12 months or more from  
23 the date of acquisition. The subtraction from federal adjusted gross income  
24 shall be limited to the amount of the additions recognized under the  
25 provisions of subsection (b)(xix) attributable to the business in which the  
26 livestock sold had been used. As used in this paragraph, the term  
27 "livestock" shall not include poultry.

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

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

36 (xxv) For all taxable years commencing after December 31, 2020,  
37 100% of global intangible low-taxed income under section 951A of the  
38 federal internal revenue code of 1986, before any deductions allowed  
39 under section 250(a)(1)(B) of such code.

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

43 (xxvii) For taxable years commencing after December 31, 2020, the

1 amount disallowed as a deduction pursuant to section 274 of the federal  
2 internal revenue code of 1986 for meal expenditures shall be allowed to  
3 the extent such expense was deductible for determining federal income tax  
4 and was allowed and in effect on December 31, 2017.

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

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

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

18 Sec. 2. K.S.A. 2021 Supp. 79-32,117 is hereby repealed.

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