

## 2023 Kansas Statutes

**79-1109. "Net income" defined; deductions.** (a) As used in this act, "net income" means the Kansas taxable income of corporations as defined in K.S.A. 79-32,138, and amendments thereto, determined without regard to the provisions of K.S.A. 79-32,139, and amendments thereto, and the provisions of K.S.A. 79-32,117(c)(xiv), and amendments thereto, plus income received from obligations or securities of the United States or any authority, commission or instrumentality of the United States and its possessions to the extent not included in Kansas taxable income of a corporation and income received from obligations of this state or a political subdivision of this state that is exempt from income tax under the laws of this state, less dividends received from stock issued by Kansas venture capital, inc. to the extent such dividends are included in the Kansas taxable income of a corporation, interest paid on time deposits or borrowed money and dividends paid on withdrawable shares of savings and loan associations to the extent not deducted in arriving at Kansas taxable income of a corporation.

(b) Savings and loan associations shall be allowed as a deduction from net income, as defined in subsection (a), a reserve established for the sole purpose of meeting or absorbing losses, in the amount of 5% of such net income determined without benefit of such deduction, but no further deduction shall be allowed for losses when actually sustained and charged against such reserve, unless such reserve shall have been fully absorbed thereby; or, in the alternative, a reasonable addition to a reserve for losses based on past experience, under such rules and regulations as the secretary of revenue may prescribe.

(c) For all taxable years commencing after December 31, 2022, national banking associations, state banks, trust companies and savings and loan associations shall be allowed as a deduction from net income, as defined in subsection (a), the net interest income received from qualified agricultural real estate loans attributed to Kansas and the net interest income received from single family residence loans attributed to Kansas to the extent such interest is included in the Kansas taxable income of a corporation. As used in this subsection:

(1) "Interest" means interest on indebtedness attributed to Kansas and incurred in the ordinary course of the active conduct of any business and interest on indebtedness incurred that is secured by a single family residence;

(2) "qualified agricultural real estate loans" means loans made on real property that is substantially used for the production of one or more agricultural products and that:

(A) Have maturities of not less than five years and not more than 40 years;

(B) are secured by a first lien interest in real estate, except that the loans may be secured by a second lien interest if the institution also holds the first lien on the property; and

(C) have an outstanding loan balance when made that is less than 85% of the appraised value of the real estate, except that a loan for which private mortgage insurance is obtained may exceed 85% of the appraised value of the real estate to the extent the loan amount in excess of 85% is covered by such insurance;

(3) "single family residence" means a residence that:

(A) Is the principal residence of its occupant;

(B) is located in Kansas, in a rural area as defined by the United States department of agriculture that is not within a metropolitan statistical area and has a population of 2,500 or less as determined by the most recent census for which data is available; and

(C) is purchased or improved with the proceeds of the loan;

(4) "net interest income received from qualified agricultural real estate loans attributed to Kansas" means the product of the ratio of the interest income earned on qualified agricultural real estate loans over total interest income earned, in relation to the net income of the national banking association, state bank, trust company or savings and loan association without regard to this deduction; and

(5) "net interest income received from single family residence loans attributed to Kansas" means the product of the ratio of the interest income earned on single family residence loans over total interest income earned, in relation to the net income of the national banking association, state bank, trust company or savings and loan

association without regard to this deduction.

**History:** L. 1963, ch. 463, § 4; L. 1967, ch. 488, § 1; L. 1972, ch. 359, § 3; L. 1979, ch. 314, § 2; L. 1986, ch. 332, § 7; L. 1987, ch. 374, § 3; L. 1997, ch. 120, § 1; L. 2021, ch. 2, § 10; July 1.