

*{As Amended by Senate Committee of the Whole}*

---

---

*As Amended by Senate Committee*

---

---

**As Amended by House Committee**

---

---

Session of 2013

## HOUSE BILL No. 2059

By Committee on Taxation

1-23

1 AN ACT concerning taxation; relating to income tax *rates*,~~},~~ deductions  
2 ~~and~~,~~},~~ modifications *{and credits}*; severance tax; sales tax *rates and*  
3 *distribution of revenue*; amending K.S.A. 79-32,109 and K.S.A. 2012  
4 Supp. ~~79-32,117, 79-32,118, 79-32,266, 79-3620 and 79-32,110, 79-~~  
5 ~~32,117, 79-32,118, 79-32,120, 79-32,266, 79-3603, 79-3620, 79-3703,~~  
6 ~~79-3710 and~~ 79-4217 and repealing the existing sections; also  
7 repealing K.S.A. 79-3632 and K.S.A. 2012 Supp. 79-32,117n and 79-  
8 3639a.

9  
10 *Be it enacted by the Legislature of the State of Kansas:*

11 Section 1. K.S.A. 79-32,109 is hereby amended to read as follows:  
12 79-32,109. As used in this act, unless the context otherwise requires:

13 (a) (1) Any term used in this act shall have the same meaning as when  
14 used in a comparable context in the federal internal revenue code. Any  
15 reference in this act to the "federal internal revenue code" shall mean the  
16 provisions of the federal internal revenue code of 1986, and amendments  
17 thereto, and other provisions of the laws of the United States relating to  
18 federal income taxes, as the same may be or become effective at any time,  
19 or from time to time, for the taxable year.

20 (2) *Any reference in this act to a federal form or schedule, or to a line*  
21 *number on a federal form or schedule, shall be to such form, schedule and*  
22 *line number as they existed for tax year 2011 and as revised thereafter by*  
23 *the internal revenue service. Any such reference shall include comparable*  
24 *federal forms, schedules, and line numbers used by non-United States*  
25 *residents when filing their federal income tax return with the internal*  
26 *revenue service.*

27 (b) "Resident individual" means a natural person who is domiciled in  
28 this state. A natural person who spends in the aggregate more than six  
29 months of the taxable year within this state shall be presumed to be a  
30 resident for purposes of this act in absence of proof to the contrary. A  
31 nonresident individual means an individual other than a resident  
32 individual.

1 (c) "Resident estate" means the estate of a deceased person whose  
2 domicile was in this state at the time of such person's death. "Nonresident  
3 estate" means an estate other than a resident estate.

4 (d) "Resident trust" means a trust which is administered in this state.  
5 A trust shall not be deemed to be administered in this state solely because  
6 it is subject to the jurisdiction of a district court within this state.  
7 "Nonresident trust" means a trust other than a resident trust.

8 (e) "Resident partner" means a partner who is a resident individual, a  
9 resident estate, or a resident trust. "Nonresident partner" means a partner  
10 other than a resident partner.

11 (f) "Resident beneficiary" means a beneficiary of an estate or trust  
12 which beneficiary is a resident individual, a resident estate, or a resident  
13 trust. "Nonresident beneficiary" means a beneficiary other than a resident  
14 beneficiary.

15 (g) "Director" means the director of taxation.

16 (h) "Modified Kansas source income" means that part of a  
17 nonresident individual's Kansas adjusted gross income as set forth in  
18 K.S.A. 79-32,117, and amendments thereto, derived from sources in  
19 Kansas. Items of income including unemployment compensation, gain,  
20 loss or deduction reflected in Kansas adjusted gross income shall be  
21 considered derived from sources in Kansas to the extent that they are  
22 attributable to: (1) The ownership of any interest in real or tangible  
23 personal property in this state; (2) a business, trade, profession or  
24 occupation carried on in this state; (3) a business, trade, profession or  
25 occupation carried on partly within and partly without this state as  
26 determined by the uniform division of income for tax purposes act as set  
27 forth in K.S.A. 79-3271 through K.S.A. 79-3293, and amendments thereto;  
28 (4) the distributive share of partnership income, gain, loss and deduction  
29 determined under this section as if the partnership were a nonresident  
30 individual; (5) the share of estate or trust income, gain, loss and deduction  
31 determined under K.S.A. 79-32,137, and amendments thereto; (6) prizes  
32 won from lottery games conducted by the Kansas lottery; (7) any winnings  
33 from parimutuel wagering derived from the conduct of parimutuel  
34 activities within this state; or (8) income from intangible personal property,  
35 including annuities, dividends, interest, and gains from the disposition of  
36 intangible personal property to the extent that such income is from  
37 property employed in a trade, business, profession or occupation carried  
38 on in Kansas. A nonresident, other than a dealer holding property primarily  
39 for sale to customers in the ordinary course of such dealer's trade or  
40 business, shall not be deemed to carry on a business, trade, profession or  
41 occupation in Kansas solely by reason of the purchase and sale of property  
42 for such nonresident's own account.

43 "Modified Kansas source income" shall not include: (1) Compensation

1 paid by the United States for service in the armed forces of the United  
2 States, performed during an induction period by an individual not  
3 domiciled in this state; or (2) such individual's share of distributed or  
4 undistributed taxable income or net operating loss of a corporation which  
5 is an electing small business corporation unless an agreement is filed as  
6 provided in K.S.A. 79-32,139, and amendments thereto, in which event,  
7 the "modified Kansas source income" of such nonresident individual shall  
8 include such individual's share of such corporation's distributed and  
9 undistributed taxable income or net operating loss as such share is  
10 determined under the internal revenue code only to the extent, however,  
11 that such income, gain or loss is at the corporate level, derived from  
12 sources within Kansas.

13 Sec. 2. K.S.A. 2012 Supp. 79-32,118 is hereby amended to read as  
14 follows: 79-32,118. ~~Commencing in tax year 2013,~~The Kansas deduction  
15 of an individual shall be such individual's Kansas standard deduction  
16 *unless such individual elects to deduct such individual's Kansas itemized*  
17 *deductions under the conditions set forth in K.S.A. 79-32,120, and*  
18 *amendments thereto.*

19 Sec. 3. K.S.A. 2012 Supp. 79-32,266 is hereby amended to read as  
20 follows: 79-32,266. (a) For taxable years commencing after December 31,  
21 2010, there shall be allowed as a credit against the tax liability of a  
22 resident individual taxpayer an amount equal to 95% of the resident  
23 individual's income tax liability under the provisions of the Kansas income  
24 tax act for Kansas source income received from a qualified company that  
25 is business income attributable to business activities conducted at the  
26 business facility, office, department or other operation relocated to Kansas  
27 when the taxpayer owns such qualified company and materially  
28 participates in such business activities conducted at such relocated  
29 business facility, office, department or other operation of such qualified  
30 company which qualified for benefits under the provisions of subsection  
31 (a)(1) of K.S.A. 74-50,212, and amendments thereto. A taxpayer shall be  
32 treated as materially participating in such qualified company's business  
33 activities conducted at such business facility, office, department or other  
34 operation relocated to Kansas only if the taxpayer is involved in such  
35 business activities of such qualified company on a basis which is regular,  
36 continuous and substantial. A taxpayer may claim the credit authorized by  
37 this section during any tax year in which the qualified company owned by  
38 the taxpayer qualifies for benefits under provisions of K.S.A. 74-50,212,  
39 and amendments thereto.

40 (b) Business income attributable to the business activities conducted  
41 at the business facility, office, department or other operation relocated to  
42 Kansas of a qualified company which qualified for benefits under the  
43 provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments

1 thereto, shall be determined by multiplying the business income of the  
2 company apportioned to this state by a fraction, the numerator of which is  
3 the property factor plus the payroll factor plus the sales factor, and the  
4 denominator of which is three. For purposes of this subsection, the  
5 property factor is a fraction, the numerator of which is the average value of  
6 the company's real and tangible personal property owned or rented and  
7 used during the tax period at such relocated facility, office, department or  
8 other relocated operation in Kansas, and the denominator of which is the  
9 average value of the company's real and tangible personal property owned  
10 or rented and used within this state during the tax period. The payroll  
11 factor is a fraction, the numerator of which is the total amount paid during  
12 the tax period by the company for compensation at such relocated facility,  
13 office, department or other relocated operation in Kansas, and the  
14 denominator of which is the total compensation paid by the company in  
15 this state during the tax period. The sales factor is a fraction, the numerator  
16 of which is the total sales of the relocated facility, office, department or  
17 other relocated operation in this state during the tax period, and the  
18 denominator of which is the total sales of the company in this state during  
19 the tax period.

20 (c) This credit shall not be available to any taxpayer making a  
21 modification under (b)(xix) or ~~(e)(xxi)~~ (c)(xx) of K.S.A. 79-32,117, and  
22 amendments thereto.

23 (d) The secretary of revenue shall adopt rules and regulations  
24 regarding the filing of documents that support the qualifications of the  
25 taxpayer for the credit claimed pursuant to this section.

26 Sec. 4. K.S.A. 2012 Supp. 79-3620 is hereby amended to read as  
27 follows: 79-3620. (a) All revenue collected or received by the director of  
28 taxation from the taxes imposed by this act shall be remitted to the state  
29 treasurer in accordance with the provisions of K.S.A. 75-4215, and  
30 amendments thereto. Upon receipt of each such remittance, the state  
31 treasurer shall deposit the entire amount in the state treasury, less amounts  
32 withheld as provided in subsection (b) and amounts credited as provided in  
33 subsection (c), (d) and (e), to the credit of the state general fund.

34 (b) A refund fund, designated as "sales tax refund fund" not to exceed  
35 \$100,000 shall be set apart and maintained by the director from sales tax  
36 collections and estimated tax collections and held by the state treasurer for  
37 prompt payment of all sales tax refunds ~~including refunds authorized~~  
38 ~~under the provisions of K.S.A. 79-3635, and amendments thereto.~~ Such  
39 fund shall be in such amount, within the limit set by this section, as the  
40 director shall determine is necessary to meet current refunding  
41 requirements under this act. In the event such fund as established by this  
42 section is, at any time, insufficient to provide for the payment of refunds  
43 due claimants thereof, the director shall certify the amount of additional

1 funds required to the director of accounts and reports who shall promptly  
2 transfer the required amount from the state general fund to the sales tax  
3 refund fund, and notify the state treasurer, who shall make proper entry in  
4 the records.

5 (c) (1) The state treasurer shall credit  $\frac{5}{98}$  of the revenue collected or  
6 received from the tax imposed by K.S.A. 79-3603, and amendments  
7 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),  
8 exclusive of amounts credited pursuant to subsection (d), in the state  
9 highway fund.

10 (2) The state treasurer shall credit  $\frac{5}{106}$  of the revenue collected or  
11 received from the tax imposed by K.S.A. 79-3603, and amendments  
12 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),  
13 exclusive of amounts credited pursuant to subsection (d), in the state  
14 highway fund.

15 (3) On July 1, 2006, the state treasurer shall credit  $\frac{19}{265}$  of the revenue  
16 collected and received from the tax imposed by K.S.A. 79-3603, and  
17 amendments thereto, at the rate of 5.3%, and deposited as provided by  
18 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
19 the state highway fund.

20 (4) On July 1, 2007, the state treasurer shall credit  $\frac{13}{106}$  of the revenue  
21 collected and received from the tax imposed by K.S.A. 79-3603, and  
22 amendments thereto, at the rate of 5.3%, and deposited as provided by  
23 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
24 the state highway fund.

25 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the  
26 revenue collected and received from the tax imposed by K.S.A. 79-3603,  
27 and amendments thereto, at the rate of 6.3%, and deposited as provided by  
28 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
29 the state highway fund.

30 (6) On July 1, 2011, the state treasurer shall credit 11.26% of the  
31 revenue collected and received from the tax imposed by K.S.A. 79-3603,  
32 and amendments thereto, at the rate of 6.3%, and deposited as provided by  
33 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
34 the state highway fund.

35 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the  
36 revenue collected and received from the tax imposed by K.S.A. 79-3603,  
37 and amendments thereto, at the rate of 6.3%, and deposited as provided by  
38 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
39 the state highway fund; ~~as well as such revenue collected and received at~~  
40 ~~the rate of 6.3%, after June 30, 2013.~~

41 (8) On July 1, 2013, and thereafter, the state treasurer shall credit  
42 ~~18.421%~~ **16.67%** of the revenue collected and received from the tax  
43 imposed by K.S.A. 79-3603, and amendments thereto, at the rate of ~~5.7%~~

1 6.3%, and deposited as provided by subsection (a), exclusive of amounts  
2 credited pursuant to subsection (d), in the state highway fund.

3 (d) The state treasurer shall credit all revenue collected or received  
4 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as  
5 certified by the director, from taxpayers doing business within that portion  
6 of a STAR bond project district occupied by a STAR bond project or  
7 taxpayers doing business with such entity financed by a STAR bond  
8 project as defined in K.S.A. 2012 Supp. 12-17,162, and amendments  
9 thereto, that was determined by the secretary of commerce to be of  
10 statewide as well as local importance or will create a major tourism area  
11 for the state or the project was designated as a STAR bond project as  
12 defined in K.S.A. 2012 Supp. 12-17,162, and amendments thereto, to the  
13 city bond finance fund, which fund is hereby created. The provisions of  
14 this subsection shall expire when the total of all amounts credited  
15 hereunder and under subsection (d) of K.S.A. 79-3710, and amendments  
16 thereto, is sufficient to retire the special obligation bonds issued for the  
17 purpose of financing all or a portion of the costs of such STAR bond  
18 project.

19 (e) All revenue certified by the director of taxation as having been  
20 collected or received from the tax imposed by subsection (c) of K.S.A. 79-  
21 3603, and amendments thereto, on the sale or furnishing of gas, water,  
22 electricity and heat for use or consumption within the intermodal facility  
23 district described in this subsection, shall be credited by the state treasurer  
24 to the state highway fund. Such revenue may be transferred by the  
25 secretary of transportation to the rail service improvement fund pursuant to  
26 law. The provisions of this subsection shall take effect upon certification  
27 by the secretary of transportation that a notice to proceed has been  
28 received for the construction of the improvements within the intermodal  
29 facility district, but not later than December 31, 2010, and shall expire  
30 when the secretary of revenue determines that the total of all amounts  
31 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3710, and  
32 amendments thereto, is equal to \$53,300,000, but not later than December  
33 31, 2045. Thereafter, all revenues shall be collected and distributed in  
34 accordance with applicable law. For all tax reporting periods during which  
35 the provisions of this subsection are in effect, none of the exemptions  
36 contained in K.S.A. 79-3601 et seq., and amendments thereto, shall apply  
37 to the sale or furnishing of any gas, water, electricity and heat for use or  
38 consumption within the intermodal facility district. As used in this  
39 subsection, "intermodal facility district" shall consist of an intermodal  
40 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and  
41 amendments thereto, located in Johnson county within the polygonal-  
42 shaped area having Waverly Road as the eastern boundary, 191<sup>st</sup> Street as  
43 the southern boundary, Four Corners Road as the western boundary, and

1 Highway 56 as the northern boundary, and the polygonal-shaped area  
2 having Poplar Road as the eastern boundary, 183<sup>rd</sup> Street as the southern  
3 boundary, Waverly Road as the western boundary, and the BNSF mainline  
4 track as the northern boundary, that includes capital investment in an  
5 amount exceeding \$150 million for the construction of an intermodal  
6 facility to handle the transfer, storage and distribution of freight through  
7 railway and trucking operations.

8 Sec. 5. K.S.A. 2012 Supp. 79-4217 is hereby amended to read as  
9 follows: 79-4217. (a) There is hereby imposed an excise tax upon the  
10 severance and production of coal, oil or gas from the earth or water in this  
11 state for sale, transport, storage, profit or commercial use, subject to the  
12 following provisions of this section. Such tax shall be borne ratably by all  
13 persons within the term "producer" as such term is defined in K.S.A. 79-  
14 4216, and amendments thereto, in proportion to their respective beneficial  
15 interest in the coal, oil or gas severed. Such tax shall be applied equally to  
16 all portions of the gross value of each barrel of oil severed and subject to  
17 such tax and to the gross value of the gas severed and subject to such tax.  
18 The rate of such tax shall be 8% of the gross value of all oil or gas severed  
19 from the earth or water in this state and subject to the tax imposed under  
20 this act. The rate of such tax with respect to coal shall be \$1 per ton. For  
21 the purposes of the tax imposed hereunder the amount of oil or gas  
22 produced shall be measured or determined: (1) In the case of oil, by tank  
23 tables compiled to show 100% of the full capacity of tanks without  
24 deduction for overage or losses in handling; allowance for any reasonable  
25 and bona fide deduction for basic sediment and water, and for correction of  
26 temperature to 60 degrees Fahrenheit will be allowed; and if the amount of  
27 oil severed has been measured or determined by tank tables compiled to  
28 show less than 100% of the full capacity of tanks, such amount shall be  
29 raised to a basis of 100% for the purpose of the tax imposed by this act;  
30 and (2) in the case of gas, by meter readings showing 100% of the full  
31 volume expressed in cubic feet at a standard base and flowing temperature  
32 of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is  
33 sold and purchased; correction to be made for pressure according to  
34 Boyle's law, and used for specific gravity according to the gravity at which  
35 the gas is sold and purchased, or if not so specified, according to the test  
36 made by the balance method.

37 (b) The following shall be exempt from the tax imposed under this  
38 section:

39 (1) The severance and production of gas which is: (A) Injected into  
40 the earth for the purpose of lifting oil, recycling or repressuring; (B) used  
41 for fuel in connection with the operation and development for, or  
42 production of, oil or gas in the lease or production unit where severed; (C)  
43 lawfully vented or flared; (D) severed from a well having an average daily

1 production during a calendar month having a gross value of not more than  
2 \$87 per day, which well has not been significantly curtailed by reason of  
3 mechanical failure or other disruption of production; in the event that the  
4 production of gas from more than one well is gauged by a common meter,  
5 eligibility for exemption hereunder shall be determined by computing the  
6 gross value of the average daily combined production from all such wells  
7 and dividing the same by the number of wells gauged by such meter; (E)  
8 inadvertently lost on the lease or production unit by reason of leaks,  
9 blowouts or other accidental losses; (F) used or consumed for domestic or  
10 agricultural purposes on the lease or production unit from which it is  
11 severed; or (G) placed in underground storage for recovery at a later date  
12 and which was either originally severed outside of the state of Kansas, or  
13 as to which the tax levied pursuant to this act has been paid;

14 (2) the severance and production of oil which is: (A) From a lease or  
15 production unit whose average daily production is five barrels or less per  
16 producing well, which well or wells have not been significantly curtailed  
17 by reason of mechanical failure or other disruption of production; (B) from  
18 a lease or production unit, the producing well or wells upon which have a  
19 completion depth of 2,000 feet or more, and whose average daily  
20 production is six barrels or less per producing well or, if the price of oil as  
21 determined pursuant to subsection (d) is \$16 or less, whose average daily  
22 production is seven barrels or less per producing well, or, if the price of oil  
23 as determined pursuant to subsection (d) is \$15 or less, whose average  
24 daily production is eight barrels or less per producing well, or, if the price  
25 of oil as determined pursuant to subsection (d) is \$14 or less, whose  
26 average daily production is nine barrels or less per producing well, or,  
27 if the price of oil as determined pursuant to subsection (d) is \$13 or less,  
28 whose average daily production is 10 barrels or less per producing well,  
29 which well or wells have not been significantly curtailed by reason of  
30 mechanical failure or other disruption of production; (C) from a lease or  
31 production unit, whose production results from a tertiary recovery process.  
32 "Tertiary recovery process" means the process or processes described in  
33 subparagraphs (1) through (9) of 10 C.F.R. § 212.78(c) as in effect on June  
34 1, 1979; (D) from a lease or production unit, the producing well or wells  
35 upon which have a completion depth of less than 2,000 feet and whose  
36 average daily production resulting from a water flood process, is six  
37 barrels or less per producing well, which well or wells have not been  
38 significantly curtailed by reason of mechanical failure or other disruption  
39 of production; (E) from a lease or production unit, the producing well or  
40 wells upon which have a completion depth of 2,000 feet or more, and  
41 whose average daily production resulting from a water flood process, is  
42 seven barrels or less per producing well or, if the price of oil as determined  
43 pursuant to subsection (d) is \$16 or less, whose average daily production is



1 eight barrels or less per producing well, or, if the price of oil as determined  
2 pursuant to subsection (d) is \$15 or less, whose average daily production is  
3 nine barrels or less per producing well, or, if the price of oil as determined  
4 pursuant to subsection (d) is \$14 or less, whose average daily production is  
5 10 barrels or less per producing well, which well or wells have not been  
6 significantly curtailed by reason of mechanical failure or other disruption  
7 of production; (F) test, frac or swab oil which is sold or exchanged for  
8 value; or (G) inadvertently lost on the lease or production unit by reason of  
9 leaks or other accidental means;

10 (3) (A) any taxpayer applying for an exemption pursuant to  
11 subsection (b)(2)(A) and (B) shall make application biennially to the  
12 director of taxation therefor. Exemptions granted pursuant to subsection  
13 (b)(2)(A) and (B) shall be valid for a period of two years following the  
14 date of certification thereof by the director of taxation; (B) any taxpayer  
15 applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall  
16 make application biennially to the director of taxation therefor. Such  
17 application shall be accompanied by proof of the approval of an  
18 application for the utilization of a water flood process therefor by the  
19 corporation commission pursuant to rules and regulations adopted under  
20 the authority of K.S.A. 55-152, and amendments thereto, and proof that  
21 the oil produced therefrom is kept in a separate tank battery and that  
22 separate books and records are maintained therefor. Such exemption shall  
23 be valid for a period of two years following the date of certification thereof  
24 by the director of taxation; (C) any exemption granted pursuant to  
25 subsections (b)(2)(A), (B), (D) or (E) with an odd lease number and an  
26 exemption termination date between June 1, 2004, and May 31, 2005,  
27 inclusive, shall be valid for a period of one year following the date of  
28 certification; and (D) notwithstanding the provisions of paragraph (A) or  
29 (B), any exemption in effect on the effective date of this act affected by the  
30 amendments to subsection (b)(2) by this act shall be redetermined in  
31 accordance with such amendments. Any such exemption, and any new  
32 exemption established by such amendments and applied for after the  
33 effective date of this *act* shall be valid for a period commencing with May  
34 1, 1998, and ending on April 30, 1999;

35 (4) the severance and production of gas or oil from any pool from  
36 which oil or gas was first produced on or after April 1, 1983, and prior to  
37 July 1, 2012, as determined by the state corporation commission and  
38 certified to the director of taxation, and continuing for a period of 24  
39 months from the month in which oil or gas was first produced from such  
40 pool as evidenced by an affidavit of completion of a well, filed with the  
41 state corporation commission and certified to the director of taxation.  
42 Exemptions granted for production from any well pursuant to this  
43 paragraph shall be valid for a period of 24 months following the month in

1 which oil or gas was first produced from such pool. The term "pool"  
2 means an underground accumulation of oil or gas in a single and separate  
3 natural reservoir characterized by a single pressure system so that  
4 production from one part of the pool affects the reservoir pressure  
5 throughout its extent;

6 (5) the severance and production of oil from any *well within a* pool  
7 from which oil was first produced on or after July 1, 2012, *as certified by*  
8 *the state corporation commission to the director of taxation*, and from  
9 which the *average daily* severance and production of oil *during the initial*  
10 *six months of production from the date of first production* from such ~~pool~~  
11 ~~producing well, which well has not been significantly curtailed by reason~~  
12 ~~of mechanical failure or other disruption of production~~, does not exceed  
13 50 barrels per day ~~as certified by the state corporation commission and~~  
14 ~~certified to the director of taxation~~, and continuing for a period of 24  
15 months from the month in which oil was first produced from such pool as  
16 evidenced by an affidavit of completion of a well, filed with the state  
17 corporation commission and certified to the director of taxation.  
18 Exemptions granted for production from any well pursuant to this  
19 subsection shall be valid for a period of 24 months following the month in  
20 which oil was first produced from such pool. The term "pool" means an  
21 underground accumulation of oil in a single and separate natural reservoir  
22 characterized by a single pressure system so that production from one part  
23 of the pool affects the reservoir pressure throughout its extent. *For any*  
24 *such well that has qualified for exemption, if the average daily severance*  
25 *and production of oil from such well exceeds 50 barrels per day within any*  
26 *qualifying one-month production period after the initial qualifying*  
27 *production period, the exemption for such well shall be terminated as of*  
28 *the commencement of such one-month production period;*

29 (6) the severance and production of oil or gas from a three-year  
30 inactive well, as determined by the state corporation commission and  
31 certified to the director of taxation, for a period of 10 years after the date  
32 of receipt of such certification. As used in this paragraph, "three-year  
33 inactive well" means any well that has not produced oil or gas in more  
34 than one month in the three years prior to the date of application to the  
35 state corporation commission for certification as a three-year inactive well.  
36 An application for certification as a three-year inactive well shall be in  
37 such form and contain such information as required by the state  
38 corporation commission, and shall be made prior to July 1, 1996. The  
39 commission may revoke a certification if information indicates that a  
40 certified well was not a three-year inactive well or if other lease  
41 production is credited to the certified well. Upon notice to the operator that  
42 the certification for a well has been revoked, the exemption shall not be  
43 applied to the production from that well from the date of revocation;

1 (7) (A) The incremental severance and production of oil or gas which  
2 results from a production enhancement project begun on or after July 1,  
3 1998, shall be exempt for a period of seven years from the start-up date of  
4 such project. As used in this paragraph:

5 (1) "Incremental severance and production" means the amount of oil  
6 or natural gas which is produced as the result of a production enhancement  
7 project which is in excess of the base production of oil or natural gas, and  
8 is determined by subtracting the base production from the total monthly  
9 production after the production enhancement project is completed.

10 (2) "Base production" means the average monthly amount of  
11 production for the twelve-month period immediately prior to the  
12 production enhancement project beginning date, minus the monthly rate of  
13 production decline for the well or project for each month beginning 180  
14 days prior to the project beginning date. The monthly rate of production  
15 decline shall be equal to the average extrapolated monthly decline rate for  
16 the well or project for the twelve-month period immediately prior to the  
17 production enhancement project beginning date, except that the monthly  
18 rate of production decline shall be equal to zero in the case where the well  
19 or project has experienced no monthly decline during the twelve-month  
20 period immediately prior to the production enhancement project beginning  
21 date. Such monthly rate of production decline shall be continued as the  
22 decline that would have occurred except for the enhancement project. Any  
23 well or project which may have produced during the twelve-month period  
24 immediately prior to the production enhancement project beginning date  
25 but is not capable of production on the project beginning date shall have a  
26 base production equal to zero. The calculation of the base production  
27 amount shall be evidenced by an affidavit and supporting documentation  
28 filed by the applying taxpayer with the state corporation commission.

29 (3) "Workover" means any downhole operation in an existing oil or  
30 gas well that is designed to sustain, restore or increase the production rate  
31 or ultimate recovery of oil or gas, including, but not limited to, acidizing,  
32 reperforation, fracture treatment, sand/paraffin/scale removal or other  
33 wellbore cleanouts, casing repair, squeeze cementing, initial installation, or  
34 enhancement of artificial lifts including plunger lifts, rods, pumps,  
35 submersible pumps and coiled tubing velocity strings, downsizing existing  
36 tubing to reduce well loading, downhole commingling, bacteria treatments,  
37 polymer treatments, upgrading the size of pumping unit equipment, setting  
38 bridge plugs to isolate water production zones, or any combination of the  
39 aforementioned operations; "workover" shall not mean the routine  
40 maintenance, routine repair, or like for-like replacement of downhole  
41 equipment such as rods, pumps, tubing packers or other mechanical  
42 device.

43 (4) "Production enhancement project" means performing or causing

1 to be performed the following:

2 (i) Workover;

3 (ii) recompletion to a different producing zone in the same well bore,  
4 except recompletions in formations and zones subject to a state  
5 corporation commission proration order;

6 (iii) secondary recovery projects;

7 (iv) addition of mechanical devices to dewater a gas or oil well;

8 (v) replacement or enhancement of surface equipment;

9 (vi) installation or enhancement of compression equipment, line  
10 looping or other techniques or equipment which increases production from  
11 a well or a group of wells in a project; *or*

12 (vii) new discoveries of oil or gas which are discovered as a result of  
13 the use of new technology, including, but not limited to, three dimensional  
14 seismic studies.

15 (B) The state corporation commission shall adopt rules and  
16 regulations necessary to efficiently and properly administer the provisions  
17 of this paragraph including rules and regulations for the qualification of  
18 production enhancement projects, the procedures for determining the  
19 monthly rate of production decline, criteria for determining the share of  
20 incremental production attributable to each well when a production  
21 enhancement project includes a group of wells, criteria for determining the  
22 start-up date for any project for which an exemption is claimed, and  
23 determining new qualifying technologies for the purposes of subsection (b)  
24 (7)(A)(4)(vii).

25 (C) Any taxpayer applying for an exemption pursuant to this  
26 paragraph shall make application to the director of taxation. Such  
27 application shall be accompanied by a state corporation commission  
28 certification that the production for which an exemption is sought results  
29 from a qualified production enhancement project and certification of the  
30 base production for the enhanced wells or group of wells, and the rate of  
31 decline to be applied to that base production. The secretary of revenue  
32 shall provide credit for any taxes paid between the project start-up date  
33 and the certification of qualifications by the commission.

34 (D) The exemptions provided for in this paragraph shall not apply for  
35 12 months beginning July 1 of the year subsequent to any calendar year  
36 during which: (1) In the case of oil, the secretary of revenue determines  
37 that the weighted average price of Kansas oil at the wellhead has exceeded  
38 \$20.00 per barrel; or (2) in the case of natural gas the secretary of revenue  
39 determines that the weighted average price of Kansas gas at the wellhead  
40 has exceeded \$2.50 per Mcf.

41 (E) The provisions of this paragraph shall not affect any other  
42 exemption allowable pursuant to this section; and

43 (7) for the calendar year 1988, and any year thereafter, the severance

1 or production of the first 350,000 tons of coal from any mine as certified  
2 by the state geological survey.

3 (c) No exemption shall be granted pursuant to subsection (b)(3) or (4)  
4 to any person who does not have a valid operator's license issued by the  
5 state corporation commission, and no refund of tax shall be made to any  
6 taxpayer attributable to any production in a period when such taxpayer did  
7 not hold a valid operator's license issued by the state corporation  
8 commission.

9 (d) On April 15, 1988, and on April 15 of each year thereafter, the  
10 secretary of revenue shall determine from statistics compiled and provided  
11 by the United States department of energy, the average price per barrel  
12 paid by the first purchaser of crude oil in this state for the six-month  
13 period ending on December 31 of the preceding year. Such price shall be  
14 used for the purpose of determining exemptions allowed by subsection (b)  
15 (2)(B) or (E) for the twelve-month period commencing on May 1 of such  
16 year and ending on April 30 of the next succeeding year.

17 **Sec. 6. K.S.A. 2012 Supp. 79-32,117 is hereby amended to read as**  
18 **follows: 79-32,117. (a) The Kansas adjusted gross income of an**  
19 **individual means such individual's federal adjusted gross income for**  
20 **the taxable year, with the modifications specified in this section.**

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

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

35 **(ii) Taxes on or measured by income or fees or payments in lieu of**  
36 **income taxes imposed by this state or any other taxing jurisdiction to**  
37 **the extent deductible in determining federal adjusted gross income**  
38 **and not credited against federal income tax. This paragraph shall not**  
39 **apply to taxes imposed under the provisions of K.S.A. 79-1107 or 79-**  
40 **1108, and amendments thereto, for privilege tax year 1995, and all**  
41 **such years thereafter.**

42 **(iii) The federal net operating loss deduction.**

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

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

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

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

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

27 (viii) The amount of any costs incurred for improvements to a  
28 swine facility, claimed for deduction in determining federal adjusted  
29 gross income, to the extent the same is claimed as the basis for any  
30 credit allowed pursuant to K.S.A. 2012 Supp. 79-32,204, and  
31 amendments thereto.

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

38 (x) Amounts received as nonqualified withdrawals, as defined by  
39 K.S.A. 2012 Supp. 75-643, and amendments thereto, if, at the time of  
40 contribution to a family postsecondary education savings account,  
41 such amounts were subtracted from the federal adjusted gross income  
42 pursuant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and  
43 amendments thereto, or if such amounts are not already included in

1 the federal adjusted gross income.

2 (xi) The amount of any contribution made to the same extent the  
3 same is claimed as the basis for the credit allowed pursuant to K.S.A.  
4 2012 Supp. 74-50,154, and amendments thereto.

5 (xii) For taxable years commencing after December 31, 2004,  
6 amounts received as withdrawals not in accordance with the  
7 provisions of K.S.A. 2012 Supp. 74-50,204, and amendments thereto,  
8 if, at the time of contribution to an individual development account,  
9 such amounts were subtracted from the federal adjusted gross income  
10 pursuant to paragraph (xiii) of subsection (c), or if such amounts are  
11 not already included in the federal adjusted gross income.

12 (xiii) The amount of any expenditures claimed for deduction in  
13 determining federal adjusted gross income, to the extent the same is  
14 claimed as the basis for any credit allowed pursuant to K.S.A. 2012  
15 Supp. 79-32,217 through 79-32,220 or 79-32,222, and amendments  
16 thereto.

17 (xiv) The amount of any amortization deduction claimed in  
18 determining federal adjusted gross income to the extent the same is  
19 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,221, and  
20 amendments thereto.

21 (xv) The amount of any expenditures claimed for deduction in  
22 determining federal adjusted gross income, to the extent the same is  
23 claimed as the basis for any credit allowed pursuant to K.S.A. 2012  
24 Supp. 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-  
25 32,233 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245  
26 through 79-32,248 or 79-32,251 through 79-32,254, and amendments  
27 thereto.

28 (xvi) The amount of any amortization deduction claimed in  
29 determining federal adjusted gross income to the extent the same is  
30 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,227, 79-  
31 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
32 thereto.

33 (xvii) The amount of any amortization deduction claimed in  
34 determining federal adjusted gross income to the extent the same is  
35 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,256, and  
36 amendments thereto.

37 (xviii) For taxable years commencing after December 31, 2006,  
38 the amount of any ad valorem or property taxes and assessments paid  
39 to a state other than Kansas or local government located in a state  
40 other than Kansas by a taxpayer who resides in a state other than  
41 Kansas, when the law of such state does not allow a resident of Kansas  
42 who earns income in such other state to claim a deduction for ad  
43 valorem or property taxes or assessments paid to a political

1 subdivision of the state of Kansas in determining taxable income for  
2 income tax purposes in such other state, to the extent that such taxes  
3 and assessments are claimed as an itemized deduction for federal  
4 income tax purposes.

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

23 (xx) For all taxable years beginning after December 31, 2012, the  
24 amount of any deduction for self-employment taxes under section  
25 164(f) of the federal internal revenue code as in effect on January 1,  
26 2012, and amendments thereto, in determining the federal adjusted  
27 gross income of an individual taxpayer.

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

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

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



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

2 (i) Interest or dividend income on obligations or securities of any  
3 authority, commission or instrumentality of the United States and its  
4 possessions less any related expenses directly incurred in the purchase  
5 of such obligations or securities, to the extent included in federal  
6 adjusted gross income but exempt from state income taxes under the  
7 laws of the United States.

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

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

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

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

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

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

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

42 (ix) Amounts received by retired employees of a city and by  
43 retired employees of any board of such city as retirement allowances

1 pursuant to K.S.A. 13-14,106, and amendments thereto, or pursuant  
2 to any charter ordinance exempting a city from the provisions of  
3 K.S.A. 13-14,106, and amendments thereto.

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

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

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

15 (xiii) For taxable years beginning after December 31, 2004,  
16 amounts contributed to and the amount of income earned on  
17 contributions deposited to an individual development account under  
18 K.S.A. 2012 Supp. 74-50,201 et seq., and amendments thereto.

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

33 (xv) For all taxable years beginning after December 31, 2006,  
34 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a  
35 joint return, for each designated beneficiary which are contributed to  
36 a family postsecondary education savings account established under  
37 the Kansas postsecondary education savings program or a qualified  
38 tuition program established and maintained by another state or  
39 agency or instrumentality thereof pursuant to section 529 of the  
40 internal revenue code of 1986, as amended, for the purpose of paying  
41 the qualified higher education expenses of a designated beneficiary at  
42 an institution of postsecondary education. The terms and phrases used  
43 in this paragraph shall have the meaning respectively ascribed thereto

1 by the provisions of K.S.A. 2012 Supp. 75-643, and amendments  
2 thereto, and the provisions of such section are hereby incorporated by  
3 reference for all purposes thereof.

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

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

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

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

37 (xx) For all taxable years beginning after December 31, 2012, the  
38 amount of any: (1) Net profit from business as determined under the  
39 federal internal revenue code and reported from schedule C and on  
40 line 12 of the taxpayer's form 1040 federal individual income tax  
41 return; (2) net income from rental real estate, royalties, partnerships,  
42 S corporations, estates, trusts, residual interest in real estate mortgage  
43 investment conduits and net farm rental as determined under the

1 federal internal revenue code and reported from schedule E and on  
 2 line 17 of the taxpayer's form 1040 federal individual income tax  
 3 return; and (3) net farm profit as determined under the federal  
 4 internal revenue code and reported from schedule F and on line 18 of  
 5 the taxpayer's form 1040 federal income tax return; all to the extent  
 6 included in the taxpayer's federal adjusted gross income. For purposes  
 7 of this subsection, references to the federal form 1040 and federal  
 8 schedule C, schedule E, and schedule F, shall be to such form and  
 9 schedules as they existed for tax year 2011 and as revised thereafter by  
 10 the internal revenue service.

11 (d) There shall be added to or subtracted from federal adjusted  
 12 gross income the taxpayer's share, as beneficiary of an estate or trust,  
 13 of the Kansas fiduciary adjustment determined under K.S.A. 79-  
 14 32,135, and amendments thereto.

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

20 *Sec. 7. On July 1, 2013, K.S.A. 2012 Supp. 79-32,110 is hereby*  
 21 *amended to read as follows: 79-32,110. (a) Resident Individuals. Except*  
 22 *as otherwise provided by subsection (a) of K.S.A. 79-3220, and*  
 23 *amendments thereto, a tax is hereby imposed upon the Kansas taxable*  
 24 *income of every resident individual, which tax shall be computed in*  
 25 *accordance with the following tax schedules:*

26 (1) *Married individuals filing joint returns.*

27 (A) *For tax year 2012:*

<i>If the taxable income is:</i>	<i>The tax is:</i>
28 <i>Not over \$30,000.....</i>	<i>3.5% of Kansas taxable income</i>
29 <i>Over \$30,000 but not over.....</i>	<i>\$1,050 plus 6.25% of excess</i>
30 <i>\$60,000</i>	<i>over \$30,000</i>
31 <i>Over \$60,000.....</i>	<i>\$2,925 plus 6.45% of excess</i>
32 <i>over \$60,000</i>	

33  
 34 (B) *For tax year 2013, and all tax years thereafter:*

<i>If the taxable income is:</i>	<i>The tax is:</i>
35 <i>Not over \$30,000.....</i>	<i>3.0% of Kansas taxable income</i>
36 <i>Over \$30,000.....</i>	<i>\$900 plus 4.9% of excess over</i>
37 <i>\$30,000</i>	

38  
 39 (C) *For tax years 2014 and 2015:*

<i>If the taxable income is:</i>	<i>The tax is:</i>
40 <i>Not over \$30,000.....</i>	<i>2.5% of Kansas taxable income</i>
41 <i>Over \$30,000.....</i>	<i>\$750 plus 4.9% of excess over</i>
42 <i>\$30,000</i>	<i>\$30,000</i>

43

1 (D) For tax year 2016:

2	<i>If the taxable income is:</i>	<i>The tax is:</i>
3	<i>Not over \$30,000.....</i>	<i>1.9% of Kansas taxable income</i>
4	<i>Over \$30,000.....</i>	<i>\$570 plus 4.9% of excess over</i>
5		<i>\$30,000</i>

6 (E) For tax year 2017, and all tax years thereafter:

7	<i>If the taxable income is:</i>	<i>The tax is:</i>
8	<i>Not over \$30,000.....</i>	<i>1.9% of Kansas taxable income</i>
9	<i>Over \$30,000.....</i>	<i>\$570 plus 3.5% of excess over</i>
10		<i>\$30,000</i>

11 (2) All other individuals.

12  
13 (A) For tax year 2012:

14	<i>If the taxable income is:</i>	<i>The tax is:</i>
15	<i>Not over \$15,000.....</i>	<i>3.5% of Kansas taxable income</i>
16	<i>Over \$15,000 but not over.....</i>	<i>\$525 plus 6.25% of excess</i>
17	<i>\$30,000</i>	<i>over \$15,000</i>
18	<i>Over \$30,000.....</i>	<i>\$1,462.50 plus 6.45% of excess</i>
19		<i>over \$30,000</i>

20 (B) For tax year 2013, and all tax years thereafter:

21	<i>If the taxable income is:</i>	<i>The tax is:</i>
22	<i>Not over \$15,000.....</i>	<i>3.0 % of Kansas taxable income</i>
23	<i>Over \$15,000.....</i>	<i>\$450 plus 4.9% of excess over</i>
24		<i>\$15,000</i>

25 (C) For tax years 2014 and 2015:

26	<i>If the taxable income is:</i>	<i>The tax is:</i>
27	<i>Not over \$15,000.....</i>	<i>2.5% of Kansas taxable income</i>
28	<i>Over \$15,000.....</i>	<i>\$375 plus 4.9% of excess over</i>
29		<i>\$15,000</i>

30 (D) For tax year 2016:

31	<i>If the taxable income is:.....</i>	<i>The tax is:</i>
32	<i>Not over \$15,000.....</i>	<i>1.9% of Kansas taxable income</i>
33	<i>Over \$15,000.....</i>	<i>\$285 plus 4.9% of excess over</i>
34		<i>\$15,000</i>

35 (E) For tax year 2017, and all tax years thereafter:

36	<i>If the taxable income is:</i>	<i>The tax is:</i>
37	<i>Not over \$15,000.....</i>	<i>1.9% of Kansas taxable income</i>
38	<i>Over \$15,000.....</i>	<i>\$285 plus 3.5% of excess over</i>
39		<i>\$15,000</i>

40 (b) Nonresident Individuals. A tax is hereby imposed upon the  
 41 Kansas taxable income of every nonresident individual, which tax shall  
 42 be an amount equal to the tax computed under subsection (a) as if the  
 43 nonresident were a resident multiplied by the ratio of modified Kansas

1 *source income to Kansas adjusted gross income.*

2 *(c) Corporations. A tax is hereby imposed upon the Kansas taxable*  
3 *income of every corporation doing business within this state or deriving*  
4 *income from sources within this state. Such tax shall consist of a normal*  
5 *tax and a surtax and shall be computed as follows:*

6 *(1) The normal tax shall be in an amount equal to 4% of the*  
7 *Kansas taxable income of such corporation; and*

8 *(2) (A) for tax year 2008, the surtax shall be in an amount equal to*  
9 *3.1% of the Kansas taxable income of such corporation in excess of*  
10 *\$50,000;*

11 *(B) for tax years 2009 and 2010, the surtax shall be in an amount*  
12 *equal to 3.05% of the Kansas taxable income of such corporation in*  
13 *excess of \$50,000; and*

14 *(C) for tax year 2011, and all tax years thereafter, the surtax shall*  
15 *be in an amount equal to 3% of the Kansas taxable income of such*  
16 *corporation in excess of \$50,000.*

17 *(d) Fiduciaries. A tax is hereby imposed upon the Kansas taxable*  
18 *income of estates and trusts at the rates provided in paragraph (2) of*  
19 *subsection (a) hereof.*

20 *Sec. 8. July 1, 2013, K.S.A. 2012 Supp. 79-32,120 is hereby*  
21 *amended to read as follows: 79-32,120. (a) If federal taxable income of*  
22 *an individual is determined by itemizing deductions from such*  
23 *individual's federal adjusted gross income, such individual may elect to*  
24 *deduct the Kansas itemized deduction in lieu of the Kansas standard*  
25 *deduction. The Kansas itemized deduction of an individual means the*  
26 *total amount of deductions from federal adjusted gross income, other*  
27 *than federal deductions for personal exemptions, as provided in the*  
28 *federal internal revenue code with the modifications specified in this*  
29 *section.*

30 *(b) ~~For taxable years commencing prior to January 1, 2013, The~~*  
31 *total amount of deductions from federal adjusted gross income shall be*  
32 *reduced by the total amount of income taxes imposed by or paid to this*  
33 *state or any other taxing jurisdiction to the extent that the same are*  
34 *deducted in determining the federal itemized deductions and by the*  
35 *amount of all depreciation deductions claimed for any real or tangible*  
36 *personal property upon which the deduction allowed by K.S.A. 2012*  
37 *Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,*  
38 *79-32,255 or 79-32,256, and amendments thereto, is or has been*  
39 *claimed.*

40 *(c) ~~For taxable years commencing on or after January 1, 2013, the~~*  
41 *total amount of deductions from federal adjusted gross income shall be*  
42 *reduced by the total amount of income taxes imposed by or paid to this*  
43 *state or any other taxing jurisdiction and allowed as itemized deductions*

1 ~~in section 164 of the federal internal revenue code, and amendments-~~  
2 ~~thereto, and the amount of qualified residential interest paid and allowed~~  
3 ~~as an itemized deduction in section 163 of the federal internal revenue-~~  
4 ~~code, and amendments thereto, to the extent that any of the same are~~  
5 ~~deducted in determining the federal itemized deductions and by the~~  
6 ~~amount of all depreciation deductions claimed for any real or tangible~~  
7 ~~personal property upon which the deduction allowed by K.S.A. 2012 Supp.~~  
8 ~~79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-~~  
9 ~~32,255 or 79-32,256, and amendments thereto, is or has been claimed.~~  
10 *{secretary of revenue shall annually establish a ratio for each tax year to*  
11 *determine the maximum total amount of deductions from federal*  
12 *adjusted gross income that can be claimed by an individual under this*  
13 *section by dividing the current highest marginal income tax rate for the*  
14 *applicable tax year found in K.S.A. 79-32,110, and amendments thereto,*  
15 *by the baseline highest marginal income tax rate of 6.45%, except that in*  
16 *any tax year in which there is no change in the highest marginal income*  
17 *tax rate from the previous year and there is a change in the lowest*  
18 *marginal income tax rate, the secretary shall establish such ratio by*  
19 *dividing such lowest marginal income tax rate by the baseline lowest*  
20 *marginal income tax rate of 3.5%. In any year in which both the lowest*  
21 *and highest marginal income tax rates change, the secretary shall use*  
22 *the greater ratio established pursuant to this subsection in determining*  
23 *the maximum total amount of deductions. The resulting number,*  
24 *rounded up to the nearest two decimal points, shall be the ratio for each*  
25 *tax year to be established annually by the secretary of revenue. The ratio*  
26 *established by the secretary of revenue under this subsection shall not*  
27 *exceed a maximum of 1.00.*

28 *(d) In determining the maximum total amount of deductions from*  
29 *federal adjusted gross income that can be claimed by an individual*  
30 *under this section, an individual shall multiply the total amount of*  
31 *deductions from federal adjusted gross income allowed under this*  
32 *section by the ratio established by the secretary of revenue in subsection*  
33 *(c). The resulting number shall be the maximum total amount of*  
34 *deductions from federal adjusted gross income that can be claimed on*  
35 *the individual's state income tax return in lieu of the standard*  
36 *deduction.*

37 *(e) The provisions of this section that provide for a reduction in the*  
38 *total amount of deductions from federal adjusted gross income shall not*  
39 *apply to contributions that qualify as charitable contributions allowable*  
40 *as deductions in section 170 of the federal internal revenue code, and*  
41 *amendments thereto.*

42 *(f) Notwithstanding any provision of this section to the contrary, for*  
43 *taxable years commencing after January 1, 2013, the total amount of*

1 *deductions from federal adjusted gross income shall be reduced by the*  
2 *amount of wagering losses claimed as an itemized deduction in section*  
3 *165(d) of the federal internal revenue code, and amendments thereto.}*

4 *Sec. 9. On July 1, 2013, K.S.A. 2012 Supp. 79-3603 is hereby*  
5 *amended to read as follows: 79-3603. For the privilege of engaging in*  
6 *the business of selling tangible personal property at retail in this state or*  
7 *rendering or furnishing any of the services taxable under this act, there*  
8 *is hereby levied and there shall be collected and paid a tax at the rate of*  
9 *5.3%, and commencing July 1, 2010, at the rate of 6.3%, and*  
10 *commencing July 1, 2013, at the rate of 5.7%. Within a*  
11 *redevelopment district established pursuant to K.S.A. 74-8921, and*  
12 *amendments thereto, there is hereby levied and there shall be collected*  
13 *and paid an additional tax at the rate of 2% until the earlier of the date*  
14 *the bonds issued to finance or refinance the redevelopment project have*  
15 *been paid in full or the final scheduled maturity of the first series of*  
16 *bonds issued to finance any part of the project upon:*

17 *(a) The gross receipts received from the sale of tangible personal*  
18 *property at retail within this state;*

19 *(b) the gross receipts from intrastate, interstate or international*  
20 *telecommunications services and any ancillary services sourced to this*  
21 *state in accordance with K.S.A. 2012 Supp. 79-3673, and amendments*  
22 *thereto, except that telecommunications service does not include: (1)*  
23 *Any interstate or international 800 or 900 service; (2) any interstate or*  
24 *international private communications service as defined in K.S.A. 2012*  
25 *Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice*  
26 *data service; (4) any telecommunication service to a provider of*  
27 *telecommunication services which will be used to render*  
28 *telecommunications services, including carrier access services; or (5)*  
29 *any service or transaction defined in this section among entities*  
30 *classified as members of an affiliated group as provided by section 1504*  
31 *of the federal internal revenue code of 1986, as in effect on January 1,*  
32 *2001;*

33 *(c) the gross receipts from the sale or furnishing of gas, water,*  
34 *electricity and heat, which sale is not otherwise exempt from taxation*  
35 *under the provisions of this act, and whether furnished by municipally*  
36 *or privately owned utilities, except that, on and after January 1, 2006,*  
37 *for sales of gas, electricity and heat delivered through mains, lines or*  
38 *pipes to residential premises for noncommercial use by the occupant of*  
39 *such premises, and for agricultural use and also, for such use, all sales*  
40 *of propane gas, the state rate shall be 0%; and for all sales of propane*  
41 *gas, LP gas, coal, wood and other fuel sources for the production of heat*  
42 *or lighting for noncommercial use of an occupant of residential*  
43 *premises, the state rate shall be 0%, but such tax shall not be levied and*



1 *collected upon the gross receipts from: (1) The sale of a rural water*  
2 *district benefit unit; (2) a water system impact fee, system enhancement*  
3 *fee or similar fee collected by a water supplier as a condition for*  
4 *establishing service; or (3) connection or reconnection fees collected by*  
5 *a water supplier;*

6 *(d) the gross receipts from the sale of meals or drinks furnished at*  
7 *any private club, drinking establishment, catered event, restaurant,*  
8 *eating house, dining car, hotel, drugstore or other place where meals or*  
9 *drinks are regularly sold to the public;*

10 *(e) the gross receipts from the sale of admissions to any place*  
11 *providing amusement, entertainment or recreation services including*  
12 *admissions to state, county, district and local fairs, but such tax shall not*  
13 *be levied and collected upon the gross receipts received from sales of*  
14 *admissions to any cultural and historical event which occurs triennially;*

15 *(f) the gross receipts from the operation of any coin-operated device*  
16 *dispensing or providing tangible personal property, amusement or other*  
17 *services except laundry services, whether automatic or manually*  
18 *operated;*

19 *(g) the gross receipts from the service of renting of rooms by hotels,*  
20 *as defined by K.S.A. 36-501, and amendments thereto, or by*  
21 *accommodation brokers, as defined by K.S.A. 12-1692, and amendments*  
22 *thereto, but such tax shall not be levied and collected upon the gross*  
23 *receipts received from sales of such service to the federal government*  
24 *and any agency, officer or employee thereof in association with the*  
25 *performance of official government duties;*

26 *(h) the gross receipts from the service of renting or leasing of*  
27 *tangible personal property except such tax shall not apply to the renting*  
28 *or leasing of machinery, equipment or other personal property owned by*  
29 *a city and purchased from the proceeds of industrial revenue bonds*  
30 *issued prior to July 1, 1973, in accordance with the provisions of K.S.A.*  
31 *12-1740 through 12-1749, and amendments thereto, and any city or*  
32 *lessee renting or leasing such machinery, equipment or other personal*  
33 *property purchased with the proceeds of such bonds who shall have paid*  
34 *a tax under the provisions of this section upon sales made prior to July*  
35 *1, 1973, shall be entitled to a refund from the sales tax refund fund of all*  
36 *taxes paid thereon;*

37 *(i) the gross receipts from the rendering of dry cleaning, pressing,*  
38 *dyeing and laundry services except laundry services rendered through a*  
39 *coin-operated device whether automatic or manually operated;*

40 *(j) the gross receipts from the rendering of the services of washing*  
41 *and washing and waxing of vehicles;*

42 *(k) the gross receipts from cable, community antennae and other*  
43 *subscriber radio and television services;*

1       ***(l) (1) except as otherwise provided by paragraph (2), the gross***  
2 ***receipts received from the sales of tangible personal property to all***  
3 ***contractors, subcontractors or repairmen for use by them in erecting***  
4 ***structures, or building on, or otherwise improving, altering, or repairing***  
5 ***real or personal property.***

6       ***(2) Any such contractor, subcontractor or repairman who***  
7 ***maintains an inventory of such property both for sale at retail and for***  
8 ***use by them for the purposes described by paragraph (1) shall be deemed***  
9 ***a retailer with respect to purchases for and sales from such inventory,***  
10 ***except that the gross receipts received from any such sale, other than a***  
11 ***sale at retail, shall be equal to the total purchase price paid for such***  
12 ***property and the tax imposed thereon shall be paid by the deemed***  
13 ***retailer;***

14       ***(m) the gross receipts received from fees and charges by public and***  
15 ***private clubs, drinking establishments, organizations and businesses for***  
16 ***participation in sports, games and other recreational activities, but such***  
17 ***tax shall not be levied and collected upon the gross receipts received***  
18 ***from: (1) Fees and charges by any political subdivision, by any***  
19 ***organization exempt from property taxation pursuant to paragraph***  
20 ***Ninth of K.S.A. 79-201, and amendments thereto, or by any youth***  
21 ***recreation organization exclusively providing services to persons 18***  
22 ***years of age or younger which is exempt from federal income taxation***  
23 ***pursuant to section 501(c)(3) of the federal internal revenue code of***  
24 ***1986, for participation in sports, games and other recreational activities;***  
25 ***and (2) entry fees and charges for participation in a special event or***  
26 ***tournament sanctioned by a national sporting association to which***  
27 ***spectators are charged an admission which is taxable pursuant to***  
28 ***subsection (e);***

29       ***(n) the gross receipts received from dues charged by public and***  
30 ***private clubs, drinking establishments, organizations and businesses,***  
31 ***payment of which entitles a member to the use of facilities for recreation***  
32 ***or entertainment, but such tax shall not be levied and collected upon the***  
33 ***gross receipts received from: (1) Dues charged by any organization***  
34 ***exempt from property taxation pursuant to paragraphs Eighth and***  
35 ***Ninth of K.S.A. 79-201, and amendments thereto; and (2) sales of***  
36 ***memberships in a nonprofit organization which is exempt from federal***  
37 ***income taxation pursuant to section 501 (c)(3) of the federal internal***  
38 ***revenue code of 1986, and whose purpose is to support the operation of***  
39 ***a nonprofit zoo;***

40       ***(o) the gross receipts received from the isolated or occasional sale***  
41 ***of motor vehicles or trailers but not including: (1) The transfer of motor***  
42 ***vehicles or trailers by a person to a corporation or limited liability***  
43 ***company solely in exchange for stock securities or membership interest***

1 *in such corporation or limited liability company; or (2) the transfer of*  
2 *motor vehicles or trailers by one corporation or limited liability company*  
3 *to another when all of the assets of such corporation or limited liability*  
4 *company are transferred to such other corporation or limited liability*  
5 *company; or (3) the sale of motor vehicles or trailers which are subject*  
6 *to taxation pursuant to the provisions of K.S.A. 79-5101 et seq., and*  
7 *amendments thereto, by an immediate family member to another*  
8 *immediate family member. For the purposes of clause (3), immediate*  
9 *family member means lineal ascendants or descendants, and their*  
10 *spouses. Any amount of sales tax paid pursuant to the Kansas retailers*  
11 *sales tax act on the isolated or occasional sale of motor vehicles or*  
12 *trailers on and after July 1, 2004, which the base for computing the tax*  
13 *was the value pursuant to subsections (a), (b)(1) and (b)(2) of K.S.A. 79-*  
14 *5105, and amendments thereto, when such amount was higher than the*  
15 *amount of sales tax which would have been paid under the law as it*  
16 *existed on June 30, 2004, shall be refunded to the taxpayer pursuant to*  
17 *the procedure prescribed by this section. Such refund shall be in an*  
18 *amount equal to the difference between the amount of sales tax paid by*  
19 *the taxpayer and the amount of sales tax which would have been paid by*  
20 *the taxpayer under the law as it existed on June 30, 2004. Each claim*  
21 *for a sales tax refund shall be verified and submitted not later than six*  
22 *months from the effective date of this act to the director of taxation upon*  
23 *forms furnished by the director and shall be accompanied by any*  
24 *additional documentation required by the director. The director shall*  
25 *review each claim and shall refund that amount of tax paid as provided*  
26 *by this act. All such refunds shall be paid from the sales tax refund fund,*  
27 *upon warrants of the director of accounts and reports pursuant to*  
28 *vouchers approved by the director of taxation or the director's designee.*  
29 *No refund for an amount less than \$10 shall be paid pursuant to this*  
30 *act. In determining the base for computing the tax on such isolated or*  
31 *occasional sale, the fair market value of any motor vehicle or trailer*  
32 *traded in by the purchaser to the seller may be deducted from the selling*  
33 *price;*

34 *(p) the gross receipts received for the service of installing or*  
35 *applying tangible personal property which when installed or applied is*  
36 *not being held for sale in the regular course of business, and whether or*  
37 *not such tangible personal property when installed or applied remains*  
38 *tangible personal property or becomes a part of real estate, except that*  
39 *no tax shall be imposed upon the service of installing or applying*  
40 *tangible personal property in connection with the original construction*  
41 *of a building or facility, the original construction, reconstruction,*  
42 *restoration, remodeling, renovation, repair or replacement of a*  
43 *residence or the construction, reconstruction, restoration, replacement*

1 *or repair of a bridge or highway.*

2 *For the purposes of this subsection:*

3 *(1) "Original construction" shall mean the first or initial*  
4 *construction of a new building or facility. The term "original*  
5 *construction" shall include the addition of an entire room or floor to*  
6 *any existing building or facility, the completion of any unfinished*  
7 *portion of any existing building or facility and the restoration,*  
8 *reconstruction or replacement of a building, facility or utility structure*  
9 *damaged or destroyed by fire, flood, tornado, lightning, explosion,*  
10 *windstorm, ice loading and attendant winds, terrorism or earthquake,*  
11 *but such term, except with regard to a residence, shall not include*  
12 *replacement, remodeling, restoration, renovation or reconstruction*  
13 *under any other circumstances;*

14 *(2) "building" shall mean only those enclosures within which*  
15 *individuals customarily are employed, or which are customarily used to*  
16 *house machinery, equipment or other property, and including the land*  
17 *improvements immediately surrounding such building;*

18 *(3) "facility" shall mean a mill, plant, refinery, oil or gas well,*  
19 *water well, feedlot or any conveyance, transmission or distribution line*  
20 *of any cooperative, nonprofit, membership corporation organized under*  
21 *or subject to the provisions of K.S.A. 17-4601 et seq., and amendments*  
22 *thereto, or municipal or quasi-municipal corporation, including the land*  
23 *improvements immediately surrounding such facility;*

24 *(4) "residence" shall mean only those enclosures within which*  
25 *individuals customarily live;*

26 *(5) "utility structure" shall mean transmission and distribution*  
27 *lines owned by an independent transmission company or cooperative,*  
28 *the Kansas electric transmission authority or natural gas or electric*  
29 *public utility; and*

30 *(6) "windstorm" shall mean straight line winds of at least 80 miles*  
31 *per hour as determined by a recognized meteorological reporting agency*  
32 *or organization;*

33 *(q) the gross receipts received for the service of repairing, servicing,*  
34 *altering or maintaining tangible personal property which when such*  
35 *services are rendered is not being held for sale in the regular course of*  
36 *business, and whether or not any tangible personal property is*  
37 *transferred in connection therewith. The tax imposed by this subsection*  
38 *shall be applicable to the services of repairing, servicing, altering or*  
39 *maintaining an item of tangible personal property which has been and is*  
40 *fastened to, connected with or built into real property;*

41 *(r) the gross receipts from fees or charges made under service or*  
42 *maintenance agreement contracts for services, charges for the providing*  
43 *of which are taxable under the provisions of subsection (p) or (q);*

1       (s) *on and after January 1, 2005, the gross receipts received from*  
2 *the sale of prewritten computer software and the sale of the services of*  
3 *modifying, altering, updating or maintaining prewritten computer*  
4 *software, whether the prewritten computer software is installed or*  
5 *delivered electronically by tangible storage media physically transferred*  
6 *to the purchaser or by load and leave;*

7       (t) *the gross receipts received for telephone answering services;*

8       (u) *the gross receipts received from the sale of prepaid calling*  
9 *service and prepaid wireless calling service as defined in K.S.A. 2012*  
10 *Supp. 79-3673, and amendments thereto; and*

11       (v) *the gross receipts received from the sales of bingo cards, bingo*  
12 *faces and instant bingo tickets by licensees under K.S.A. 79-4701 et seq.,*  
13 *and amendments thereto, shall be taxed at a rate of: (1) 4.9% on July 1,*  
14 *2000, and before July 1, 2001; and (2) 2.5% on July 1, 2001, and before*  
15 *July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo*  
16 *faces and instant bingo tickets by licensees under K.S.A. 79-4701 et seq.,*  
17 *and amendments thereto, shall be exempt from taxes imposed pursuant*  
18 *to this section.*

19       Sec. 10. *On July 1, 2013, K.S.A. 2012 Supp. 79-3703 is hereby*  
20 *amended to read as follows: 79-3703. There is hereby levied and there*  
21 *shall be collected from every person in this state a tax or excise for the*  
22 *privilege of using, storing, or consuming within this state any article of*  
23 *tangible personal property. Such tax shall be levied and collected in an*  
24 *amount equal to the consideration paid by the taxpayer multiplied by the*  
25 *rate of 5.3%, and commencing July 1, 2010, at the rate of 6.3%, and*  
26 *commencing July 1, 2013, at the rate of 5.7%. Within a redevelopment*  
27 *district established pursuant to K.S.A. 74-8921, and amendments*  
28 *thereto, there is hereby levied and there shall be collected and paid an*  
29 *additional tax of 2% until the earlier of: (1) The date the bonds issued to*  
30 *finance or refinance the redevelopment project undertaken in the district*  
31 *have been paid in full; or (2) the final scheduled maturity of the first*  
32 *series of bonds issued to finance the redevelopment project. All property*  
33 *purchased or leased within or without this state and subsequently used,*  
34 *stored or consumed in this state shall be subject to the compensating tax*  
35 *if the same property or transaction would have been subject to the*  
36 *Kansas retailers' sales tax had the transaction been wholly within this*  
37 *state.*

38       Sec. 11. *On July 1, 2013, K.S.A. 2012 Supp. 79-3710 is hereby*  
39 *amended to read as follows: 79-3710. (a) All revenue collected or*  
40 *received by the director under the provisions of this act shall be remitted*  
41 *to the state treasurer in accordance with the provisions of K.S.A. 75-*  
42 *4215, and amendments thereto. Upon receipt of each such remittance,*  
43 *the state treasurer shall deposit the entire amount in the state treasury,*

1 *less amounts set apart as provided in subsection (b) and amounts*  
2 *credited as provided in subsection (c), (d) and (e), to the credit of the*  
3 *state general fund.*

4 *(b) A revolving fund, designated as "compensating tax refund*  
5 *fund" not to exceed \$10,000 shall be set apart and maintained by the*  
6 *director from compensating tax collections and estimated tax collections*  
7 *and held by the state treasurer for prompt payment of all compensating*  
8 *tax refunds. Such fund shall be in such amount, within the limit set by*  
9 *this section, as the director shall determine is necessary to meet current*  
10 *refunding requirements under this act.*

11 *(c) (1) The state treasurer shall credit  $\frac{5}{98}$  of the revenue collected or*  
12 *received from the tax imposed by K.S.A. 79-3703, and amendments*  
13 *thereto, at the rate of 4.9%, and deposited as provided in subsection (a),*  
14 *exclusive of amounts credited pursuant to subsection (d), in the state*  
15 *highway fund.*

16 *(2) The state treasurer shall credit  $\frac{5}{106}$  of the revenue collected or*  
17 *received from the tax imposed by K.S.A. 79-3703, and amendments*  
18 *thereto, at the rate of 5.3%, and deposited as provided in subsection (a),*  
19 *exclusive of amounts credited pursuant to subsection (d), in the state*  
20 *highway fund.*

21 *(3) On July 1, 2006, the state treasurer shall credit  $\frac{19}{265}$  of the*  
22 *revenue collected or received from the tax imposed by K.S.A. 79-3703,*  
23 *and amendments thereto, at the rate of 5.3%, and deposited as provided*  
24 *by subsection (a), exclusive of amounts credited pursuant to subsection*  
25 *(d), in the state highway fund.*

26 *(4) On July 1, 2007, the state treasurer shall credit  $\frac{13}{106}$  of the*  
27 *revenue collected or received from the tax imposed by K.S.A. 79-3703,*  
28 *and amendments thereto, at the rate of 5.3%, and deposited as provided*  
29 *by subsection (a), exclusive of amounts credited pursuant to subsection*  
30 *(d), in the state highway fund.*

31 *(5) On July 1, 2010, the state treasurer shall credit 11.427% of the*  
32 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*  
33 *and amendments thereto, at the rate of 6.3%, and deposited as provided*  
34 *by subsection (a), exclusive of amounts credited pursuant to subsection*  
35 *(d), in the state highway fund.*

36 *(6) On July 1, 2011, the state treasurer shall credit 11.26% of the*  
37 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*  
38 *and amendments thereto, at the rate of 6.3%, and deposited as provided*  
39 *by subsection (a), exclusive of amounts credited pursuant to subsection*  
40 *(d), in the state highway fund.*

41 *(7) On July 1, 2012, the state treasurer shall credit 11.233% of the*  
42 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*  
43 *and amendments thereto, at the rate of 6.3%, and deposited as provided*

1 *by subsection (a), exclusive of amounts credited pursuant to subsection*  
2 *(d), in the state highway fund, as well as such revenue collected and*  
3 *received at the rate of 6.3%, after June 30, 2013.*

4 *(8) On July 1, 2013, and thereafter, the state treasurer shall credit*  
5 *18.421% 16.67% of the revenue collected and received from the tax*  
6 *imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%*  
7 *6.3%, and deposited as provided by subsection (a), exclusive of amounts*  
8 *credited pursuant to subsection (d), in the state highway fund.*

9 *(d) The state treasurer shall credit all revenue collected or received*  
10 *from the tax imposed by K.S.A. 79-3703, and amendments thereto, as*  
11 *certified by the director, from taxpayers doing business within that*  
12 *portion of a redevelopment district occupied by a redevelopment project*  
13 *that was determined by the secretary of commerce to be of statewide as*  
14 *well as local importance or will create a major tourism area for the state*  
15 *as defined in K.S.A. 12-1770a, and amendments thereto, to the city bond*  
16 *finance fund created by subsection (d) of K.S.A. 79-3620, and*  
17 *amendments thereto. The provisions of this subsection shall expire when*  
18 *the total of all amounts credited hereunder and under subsection (d) of*  
19 *K.S.A. 79-3620, and amendments thereto, is sufficient to retire the*  
20 *special obligation bonds issued for the purpose of financing all or a*  
21 *portion of the costs of such redevelopment project.*

22 *This subsection shall not apply to a project designated as a special*  
23 *bond project as defined in subsection (z) of K.S.A. 12-1770a, and*  
24 *amendments thereto.*

25 *(e) All revenue certified by the director of taxation as having been*  
26 *collected or received from the tax imposed by subsection (c) of K.S.A.*  
27 *79-3603, and amendments thereto, on the sale or furnishing of gas,*  
28 *water, electricity and heat for use or consumption within the intermodal*  
29 *facility district described in this subsection, shall be credited by the state*  
30 *treasurer to the state highway fund. Such revenue may be transferred by*  
31 *the secretary of transportation to the rail service improvement fund*  
32 *pursuant to law. The provisions of this subsection shall take effect upon*  
33 *certification by the secretary of transportation that a notice to proceed*  
34 *has been received for the construction of the improvements within the*  
35 *intermodal facility district, but not later than December 31, 2010, and*  
36 *shall expire when the secretary of revenue determines that the total of all*  
37 *amounts credited hereunder and pursuant to subsection (e) of K.S.A. 79-*  
38 *3620, and amendments thereto, is equal to \$53,300,000, but not later*  
39 *than December 31, 2045. Thereafter, all revenues shall be collected and*  
40 *distributed in accordance with applicable law. For all tax reporting*  
41 *periods during which the provisions of this subsection are in effect, none*  
42 *of the exemptions contained in K.S.A. 79-3601 et seq., and amendments*  
43 *thereto, shall apply to the sale or furnishing of any gas, water, electricity*

1 *and heat for use or consumption within the intermodal facility district.*  
2 *As used in this subsection, "intermodal facility district" shall consist of*  
3 *an intermodal transportation area as defined by subsection (oo) of*  
4 *K.S.A. 12-1770a, and amendments thereto, located in Johnson county*  
5 *within the polygonal-shaped area having Waverly Road as the eastern*  
6 *boundary, 191<sup>st</sup> Street as the southern boundary, Four Corners Road as*  
7 *the western boundary, and Highway 56 as the northern boundary, and*  
8 *the polygonal-shaped area having Poplar Road as the eastern boundary,*  
9 *183<sup>rd</sup> Street as the southern boundary, Waverly Road as the western*  
10 *boundary, and the BNSF mainline track as the northern boundary, that*  
11 *includes capital investment in an amount exceeding \$150 million for the*  
12 *construction of an intermodal facility to handle the transfer, storage and*  
13 *distribution of freight through railway and trucking operations.*

14 *New Sec. 12. (a) (1) Except as provided in subsection (a)(2),*  
15 *commencing with fiscal year 2015, in any fiscal year in which the*  
16 *amount of actual state general fund receipts from taxes for such fiscal*  
17 *year exceeds the actual state general fund receipts from taxes for the*  
18 *immediately preceding fiscal year by more than 4%, the director of*  
19 *budget and the director of legislative research shall jointly certify such*  
20 *excess amount to the secretary of revenue. Upon receipt of such certified*  
21 *amount, the secretary shall estimate the individual income tax rate*  
22 *reductions to go into effect for the next tax year that would decrease by*  
23 *such certified amount the estimated individual income tax receipts*  
24 *during the fiscal year after the next fiscal year.*

25 *Rate reductions for individual income tax shall be applied to reduce*  
26 *the highest marginal rate applicable. Based on such determination, the*  
27 *secretary shall reduce individual income tax rates prescribed by K.S.A.*  
28 *79-32,110, and amendments thereto.*

29 *(2) In any fiscal year in which the amount of actual state general*  
30 *fund receipts from taxes for such fiscal year are less than 104% of the*  
31 *actual state general fund receipts from taxes from any prior fiscal year,*  
32 *the director of budget and the director of legislative research shall*  
33 *jointly certify such amount and fact to the secretary of revenue. Upon*  
34 *receipt of such amount and fact, the secretary shall not make any*  
35 *adjustment to the individual income tax rates.*

36 *(b) Any reduction in individual income tax rates prescribed by this*  
37 *section shall be published in the Kansas register prior to October 15 of*  
38 *the calendar year immediately preceding the tax year in which such*  
39 *reduction takes effect.*

40 *(c) The provisions of this section shall take effect on July 1, 2013.*

41 *{New Sec. 13. (a) Commencing in tax year 2013, and all tax years*  
42 *thereafter, and in addition to the credit provided in subsection (b), there*  
43 *shall be allowed as a credit against the tax liability of a resident*



1 *individual imposed under the Kansas income tax act an amount equal*  
2 *to: (1) 25% of the amount of the credit allowed against such taxpayer's*  
3 *federal income tax liability pursuant to section 23 of the federal internal*  
4 *revenue code determined without regard to subsection (c) of such*  
5 *section; (2) in addition to subsection (a)(1), 25% of the amount of such*  
6 *federal income tax credit, if the child adopted by the taxpayer was a*  
7 *resident of Kansas prior to such lawful adoption; and (3) and in addition*  
8 *to subsections (a)(1) and (a)(2), 25% of the amount of such federal*  
9 *income tax credit, if the child adopted by the taxpayer is a child with*  
10 *special needs, as defined in section 23 of the federal internal revenue*  
11 *code, and the child was a resident of Kansas prior to such lawful*  
12 *adoption, for the taxable year in which such credit was claimed against*  
13 *the taxpayer's federal income tax liability.*

14 *(b) Commencing in tax year 2013, and all tax years thereafter,*  
15 *there shall be allowed as a credit against the tax liability of a resident*  
16 *individual imposed under the Kansas income tax act an amount equal to*  
17 *\$1,500 for the taxable year in which occurs the lawful adoption of a*  
18 *child in the custody of the secretary for children and families or a child*  
19 *with special needs, whether or not such individual is reimbursed for all*  
20 *or part of qualified adoption expenses or has received a public or private*  
21 *grant therefor. As used in this subsection, terms and phrases shall have*  
22 *the meanings ascribed thereto by the provisions of section 23 of the*  
23 *federal internal revenue code.*

24 *(c) The credit allowed by subsections (a) and (b) shall not exceed*  
25 *the amount of the tax imposed by K.S.A. 79-32,110, and amendments*  
26 *thereto, reduced by the sum of any other credits allowable pursuant to*  
27 *law. If the amount of such tax credit exceeds the taxpayer's income tax*  
28 *liability for such taxable year, the amount thereof which exceeds such*  
29 *tax liability may be carried over for deduction from the taxpayer's*  
30 *income tax liability in the next succeeding taxable year or years until the*  
31 *total amount of the tax credits has been deducted from tax liability.*

32 *Sec.-6- ~~7~~, ~~13~~, {14.}* K.S.A. 79-32,109 and 79-3632 and and K.S.A.  
33 2012 Supp. 79-32,117, 79-32,117n, 79-32,118, 79-32,266 79-3620, 79-  
34 3639a and 79-4217 are hereby repealed.

35 *Sec.-~~14~~, {15.}* *On July 1, 2013, K.S.A. 2012 Supp. 79-32,110, 79-*  
36 *32,120, 79-3603, 79-3703 and 79-3710 are hereby repealed.*

37 *Sec.-7-~~8~~, ~~15~~, {16.}* This act shall take effect and be in force from and  
38 after its publication in the Kansas register.