

## HOUSE BILL No. 2316

By Committee on Vision 2020

2-11

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1 AN ACT concerning economic development; establishing the bioscience  
2 investment fund; taxation of certain bonds; amending K.S.A. 2010  
3 Supp. 79-32,117 and repealing the existing section.  
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5 *Be it enacted by the Legislature of the State of Kansas:*

6 New Section 1. (a) There is hereby created in the state treasury the  
7 bioscience investment fund. The fund shall be administered by the  
8 Kansas bioscience authority. Moneys to be deposited in this fund shall  
9 come from the sale of bonds as authorized in K.S.A. 2010 Supp. 74-  
10 99b10, and amendments thereto. The bonds shall be sold in  
11 denominations of \$100 and shall say on the face of the bond:

12 This bond is an investment in the bioscience industry in Kansas.

13 (b) Bioscience is a high risk investment and may or may not make  
14 money. The bond issued pursuant to this section shall be cashed in for a  
15 period of at least 10 years after issuance. After the 10 years, such bonds  
16 may be cashed in for the amount of capital in the fund plus accounts  
17 receivable divided by the number of bonds still outstanding. The Kansas  
18 development finance authority shall establish and maintain a current  
19 record of the address, social security number, name of the bond holder  
20 and the serial number of the bonds sold to such bond holder.

21 (c) Interest income on bonds issued pursuant to this section shall be  
22 excluded from computation of Kansas adjusted gross income whether or  
23 not included in federal adjusted gross income.

24 New Sec. 2. (a) The chairperson of the board of directors of the  
25 Kansas bioscience authority, or the chairperson's designee shall remit all  
26 amounts received from the sale of such bonds issued pursuant to section  
27 1, and amendments thereto, to the state treasurer in accordance with the  
28 provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of  
29 such remittance, the state treasurer shall deposit the entire amount in the  
30 state treasury to the credit of the bioscience investment fund.

31 (c) Expenditures from the fund may be made to provide jobs and aid  
32 research for cures for diseases by the Kansas bioscience authority. All  
33 expenditures from the bioscience investment fund shall be made in  
34 accordance with appropriation acts upon warrants of the director of  
35 accounts and reports issued pursuant to vouchers approved by the  
36 chairperson of the board of directors of the Kansas bioscience authority

1 or by the chairperson's designee.

2 (d) On or before the 10th day of each month, the director of accounts  
3 and reports shall transfer from the state general fund to the bioscience  
4 investment fund interest earnings based on:

5 (1) The average daily balance of moneys in the bioscience  
6 investment fund for the preceding month; and

7 (2) the net earnings rate of the pooled money investment portfolio  
8 for the preceding month.

9 (d) At the direction of the Kansas bioscience authority, the fund may  
10 be held in the custody of and invested by the department of  
11 administration or the state treasurer provided that the bioscience  
12 investment fund shall at all times be accounted for separate and apart  
13 from all other funds of the Kansas bioscience authority.

14 Sec. 3. K.S.A. 2010 Supp. 79-32,117 is hereby amended to read as  
15 follows: 79-32,117. (a) The Kansas adjusted gross income of an  
16 individual means such individual's federal adjusted gross income for the  
17 taxable year, with the modifications specified in this section.

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

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

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

39 (iii) The federal net operating loss deduction.

40 (iv) Federal income tax refunds received by the taxpayer if the  
41 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
42 income tax purposes during a prior taxable year. Such refunds shall be  
43 included in income in the year actually received regardless of the method

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

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

17 (vi) Any amount of designated employee contributions picked up by  
18 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
19 and amendments to such sections.

20 (vii) The amount of any charitable contribution made to the extent  
21 the same is claimed as the basis for the credit allowed pursuant to K.S.A.  
22 79-32,196, and amendments thereto.

23 (viii) The amount of any costs incurred for improvements to a swine  
24 facility, claimed for deduction in determining federal adjusted gross  
25 income, to the extent the same is claimed as the basis for any credit  
26 allowed pursuant to K.S.A. 2010 Supp. 79-32,204 and amendments  
27 thereto.

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

34 (x) Amounts received as nonqualified withdrawals, as defined by  
35 K.S.A. 2010 Supp. 75-643, and amendments thereto, if, at the time of  
36 contribution to a family postsecondary education savings account, such  
37 amounts were subtracted from the federal adjusted gross income pursuant  
38 to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments  
39 thereto, or if such amounts are not already included in the federal  
40 adjusted gross income.

41 (xi) The amount of any contribution made to the same extent the  
42 same is claimed as the basis for the credit allowed pursuant to K.S.A.  
43 2010 Supp. 74-50,154, and amendments thereto.

1 (xii) For taxable years commencing after December 31, 2004,  
2 amounts received as withdrawals not in accordance with the provisions of  
3 K.S.A. 2010 Supp. 74-50,204, and amendments thereto, if, at the time of  
4 contribution to an individual development account, such amounts were  
5 subtracted from the federal adjusted gross income pursuant to paragraph  
6 (xiii) of subsection (c), or if such amounts are not already included in the  
7 federal adjusted gross income.

8 (xiii) The amount of any expenditures claimed for deduction in  
9 determining federal adjusted gross income, to the extent the same is  
10 claimed as the basis for any credit allowed pursuant to K.S.A. 2010 Supp.  
11 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

12 (xiv) The amount of any amortization deduction claimed in  
13 determining federal adjusted gross income to the extent the same is  
14 claimed for deduction pursuant to K.S.A. 2010 Supp. 79-32,221, and  
15 amendments thereto.

16 (xv) The amount of any expenditures claimed for deduction in  
17 determining federal adjusted gross income, to the extent the same is  
18 claimed as the basis for any credit allowed pursuant to K.S.A. 2010 Supp.  
19 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
20 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
21 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

22 (xvi) The amount of any amortization deduction claimed in  
23 determining federal adjusted gross income to the extent the same is  
24 claimed for deduction pursuant to K.S.A. 2010 Supp. 79-32,227, 79-  
25 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
26 thereto.

27 (xvii) The amount of any amortization deduction claimed in  
28 determining federal adjusted gross income to the extent the same is  
29 claimed for deduction pursuant to K.S.A. 2010 Supp. 79-32,256, and  
30 amendments thereto.

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

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

42 (i) Interest or dividend income on obligations or securities of any  
43 authority, commission or instrumentality of the United States and its

1 possessions less any related expenses directly incurred in the purchase of  
2 such obligations or securities, to the extent included in federal adjusted  
3 gross income but exempt from state income taxes under the laws of the  
4 United States.

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

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

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

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

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

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

35 (viii) Amounts received by retired railroad employees as a  
36 supplemental annuity under the provisions of 45 U.S.C. 228b (a) and  
37 228c (a)(1) et seq.

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

43 (x) For taxable years beginning after December 31, 1976, the

1 amount of the federal tentative jobs tax credit disallowance under the  
2 provisions of 26 U.S.C. 280 C. For taxable years ending after December  
3 31, 1978, the amount of the targeted jobs tax credit and work incentive  
4 credit disallowances under 26 U.S.C. 280 C.

5 (xi) For taxable years beginning after December 31, 1986, dividend  
6 income on stock issued by Kansas Venture Capital, Inc.

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

11 (xiii) For taxable years beginning after December 31, 2004, amounts  
12 contributed to and the amount of income earned on contributions  
13 deposited to an individual development account under K.S.A. 2010 Supp.  
14 74-50,201, et seq., and amendments thereto.

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

25 (xv) For all taxable years beginning after December 31, 2006,  
26 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
27 joint return, for each designated beneficiary which are contributed to a  
28 family postsecondary education savings account established under the  
29 Kansas postsecondary education savings program or a qualified tuition  
30 program established and maintained by another state or agency or  
31 instrumentality thereof pursuant to section 529 of the internal revenue  
32 code of 1986, as amended, for the purpose of paying the qualified higher  
33 education expenses of a designated beneficiary at an institution of  
34 postsecondary education. The terms and phrases used in this paragraph  
35 shall have the meaning respectively ascribed thereto by the provisions of  
36 K.S.A. 2010 Supp. 75-643, and amendments thereto, and the provisions  
37 of such section are hereby incorporated by reference for all purposes  
38 thereof.

39 (xvi) For the tax year beginning after December 31, 2004, an  
40 amount not exceeding \$500; for the tax year beginning after December  
41 31, 2005, an amount not exceeding \$600; for the tax year beginning after  
42 December 31, 2006, an amount not exceeding \$700; for the tax year  
43 beginning after December 31, 2007, an amount not exceeding \$800; for

1 the tax year beginning December 31, 2008, an amount not exceeding  
2 \$900; and for all taxable years commencing after December 31, 2009, an  
3 amount not exceeding \$1,000 of the premium costs for qualified long-  
4 term care insurance contracts, as defined by subsection (b) of section  
5 7702B of public law 104-191.

6 (xvii) For all taxable years beginning after December 31, 2004,  
7 amounts received by taxpayers who are or were members of the armed  
8 forces of the United States, including service in the Kansas army and air  
9 national guard, as a recruitment, sign up or retention bonus received by  
10 such taxpayer as an incentive to join, enlist or remain in the armed  
11 services of the United States, including service in the Kansas army and  
12 air national guard, and amounts received for repayment of educational or  
13 student loans incurred by or obligated to such taxpayer and received by  
14 such taxpayer as a result of such taxpayer's service in the armed forces of  
15 the United States, including service in the Kansas army and air national  
16 guard.

17 (xviii) For all taxable years beginning after December 31, 2004,  
18 amounts received by taxpayers who are eligible members of the Kansas  
19 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
20 281, and amendments thereto, and amounts received for death benefits  
21 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to  
22 section 1 or section 2 of chapter 207 of the 2005 session laws of Kansas,  
23 and amendments thereto, to the extent that such death benefits are  
24 included in federal adjusted gross income of the taxpayer.

25 (xix) For the taxable year beginning after December 31, 2006,  
26 amounts received as benefits under the federal social security act which  
27 are included in federal adjusted gross income of a taxpayer with federal  
28 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
29 status is single, head of household, married filing separate or married  
30 filing jointly; and for all taxable years beginning after December 31,  
31 2007, amounts received as benefits under the federal social security act  
32 which are included in federal adjusted gross income of a taxpayer with  
33 federal adjusted gross income of \$75,000 or less, whether such taxpayer's  
34 filing status is single, head of household, married filing separate or  
35 married filing jointly.

36 (xx) Amounts received by retired employees of Washburn university  
37 as retirement and pension benefits under the university's retirement plan.

38 *(xxi) Amounts received as capital gains from the sale of bonds*  
39 *provided for in section 1 and K.S.A. 74-99b10, and amendments thereto,*  
40 *to the extent that such gains are included in federal adjusted gross*  
41 *income of the taxpayer.*

42 (d) There shall be added to or subtracted from federal adjusted gross  
43 income the taxpayer's share, as beneficiary of an estate or trust, of the

1 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and  
2 amendments thereto.

3 (e) The amount of modifications required to be made under this  
4 section by a partner which relates to items of income, gain, loss,  
5 deduction or credit of a partnership shall be determined under K.S.A. 79-  
6 32,131, and amendments thereto, to the extent that such items affect  
7 federal adjusted gross income of the partner.

8 Sec. 4. K.S.A. 2010 Supp. 79-32,117 is hereby repealed.

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

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