

Senate Substitute for HOUSE BILL No. 2228

By Committee on Assessment and Taxation

3-27

1 AN ACT concerning income taxation; relating to deductions, Kansas
2 itemized deduction and standard deduction, expensing deduction;
3 treatment of deferred foreign corporate income and global intangible
4 low-taxed income; amending K.S.A. 2017 Supp. 79-32,117, 79-32,119,
5 79-32,120, 79-32,138 and 79-32,143a and repealing the existing
6 sections.

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

9 Section 1. K.S.A. 2017 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. 2017 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. 2017 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. 2017
3 Supp. 74-50,154, 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. 2017 Supp. 74-50,204, and amendments thereto, if, at the time of
7 contribution to an individual development account, such amounts were
8 subtracted from the federal adjusted gross income pursuant to subsection
9 (c)(xiii), or if such amounts are not already included in the federal adjusted
10 gross 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. 2017 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. 2017 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. 2017 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. 2017 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. 2017 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. 2017 Supp. 65-6731, and amendments thereto, for the
6 purchase of an optional rider for coverage of abortion in accordance with
7 K.S.A. 2017 Supp. 40-2,190, and amendments thereto, to the extent that
8 such taxes and assessments are claimed as an itemized deduction for
9 federal income tax 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. 2017 Supp. 65-6731,
15 and 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. 2017 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 (c) There shall be subtracted from federal adjusted gross income:

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

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

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

39 (iv) The amount necessary to prevent the taxation under this act of
40 any annuity or other amount of income or gain which was properly
41 included in income or gain and was taxed under the laws of this state for a
42 taxable year prior to the effective date of this act, as amended, to the
43 taxpayer, or to a decedent by reason of whose death the taxpayer acquired

1 the right to receive the income or gain, or to a trust or estate from which
2 the taxpayer received the income or gain.

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

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

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

15 (viii) Amounts received by retired railroad employees as a
16 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
17 228c (a)(1) et seq.

18 (ix) Amounts received by retired employees of a city and by retired
19 employees of any board of such city as retirement allowances pursuant to
20 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
21 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
22 amendments thereto.

23 (x) For taxable years beginning after December 31, 1976, the amount
24 of the federal tentative jobs tax credit disallowance under the provisions of
25 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
26 amount of the targeted jobs tax credit and work incentive credit
27 disallowances under 26 U.S.C. § 280 C.

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

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

34 (xiii) For taxable years beginning after December 31, 2004, amounts
35 contributed to and the amount of income earned on contributions deposited
36 to an individual development account under K.S.A. 2017 Supp. 74-50,201
37 et seq., and amendments thereto.

38 (xiv) For all taxable years commencing after December 31, 1996, that
39 portion of any income of a bank organized under the laws of this state or
40 any other state, a national banking association organized under the laws of
41 the United States, an association organized under the savings and loan
42 code of this state or any other state, or a federal savings association
43 organized under the laws of the United States, for which an election as an

1 S corporation under subchapter S of the federal internal revenue code is in
2 effect, which accrues to the taxpayer who is a stockholder of such
3 corporation and which is not distributed to the stockholders as dividends of
4 the corporation. For taxable years beginning after December 31, 2012, and
5 ending before January 1, 2017, the amount of modification under this
6 subsection shall exclude the portion of income or loss reported on schedule
7 E and included on line 17 of the taxpayer's form 1040 federal individual
8 income tax return.

9 (xv) For all taxable years beginning after December 31, 2006,
10 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
11 joint return, for each designated beneficiary which are contributed to a
12 family postsecondary education savings account established under the
13 Kansas postsecondary education savings program or a qualified tuition
14 program established and maintained by another state or agency or
15 instrumentality thereof pursuant to section 529 of the internal revenue
16 code of 1986, as amended, for the purpose of paying the qualified higher
17 education expenses of a designated beneficiary at an institution of
18 postsecondary education. The terms and phrases used in this paragraph
19 shall have the meaning respectively ascribed thereto by the provisions of
20 K.S.A. 2017 Supp. 75-643, and amendments thereto, and the provisions of
21 such section are hereby incorporated by reference for all purposes thereof.

22 (xvi) For all taxable years beginning after December 31, 2004,
23 amounts received by taxpayers who are or were members of the armed
24 forces of the United States, including service in the Kansas army and air
25 national guard, as a recruitment, sign up or retention bonus received by
26 such taxpayer as an incentive to join, enlist or remain in the armed services
27 of the United States, including service in the Kansas army and air national
28 guard, and amounts received for repayment of educational or student loans
29 incurred by or obligated to such taxpayer and received by such taxpayer as
30 a result of such taxpayer's service in the armed forces of the United States,
31 including service in the Kansas army and air national guard.

32 (xvii) For all taxable years beginning after December 31, 2004,
33 amounts received by taxpayers who are eligible members of the Kansas
34 army and air national guard as a reimbursement pursuant to K.S.A. 48-
35 281, and amendments thereto, and amounts received for death benefits
36 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
37 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
38 amendments thereto, to the extent that such death benefits are included in
39 federal adjusted gross income of the taxpayer.

40 (xviii) For the taxable year beginning after December 31, 2006,
41 amounts received as benefits under the federal social security act which
42 are included in federal adjusted gross income of a taxpayer with federal
43 adjusted gross income of \$50,000 or less, whether such taxpayer's filing

1 status is single, head of household, married filing separate or married filing
2 jointly; and for all taxable years beginning after December 31, 2007,
3 amounts received as benefits under the federal social security act which
4 are included in federal adjusted gross income of a taxpayer with federal
5 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
6 status is single, head of household, married filing separate or married filing
7 jointly.

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

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

30 (xxi) For all taxable years beginning after December 31, 2013,
31 amounts equal to the unreimbursed travel, lodging and medical
32 expenditures directly incurred by a taxpayer while living, or a dependent
33 of the taxpayer while living, for the donation of one or more human organs
34 of the taxpayer, or a dependent of the taxpayer, to another person for
35 human organ transplantation. The expenses may be claimed as a
36 subtraction modification provided for in this section to the extent the
37 expenses are not already subtracted from the taxpayer's federal adjusted
38 gross income. In no circumstances shall the subtraction modification
39 provided for in this section for any individual, or a dependent, exceed
40 \$5,000. As used in this section, "human organ" means all or part of a liver,
41 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
42 paragraph shall take effect on the day the secretary of revenue certifies to
43 the director of the budget that the cost for the department of revenue of

1 modifications to the automated tax system for the purpose of
2 implementing this paragraph will not exceed \$20,000.

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

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

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

23 (xxv) *For all taxable years beginning after December 31, 2016, 80%*
24 *of deferred foreign income. Deferred foreign income shall include income*
25 *under section 965(a) of the federal internal revenue code of 1986, after*
26 *any deductions allowed under section 965(c) of the code. The provisions*
27 *of this paragraph shall only apply if such income is already included in*
28 *the taxpayer's federal adjusted gross income.*

29 (xxvi) *For all taxable years beginning after December 31, 2017, 80%*
30 *of global intangible low-taxed income. Global intangible low-taxed*
31 *income shall include income under section 250(b)(1) of the federal*
32 *internal revenue code of 1986, after any deductions allowed under section*
33 *250(b)(3) of the code.*

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

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

43 (f) No taxpayer shall be assessed penalties and interest from the

1 underpayment of taxes due to changes to this section that became law on
2 July 1, 2017, so long as such underpayment is rectified on or before April
3 17, 2018.

4 Sec. 2. K.S.A. 2017 Supp. 79-32,119 is hereby amended to read as
5 follows: 79-32,119. The Kansas standard deduction of an individual,
6 including a husband and wife who are either both residents or who file a
7 joint return as if both were residents, shall be equal to the sum of the
8 standard deduction amount allowed pursuant to this section, and the
9 additional standard deduction amount allowed pursuant to this section for
10 each such deduction allowable to such individual or to such husband and
11 wife under the federal internal revenue code. ~~For tax year 1998 through tax~~
12 ~~year 2012, the standard deduction amount shall be as follows: Single~~
13 ~~individual filing status, \$3,000; married filing status, \$6,000; and head of~~
14 ~~household filing status, \$4,500. For tax year 1998, and all tax years~~
15 ~~thereafter, the additional standard deduction amount shall be as follows:~~
16 ~~Single individual and head of household filing status, \$850; and married~~
17 ~~filing status, \$700. For tax year 2013, and all tax years thereafter~~ *through*
18 *tax year 2017*, the standard deduction amount of an individual, including
19 husband and wife who are either both residents or who file a joint return as
20 if both were residents, shall be as follows: Single individual filing status,
21 \$3,000; married filing status, \$7,500; and head of household filing status,
22 \$5,500. *For tax year 2018, and all tax years thereafter, the standard*
23 *deduction amount of an individual, including husband and wife who are*
24 *either both residents or who file a joint return as if both were residents,*
25 *shall be as follows: Single individual filing status, \$3,750; married filing*
26 *status, \$9,375; and head of household filing status, \$6,875. For purposes*
27 *of the foregoing, the federal standard deduction allowable to a husband*
28 *and wife filing separate Kansas income tax returns shall be determined on*
29 *the basis that separate federal returns were filed, and the federal standard*
30 *deduction of a husband and wife filing a joint Kansas income tax return*
31 *shall be determined on the basis that a joint federal income tax return was*
32 *filed.*

33 Sec. 3. K.S.A. 2017 Supp. 79-32,120 is hereby amended to read as
34 follows: 79-32,120. (a) (1) *For all tax years ending prior to January 1,*
35 *2018, if federal taxable income of an individual is determined by itemizing*
36 *deductions from such individual's federal adjusted gross income, such*
37 *individual may elect to deduct the Kansas itemized deduction in lieu of the*
38 *Kansas standard deduction. For all tax years commencing on and after*
39 *January 1, 2018, an individual may elect to deduct the Kansas itemized*
40 *deduction in lieu of the Kansas standard deduction regardless of whether*
41 *or not such individual's federal taxable income is determined by itemizing*
42 *deductions from such individual's federal adjusted gross income.*

43 (2) ~~For the tax year commencing on January 1, 2013, the Kansas~~

1 itemized deduction of an individual means 70% of the total amount of
2 deductions from federal adjusted gross income, other than federal
3 deductions for personal exemptions, as provided in the federal internal
4 revenue code with the modifications specified in this section.

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

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

21 ~~(5)(3) For the tax-year years commencing on and after January 1,~~
22 ~~2018, and ending before January 1, 2019, the Kansas itemized deduction~~
23 ~~of an individual means the following deductions from federal adjusted~~
24 ~~gross income, other than federal deductions for personal exemptions, as~~
25 ~~provided in the federal internal revenue code with the modifications~~
26 ~~specified in this section: (A) 100% of charitable contributions that qualify~~
27 ~~as charitable contributions allowable as deductions in section 170 of the~~
28 ~~federal internal revenue code; (B) 50% 100% of expenses for medical care~~
29 ~~allowable as deductions in section 213 of the federal internal revenue~~
30 ~~code; (C) 50% 100% of the amount of qualified residence interest as~~
31 ~~provided in section 163(h) of the federal internal revenue code; and (D)~~
32 ~~50% 100% of the amount of taxes on real and personal property as~~
33 ~~provided in section 164(a) of the federal internal revenue code.~~

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

1 ~~section 163(h) of the federal internal revenue code; and (D) 75% of the~~
2 ~~amount of taxes on real and personal property as provided in section~~
3 ~~164(a) of the federal internal revenue code.~~

4 ~~(7) For the tax years commencing on and after January 1, 2020, the~~
5 ~~Kansas itemized deduction of an individual means the following~~
6 ~~deductions from federal adjusted gross income, other than federal~~
7 ~~deductions for personal exemptions, as provided in the federal internal~~
8 ~~revenue code with the modifications specified in this section: (A) 100% of~~
9 ~~charitable contributions that qualify as charitable contributions allowable~~
10 ~~as deductions in section 170 of the federal internal revenue code; (B)~~
11 ~~100% of expenses for medical care allowable as deductions in section 213~~
12 ~~of the federal internal revenue code; (C) 100% of the amount of qualified~~
13 ~~residence interest as provided in section 163(h) of the federal internal~~
14 ~~revenue code; and (D) 100% of the amount of taxes on real and personal~~
15 ~~property as provided in section 164(a) of the federal internal revenue code.~~

16 (b) The total amount of deductions from federal adjusted gross
17 income shall be reduced by the total amount of income taxes imposed by
18 or paid to this state or any other taxing jurisdiction to the extent that the
19 same are deducted in determining the federal itemized deductions and by
20 the amount of all depreciation deductions claimed for any real or tangible
21 personal property upon which the deduction allowed by K.S.A. 2017
22 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,
23 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

24 Sec. 4. K.S.A. 2017 Supp. 79-32,138 is hereby amended to read as
25 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
26 under this act shall be the corporation's federal taxable income for the
27 taxable year with the modifications specified in this section.

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

32 (ii) the amount of all depreciation deductions claimed for any
33 property upon which the deduction allowed by K.S.A. 2017 Supp. 79-
34 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
35 32,255 or 79-32,256, and amendments thereto, is claimed;

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

39 (iv) for taxable years commencing December 31, 2013, that portion
40 of the amount of any expenditure deduction claimed in determining federal
41 adjusted gross income for expenses paid by a taxpayer for health care
42 when such expenses were paid or incurred for abortion coverage, a health
43 benefit plan, as defined in K.S.A. 2017 Supp. 65-6731, and amendments

1 thereto, when such expenses were paid or incurred for abortion coverage
2 or amounts contributed to health savings accounts for such taxpayer's
3 employees for the purchase of an optional rider for coverage of abortion in
4 accordance with K.S.A. 2017 Supp. 40-2,190, and amendments thereto;

5 (v) the amount of any charitable contribution deduction claimed for
6 any contribution or gift made to a scholarship granting organization to the
7 extent the same is claimed as the basis for the credit allowed pursuant to
8 K.S.A. 2017 Supp. 72-4357, and amendments thereto; ~~and~~

9 (vi) the federal net operating loss deduction; *and*

10 (vii) *for all taxable years commencing after December 31, 2016, 20%*
11 *of deferred foreign income. Deferred foreign income shall include income*
12 *under section 965(a) of the federal internal revenue code of 1986, after*
13 *any deductions allowed under section 965(c) of the code. The provisions*
14 *of this paragraph shall not apply if such income is already included in the*
15 *taxpayer's federal taxable income.*

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

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

34 (iii) an amount for the amortization deduction allowed pursuant to
35 K.S.A. 2017 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
36 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto;

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

40 (v) for all taxable years commencing after December 31, 1987, 80%
41 of dividends from corporations incorporated outside of the United States
42 or the District of Columbia which are included in federal taxable income.

43 (d) If any corporation derives all of its income from sources within

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

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

18 Sec. 5. K.S.A. 2017 Supp. 79-32,143a is hereby amended to read as
19 follows: 79-32,143a. (a) For taxable years beginning after December 31,
20 2011, a taxpayer may elect to take an expense deduction from Kansas net
21 income before expensing or recapture allocated or apportioned to this state
22 for the cost of the following property placed in service in this state during
23 the taxable year: (1) Tangible property eligible for depreciation under the
24 modified accelerated cost recovery system in section 168 of the internal
25 revenue code, as amended, but not including residential rental property,
26 nonresidential real property, any railroad grading or tunnel bore or any
27 other property with an applicable recovery period in excess of 25 years as
28 defined under section 168(c) or (g) of the internal revenue code, as
29 amended; and (2) computer software as defined in section 197(e)(3)(B) of
30 the internal revenue code, as amended, and as described in section 197(e)
31 (3)(A)(i) of the internal revenue code, as amended, to which section 167 of
32 the internal revenue code, as amended, applies. If such election is made,
33 the amount of expense deduction for such cost shall equal the difference
34 between the depreciable cost of such property for federal income tax
35 purposes and the amount of bonus depreciation being claimed for such
36 property pursuant to section 168(k) of the internal revenue code, as
37 amended, for federal income tax purposes in such tax year, but without
38 regard to any expense deduction being claimed for such property under
39 section 179 of the internal revenue code, as amended, multiplied by the
40 applicable factor, determined by using, the table provided in subsection (f),
41 based on the method of depreciation selected pursuant to section 168(b)
42 (1), (2), or (3) or (g) of the internal revenue code, as amended, and the
43 applicable recovery period for such property as defined under section

1 168(c) or (g) of the internal revenue code, as amended. This election shall
2 be made by the due date of the original return, including any extensions,
3 and may be made only for the taxable year in which the property is placed
4 in service, and once made, shall be irrevocable. If the section 179 expense
5 deduction election has been made for federal income tax purposes for any
6 asset, the applicable factor to be utilized is in the IRC § 168 (b)(1) column
7 of the table provided in subsection (f) for the applicable recovery period of
8 the respective assets.

9 (b) If the amount of expense deduction calculated pursuant to
10 subsection (a) exceeds the taxpayer's Kansas net income before expensing
11 or recapture allocated or apportioned to this state, such excess amount
12 shall be treated as a Kansas net operating loss as provided in K.S.A. 79-
13 32,143, and amendments thereto.

14 (c) If the property for which an expense deduction is taken pursuant
15 to subsection (a) is subsequently sold during the applicable recovery
16 period for such property as defined under section 168(c) of the internal
17 revenue code, as amended, and in a manner that would cause recapture of
18 any previously taken expense or depreciation deductions for federal
19 income tax purposes, or if the situs of such property is otherwise changed
20 such that the property is relocated outside the state of Kansas during such
21 applicable recovery period, then the expense deduction determined
22 pursuant to subsection (a) shall be subject to recapture and treated as
23 Kansas taxable income allocated to this state. The amount of recapture
24 shall be the Kansas expense deduction determined pursuant to subsection
25 (a) multiplied by a fraction, the numerator of which is the number of years
26 remaining in the applicable recovery period for such property as defined
27 under section 168(c) or (g) of the internal revenue code, as amended, after
28 such property is sold or removed from the state including the year of such
29 disposition, and the denominator of which is the total number of years in
30 such applicable recovery period.

31 (d) The situs of tangible property for purposes of claiming and
32 recapture of the expense deduction shall be the physical location of such
33 property. If such property is mobile, the situs shall be the physical location
34 of the business operations from where such property is used or based. The
35 situs of computer software shall be apportioned to Kansas based on the
36 fraction, the numerator of which is the number of the taxpayer's users
37 located in Kansas of licenses for such computer software used in the active
38 conduct of the taxpayer's business operations, and the denominator of
39 which is the total number of the taxpayer's users of the licenses for such
40 computer software used in the active conduct of the taxpayer's business
41 operations everywhere.

42 (e) Any member of a unitary group filing a combined report may
43 elect to take an expense deduction pursuant to subsection (a) for an

1 investment in property made by any member of the combined group,
 2 provided that the amount calculated pursuant to subsection (a) may only be
 3 deducted from the Kansas net income before expensing or recapture
 4 allocated to or apportioned to this state by such member making the
 5 election.

6 (f) The following table shall be used in determining the expense
 7 deduction calculated pursuant to subsection (a):

		Factors		
IRC§168	IRC§168(b)(1)	IRC§168(b)(2)	IRC§168(b)(3) or (g)	
Recover Period	Depreciation	Depreciation	Depreciation	
(year)	Method	Method	Method	
12	2.5	*	.077	.092
13	3	.075	.091	.106
14	3.5	*	.102	.116
15	4	*	.114	.129
16	5	.116	.135	.150
17	6	*	.154	.170
18	6.5	*	.163	.179
19	7	.151	.173	.190
20	7.5	*	.181	.199
21	8	*	.191	.208
22	8.5	*	.199	.217
23	9	*	.208	.226
24	9.5	*	.216	.235
25	10	.198	.224	.244
26	10.5	*	.232	.252
27	11	*	.240	.261
28	11.5	*	.248	.269
29	12	*	.256	.277
30	12.5	*	.263	.285
31	13	*	.271	.293
32	13.5	*	.278	.300
33	14	*	.285	.308
34	15	*	.299	.323
35	16	*	.313	.337
36	16.5	*	.319	.344
37	17	*	.326	.351
38	18	*	.339	.365
39	19	*	.351	.378
40	20	*	.363	.391
41	22	*	.386	.415
42	24	*	.408	.438
43	25	*	.419	.449

1 *Not Applicable

2 (g) If a taxpayer elects to expense any investment pursuant to
3 subsection (a), such taxpayer shall not be eligible for any tax credit,
4 accelerated depreciation, or deduction for such investment allowed
5 pursuant to K.S.A. 2017 Supp. 79-32,160a(e), 79-32,182b, 79-32,201, 79-
6 32,204, 79-32,211, 79-32,218, 79-32,221, 79-32,222, 79-32,224, 79-
7 32,227, 79-32,229, 79-32,232, 79-32,234, 79-32,237, 79-32,239, 79-
8 32,246, 79-32,249, 79-32,252, 79-32,255, 79-32,256 and 79-32,258, and
9 amendments thereto.

10 (h) (1) For tax year 2013, the deduction allowed by this section shall
11 only be available to taxpayers subject to the income tax on corporations
12 imposed pursuant to ~~subsection (e) of~~ K.S.A. 79-32,110(c), and
13 amendments thereto, and used only to determine such taxpayer's corporate
14 income tax liability.

15 (2) For tax ~~year years~~ 2014, ~~and all tax years thereafter,~~ 2015 and
16 2016, the deduction allowed by this section shall only be available to
17 taxpayers subject to the income tax on corporations imposed pursuant to
18 ~~subsection (e) of~~ K.S.A. 79-32,110(c), and amendments thereto, or the
19 privilege tax imposed upon any national banking association, state bank,
20 savings bank, trust company or savings and loan association pursuant to
21 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
22 thereto, and used only to determine such taxpayer's corporate income or
23 privilege tax liability.

24 (i) *For property placed in service in tax year 2017, a taxpayer may*
25 *file an amended return on or before December 31, 2018, in order to claim*
26 *the expense deduction allowed pursuant to this section for tax year 2017.*
27 *The provisions of this subsection shall not apply to taxpayers subject to*
28 *the income tax on corporations imposed pursuant to K.S.A. 79-32,110(c),*
29 *and amendments thereto, or the privilege tax imposed upon any national*
30 *banking association, state bank, savings bank, trust company or savings*
31 *and loan association pursuant to article 11 of chapter 79 of the Kansas*
32 *Statutes Annotated, and amendments thereto.*

33 Sec. 6. K.S.A. 2017 Supp. 79-32,117, 79-32,119, 79-32,120, 79-
34 32,138 and 79-32,143a are hereby repealed.

35 Sec. 7. This act shall take effect and be in force from and after its
36 publication in the statute book.