

SENATE BILL No. 22

By Committee on Federal and State Affairs

1-17

1 AN ACT concerning taxation; relating to income tax; addition and
2 subtraction modifications, treatment of deferred foreign income, global
3 intangible low-taxed income, business interest, capital contributions
4 and FDIC premiums; Kansas itemized deduction, election; amending
5 K.S.A. 2018 Supp. 79-32,117, 79-32,120 and 79-32,138 and repealing
6 the existing sections.
7

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

9 Section 1. K.S.A. 2018 Supp. 79-32,117 is hereby amended to read as
10 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
11 means such individual's federal adjusted gross income for the taxable year,
12 with the modifications specified in this section.

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

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

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

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

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

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

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

24 (vii) The amount of any charitable contribution made to the extent the
25 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
26 32,196, and amendments thereto.

27 (viii) The amount of any costs incurred for improvements to a swine
28 facility, claimed for deduction in determining federal adjusted gross
29 income, to the extent the same is claimed as the basis for any credit
30 allowed pursuant to K.S.A. 2018 Supp. 79-32,204, and amendments
31 thereto.

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

38 (x) Amounts received as nonqualified withdrawals, as defined by
39 K.S.A. 2018 Supp. 75-643, and amendments thereto, if, at the time of
40 contribution to a family postsecondary education savings account, such
41 amounts were subtracted from the federal adjusted gross income pursuant
42 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
43 are not already included in the federal adjusted gross income.

1 (xi) The amount of any contribution made to the same extent the
2 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
3 50,154, and amendments thereto.

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

11 (xiii) The amount of any expenditures claimed for deduction in
12 determining federal adjusted gross income, to the extent the same is
13 claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp.
14 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

15 (xiv) The amount of any amortization deduction claimed in
16 determining federal adjusted gross income to the extent the same is
17 claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,221, and
18 amendments thereto.

19 (xv) The amount of any expenditures claimed for deduction in
20 determining federal adjusted gross income, to the extent the same is
21 claimed as the basis for any credit allowed pursuant to K.S.A. 2018 Supp.
22 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
23 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
24 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

25 (xvi) The amount of any amortization deduction claimed in
26 determining federal adjusted gross income to the extent the same is
27 claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,227, 79-
28 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
29 thereto.

30 (xvii) The amount of any amortization deduction claimed in
31 determining federal adjusted gross income to the extent the same is
32 claimed for deduction pursuant to K.S.A. 2018 Supp. 79-32,256, and
33 amendments thereto.

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

1 (xix) For taxable years beginning after December 31, 2012, and
2 ending before January 1, 2017, the amount of any: (1) Loss from business
3 as determined under the federal internal revenue code and reported from
4 schedule C and on line 12 of the taxpayer's form 1040 federal individual
5 income tax return; (2) loss from rental real estate, royalties, partnerships, S
6 corporations, except those with wholly owned subsidiaries subject to the
7 Kansas privilege tax, estates, trusts, residual interest in real estate
8 mortgage investment conduits and net farm rental as determined under the
9 federal internal revenue code and reported from schedule E and on line 17
10 of the taxpayer's form 1040 federal individual income tax return; and (3)
11 farm loss as determined under the federal internal revenue code and
12 reported from schedule F and on line 18 of the taxpayer's form 1040
13 federal income tax return; all to the extent deducted or subtracted in
14 determining the taxpayer's federal adjusted gross income. For purposes of
15 this subsection, references to the federal form 1040 and federal schedule
16 C, schedule E, and schedule F, shall be to such form and schedules as they
17 existed for tax year 2011, and as revised thereafter by the internal revenue
18 service.

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

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

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

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

43 (xxiv) For taxable years commencing after December 31, 2013, that

1 portion of the amount of any expenditure deduction claimed in
2 determining federal adjusted gross income for expenses paid for medical
3 care of the taxpayer or the taxpayer's spouse or dependents when such
4 expenses were paid or incurred for an abortion, or for a health benefit plan,
5 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. 2018
7 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
8 assessments are claimed as an itemized deduction for federal income tax
9 purposes.

10 (xxv) For taxable years commencing after December 31, 2013, that
11 portion of the amount of any expenditure deduction claimed in
12 determining federal adjusted gross income for expenses paid by a taxpayer
13 for health care when such expenses were paid or incurred for abortion
14 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
15 amendments thereto, when such expenses were paid or incurred for
16 abortion coverage or amounts contributed to health savings accounts for
17 such taxpayer's employees for the purchase of an optional rider for
18 coverage of abortion in accordance with K.S.A. 2018 Supp. 40-2,190, and
19 amendments thereto, to the extent that such taxes and assessments are
20 claimed as a deduction for federal income tax purposes.

21 (xxvi) For all taxable years beginning after December 31, 2016, the
22 amount of any charitable contribution made to the extent the same is
23 claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07,
24 and amendments thereto, and is also claimed as an itemized deduction for
25 federal income tax purposes.

26 (xxvii) *For all taxable years commencing after December 31, 2016,*
27 *the amount of any deduction claimed under section 965(c) of the federal*
28 *internal revenue code of 1986, in determining federal adjusted gross*
29 *income.*

30 (xxviii) *For all taxable years commencing after December 31, 2017,*
31 *the amount of any deduction claimed under section 250(a)(1)(B) of the*
32 *federal internal revenue code of 1986, in determining federal adjusted*
33 *gross income.*

34 (xxiv) *For all taxable years commencing after December 31, 2017,*
35 *the amount deducted by reason of a carry forward of disallowed business*
36 *interest pursuant to section 163(j) of the federal internal revenue code of*
37 *1986, as in effect on January 1, 2018.*

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

39 (i) Interest or dividend income on obligations or securities of any
40 authority, commission or instrumentality of the United States and its
41 possessions less any related expenses directly incurred in the purchase of
42 such obligations or securities, to the extent included in federal adjusted
43 gross income but exempt from state income taxes under the laws of the

1 United States.

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

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

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

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

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

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

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

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

40 (x) For taxable years beginning after December 31, 1976, the amount
41 of the federal tentative jobs tax credit disallowance under the provisions of
42 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
43 amount of the targeted jobs tax credit and work incentive credit

1 disallowances under 26 U.S.C. § 280 C.

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

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

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

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

26 (xv) For all taxable years beginning after December 31, 2006,
27 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
28 joint return, for each designated beneficiary which are contributed to a
29 family postsecondary education savings account established under the
30 Kansas postsecondary education savings program or a qualified tuition
31 program established and maintained by another state or agency or
32 instrumentality thereof pursuant to section 529 of the internal revenue
33 code of 1986, as amended, for the purpose of paying the qualified higher
34 education expenses of a designated beneficiary at an institution of
35 postsecondary education. The terms and phrases used in this paragraph
36 shall have the meaning respectively ascribed thereto by the provisions of
37 K.S.A. 2018 Supp. 75-643, and amendments thereto, and the provisions of
38 such section are hereby incorporated by reference for all purposes thereof.

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

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

6 (xvii) For all taxable years beginning after December 31, 2004,
7 amounts received by taxpayers who are eligible members of the Kansas
8 army and air national guard as a reimbursement pursuant to K.S.A. 48-
9 281, and amendments thereto, and amounts received for death benefits
10 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
11 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
12 amendments thereto, to the extent that such death benefits are included in
13 federal adjusted gross income of the taxpayer.

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

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

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

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

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

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

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

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

40 (xxv) *For all taxable years commencing after December 31, 2016,*
41 *100% of deferred foreign income as used in determining federal adjusted*
42 *gross income. Deferred foreign income shall include income under section*
43 *965(a) of the federal internal revenue code of 1986, before any deductions*

1 *allowed under section 965(c) of the code.*

2 *(xxvi) For all taxable years commencing after December 31, 2017,*
3 *100% of global intangible low-taxed income. ~~Global intangible low-taxed~~*
4 *~~income shall include income~~ under section 951A of the federal internal*
5 *revenue code of 1986, before any deductions allowed under section 250(a)*
6 *(1)(B) of the code.*

7 *(xxvii) For all taxable years commencing after December 31, 2017,*
8 *the amount disallowed as a deduction pursuant to section 163(j) of the*
9 *federal internal revenue code of 1986, as in effect on January 1, 2018.*

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

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

19 (f) No taxpayer shall be assessed penalties and interest from the
20 underpayment of taxes due to changes to this section that became law on
21 July 1, 2017, so long as such underpayment is rectified on or before April
22 17, 2018.

23 *(g) ~~A taxpayer may file an amended return, as provided by law, for a~~*
24 *~~prior tax year due to any changes to this section that became law on July~~*
25 *~~1, 2019. Any changes to this section that became law on July 1, 2019,~~*
26 ***shall be applied retroactively to the dates indicated in those subsections.***

27 Sec. 2. K.S.A. 2018 Supp. 79-32,120 is hereby amended to read as
28 follows: 79-32,120. (a) (1) *For all tax years prior to tax year 2018, if*
29 *federal taxable income of an individual is determined by itemizing*
30 *deductions from such individual's federal adjusted gross income, such*
31 *individual may elect to deduct the Kansas itemized deduction in lieu of the*
32 *Kansas standard deduction. *For tax year 2018, and all tax years thereafter,**
33 *an individual may elect to deduct the Kansas itemized deduction in lieu of*
34 *the Kansas standard deduction regardless of whether or not such*
35 *individual's federal taxable income is determined by itemizing deductions*
36 *from such individual's federal adjusted gross income.*

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

42 (3) ~~For the tax year commencing on January 1, 2014, the Kansas~~
43 ~~itemized deduction of an individual means 65% of the total amount of~~

1 ~~deductions from federal adjusted gross income, other than federal~~
2 ~~deductions for personal exemptions, as provided in the federal internal~~
3 ~~revenue code with the modifications specified in this section.~~

4 ~~(4)~~—For the tax years commencing on and after January 1, 2015, and
5 ending before January 1, 2018, the Kansas itemized deduction of an
6 individual means the following deductions from federal adjusted gross
7 income, other than federal deductions for personal exemptions, as
8 provided in the federal internal revenue code with the modifications
9 specified in this section: (A) 100% of charitable contributions that qualify
10 as charitable contributions allowable as deductions in section 170 of the
11 federal internal revenue code; (B) 50% of the amount of qualified
12 residence interest as provided in section 163(h) of the federal internal
13 revenue code; and (C) 50% of the amount of taxes on real and personal
14 property as provided in section 164(a) of the federal internal revenue code.

15 ~~(5)~~(3) For the tax year commencing on and after January 1, 2018, and
16 ending before January 1, 2019, the Kansas itemized deduction of an
17 individual means the following deductions from federal adjusted gross
18 income, other than federal deductions for personal exemptions, as
19 provided in the federal internal revenue code with the modifications
20 specified in this section: (A) 100% of charitable contributions that qualify
21 as charitable contributions allowable as deductions in section 170 of the
22 federal internal revenue code; (B) 50% of expenses for medical care
23 allowable as deductions in section 213 of the federal internal revenue
24 code; (C) 50% of the amount of qualified residence interest as provided in
25 section 163(h) of the federal internal revenue code; and (D) 50% of the
26 amount of taxes on real and personal property as provided in section
27 164(a) of the federal internal revenue code.

28 ~~(6)~~(4) For the tax year commencing on and after January 1, 2019, and
29 ending before January 1, 2020, the Kansas itemized deduction of an
30 individual means the following deductions from federal adjusted gross
31 income, other than federal deductions for personal exemptions, as
32 provided in the federal internal revenue code with the modifications
33 specified in this section: (A) 100% of charitable contributions that qualify
34 as charitable contributions allowable as deductions in section 170 of the
35 federal internal revenue code; (B) 75% of expenses for medical care
36 allowable as deductions in section 213 of the federal internal revenue
37 code; (C) 75% of the amount of qualified residence interest as provided in
38 section 163(h) of the federal internal revenue code; and (D) 75% of the
39 amount of taxes on real and personal property as provided in section
40 164(a) of the federal internal revenue code.

41 ~~(7)~~(5) For the tax years commencing on and after January 1, 2020, the
42 Kansas itemized deduction of an individual means the following
43 deductions from federal adjusted gross income, other than federal

1 deductions for personal exemptions, as provided in the federal internal
2 revenue code with the modifications specified in this section: (A) 100% of
3 charitable contributions that qualify as charitable contributions allowable
4 as deductions in section 170 of the federal internal revenue code; (B)
5 100% of expenses for medical care allowable as deductions in section 213
6 of the federal internal revenue code; (C) 100% of the amount of qualified
7 residence interest as provided in section 163(h) of the federal internal
8 revenue code; and (D) 100% of the amount of taxes on real and personal
9 property as provided in section 164(a) of the federal internal revenue code.

10 (b) The total amount of deductions from federal adjusted gross
11 income shall be reduced by the total amount of income taxes imposed by
12 or paid to this state or any other taxing jurisdiction to the extent that the
13 same are deducted in determining the federal itemized deductions and by
14 the amount of all depreciation deductions claimed for any real or tangible
15 personal property upon which the deduction allowed by K.S.A. 2018
16 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,
17 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

18 (c) *A taxpayer may file an amended return on or before December*
19 *31, 2019, in order to elect to deduct the Kansas itemized deduction in lieu*
20 *of the Kansas standard deduction pursuant to subsection (a)(1) for tax*
21 *year 2018.*

22 Sec. 3. K.S.A. 2018 Supp. 79-32,138 is hereby amended to read as
23 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
24 under this act shall be the corporation's federal taxable income for the
25 taxable year with the modifications specified in this section, *except that in*
26 *determination of such federal taxable income for all taxable years*
27 *commencing after December 31, 2017, section 118 of the federal internal*
28 *revenue code of 1986 will be applied as in effect on December 21, 2017.*

29 (b) There shall be added to federal taxable income: (i) The same
30 modifications as are set forth in K.S.A. 79-32,117(b), and amendments
31 thereto, with respect to resident individuals, except subsections (b)(xix),
32 (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

33 (ii) the amount of all depreciation deductions claimed for any
34 property upon which the deduction allowed by K.S.A. 2018 Supp. 79-
35 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
36 32,255 or 79-32,256, and amendments thereto, is claimed;

37 (iii) the amount of any charitable contribution deduction claimed for
38 any contribution or gift to or for the use of any racially segregated
39 educational institution;

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

1 benefit plan, as defined in K.S.A. 65-6731, and amendments thereto, when
2 such expenses were paid or incurred for abortion coverage or amounts
3 contributed to health savings accounts for such taxpayer's employees for
4 the purchase of an optional rider for coverage of abortion in accordance
5 with K.S.A. 2018 Supp. 40-2,190, and amendments thereto;

6 (v) the amount of any charitable contribution deduction claimed for
7 any contribution or gift made to a scholarship granting organization to the
8 extent the same is claimed as the basis for the credit allowed pursuant to
9 K.S.A. 72-4357, and amendments thereto; and

10 (vi) the federal net operating loss deduction.

11 (c) There shall be subtracted from federal taxable income: (i) The
12 same modifications as are set forth in K.S.A. 79-32,117(c), and
13 amendments thereto, with respect to resident individuals, except
14 subsection (c)(xx);

15 (ii) the federal income tax liability for any taxable year commencing
16 prior to December 31, 1971, for which a Kansas return was filed after
17 reduction for all credits thereon, except credits for payments on estimates
18 of federal income tax, credits for gasoline and lubricating oil tax, and for
19 foreign tax credits if, on the Kansas income tax return for such prior year,
20 the federal income tax deduction was computed on the basis of the federal
21 income tax paid in such prior year, rather than as accrued. Notwithstanding
22 the foregoing, the deduction for federal income tax liability for any year
23 shall not exceed that portion of the total federal income tax liability for
24 such year which bears the same ratio to the total federal income tax
25 liability for such year as the Kansas taxable income, as computed before
26 any deductions for federal income taxes and after application of
27 subsections (d) and (e) of this section as existing for such year, bears to the
28 federal taxable income for the same year;

29 (iii) an amount for the amortization deduction allowed pursuant to
30 K.S.A. 2018 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
31 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto;

32 (iv) for all taxable years commencing after December 31, 1987, the
33 amount included in federal taxable income pursuant to the provisions of
34 section 78 of the internal revenue code; ~~and~~

35 (v) for all taxable years commencing after December 31, 1987, 80%
36 of dividends from corporations incorporated outside of the United States
37 or the District of Columbia which are included in federal taxable income.
38 *This paragraph does not apply to the amounts excluded from income*
39 *pursuant to K.S.A. 79-32,117(c)(xxv) and (c)(xxvi), and amendments*
40 *thereto, or amounts added back pursuant to K.S.A. 79-32,117(b)(xxvii)*
41 *and (xxviii), and amendments thereto; and*

42 (vi) *for all taxable years commencing after December 31, 2017, the*
43 *amount disallowed as a deduction pursuant to section 162(r) of the federal*

1 *internal revenue code of 1986, as in effect on January 1, 2018.*

2 (d) If any corporation derives all of its income from sources within
3 Kansas in any taxable year commencing after December 31, 1979, its
4 Kansas taxable income shall be the sum resulting after application of
5 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
6 taxable income in any such taxable year, after excluding any refunds of
7 federal income tax and before the deduction of federal income taxes
8 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
9 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any
10 refund of federal income tax as determined under K.S.A. 79-32,117(b)(iv),
11 and amendments thereto, and minus the deduction for federal income taxes
12 as provided by subsection (c)(ii) shall be such corporation's Kansas taxable
13 income.

14 (e) A corporation may make an election with respect to its first
15 taxable year commencing after December 31, 1982, whereby no addition
16 modifications as provided for in subsection (b)(ii) and subtraction
17 modifications as provided for in subsection (c)(iii) as those subsections
18 existed prior to their amendment by this act, shall be required to be made
19 for such taxable year.

20 *(f) A taxpayer may file an amended return, as provided by law, for a*
21 *prior tax year due to any changes to this section that became law on July*
22 *1, 2019. Any changes to this section that became law on July 1, 2019,*
23 *shall be applied retroactively to the dates indicated in those subsections.*

24 Sec. 4. K.S.A. 2018 Supp. 79-32,117, 79-32,120 and 79-32,138 are
25 hereby repealed.

26 Sec. 5. This act shall take effect and be in force from and after its
27 publication in the statute book.