

SENATE BILL No. 240

By Committee on Ways and Means

3-19

1 AN ACT concerning taxation; relating to income tax on corporations;
2 rates, credits and deductions; amending K.S.A. 2012 Supp. 74-99c09,
3 79-32,110, 79-32,117, 79-32,196 and 79-32,211 and repealing the
4 existing sections; also repealing K.S.A. 2012 Supp. 32-1438, 39-7,132,
5 40-2246, 65-7107, 74-8206, 74-8340, 74-8316, 74-8401, 74-50,208,
6 79-1117, 79-32,143, 79-32,160a, 79-32,160f, 79-32,175, 79-32,182b,
7 79-32,200, 79-32,201, 79-32,204, 79-32,207, 79-32,210, 79-32,212 and
8 79-32,222.

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

11 Section 1. K.S.A. 2012 Supp. 79-32,110 is hereby amended to read as
12 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided
13 by subsection (a) of K.S.A. 79-3220, and amendments thereto, a tax is
14 hereby imposed upon the Kansas taxable income of every resident
15 individual, which tax shall be computed in accordance with the following
16 tax schedules:

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

18 (A) For tax year 2012:

| If the taxable income is: | The tax is: |
|-------------------------------|-------------------------------|
| 19 Not over \$30,000..... | 3.5% of Kansas taxable income |
| 20 Over \$30,000 but not over | \$1,050 plus 6.25% of excess |
| 21 \$60,000..... | over \$30,000 |
| 22 Over \$60,000..... | \$2,925 plus 6.45% of excess |
| 23 | over \$60,000 |

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

| If the taxable income is: | The tax is: |
|---------------------------|--------------------------------|
| 25 Not over \$30,000..... | 3.0% of Kansas taxable income |
| 26 Over \$30,000..... | \$900 plus 4.9% of excess over |
| 27 | \$30,000 |

28 (2) *All other individuals*.

29 (A) For tax year 2012:

| If the taxable income is: | The tax is: |
|-------------------------------|---------------------------------|
| 30 Not over \$15,000..... | 3.5% of Kansas taxable income |
| 31 Over \$15,000 but not over | \$525 plus 6.25% of excess |
| 32 \$30,000..... | over \$15,000 |
| 33 Over \$30,000..... | \$1,462.50 plus 6.45% of excess |

| | | |
|---|---------------------------|--|
| 1 | | over \$30,000 |
| 2 | (B) | For tax year 2013, and all tax years thereafter: |
| 3 | If the taxable income is: | The tax is: |
| 4 | Not over \$15,000..... | 3.0 % of Kansas taxable income |
| 5 | Over \$15,000..... | \$450 plus 4.9% of excess over |
| 6 | | \$15,000 |

7 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas
 8 taxable income of every nonresident individual, which tax shall be an
 9 amount equal to the tax computed under subsection (a) as if the
 10 nonresident were a resident multiplied by the ratio of modified Kansas
 11 source income to Kansas adjusted gross income.

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

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

18 (2) (A) ~~for tax year 2008, the surtax shall be in an amount equal to~~
 19 ~~3.1% of the Kansas taxable income of such corporation in excess of~~
 20 ~~\$50,000;~~

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

24 (C) ~~for tax year 2011, and all tax years thereafter years 2011 through~~
 25 ~~2013, the surtax shall be in an amount equal to 3% of the Kansas taxable~~
 26 ~~income of such corporation in excess of \$50,000; and~~

27 (B) *for tax year 2014, and all tax years thereafter, the surtax shall be*
 28 *in an amount equal to 2% of the Kansas taxable income of such*
 29 *corporation in excess of \$50,000.*

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

33 Sec. 2. K.S.A. 2012 Supp. 74-99c09 is hereby amended to read as
 34 follows: 74-99c09. (a) Any money received by the center from any source
 35 shall be maintained in interest-bearing accounts in Kansas banks or Kansas
 36 savings and loan associations. Any accounts so maintained shall be
 37 administered by the center for entrepreneurship under guidelines
 38 developed and implemented by the center and approved by the secretary of
 39 commerce.

40 (b) The Kansas center for entrepreneurship shall be subject to audit
 41 by the legislative division of post audit in accordance with the provisions
 42 of the legislative post audit act.

43 (c) A credit against the tax imposed by the article 32, chapter 79 of

1 the Kansas Statutes Annotated, *and amendments thereto*, on the Kansas
2 taxable income of a contributor and against the tax imposed by K.S.A. 40-
3 252, and amendments thereto, shall be allowed for a contribution to the
4 Kansas center for entrepreneurship. The credit shall be a total maximum
5 amount equal to 75% of a contributor's donation to the Kansas center for
6 entrepreneurship, subject to the limitation set forth. This tax credit may be
7 used in its entirety in the taxable year in which the contribution is made.
8 The provisions of this section shall be applicable to all taxable years
9 beginning after December 31, 2004. If the amount by which that portion of
10 the credit allowed by this section exceeds the contributor's liability in any
11 one taxable year, the remaining portion of the credit may be carried
12 forward until the total amount of the credit is used. If the contributor is a
13 corporation having an election in effect under subchapter S of the federal
14 internal revenue code or a partnership, the credit provided by this section
15 shall be claimed by the shareholders of these corporations or the partners
16 of a partnership in the same manner as these shareholders or partners
17 account for their proportionate shares of the income or loss of these
18 corporations or partnerships.

19 (d) The secretary of revenue shall not allow tax credits of more than
20 \$50,000 that are attributable to an individual contributor in the Kansas
21 center for entrepreneurship each year. In no event shall the total amount of
22 tax credits allowed under this section exceed \$2,000,000 for any one fiscal
23 year, except that for fiscal year 2011, the total amount of credits allowed
24 under this section shall not exceed \$1,800,000.

25 (e) The Kansas center for entrepreneurship, along with the
26 department, shall develop a system for application for registration of an
27 authorization of tax credits authorized pursuant to this act and shall control
28 distribution of all tax credits to contributors pursuant to this act. The
29 Kansas center for entrepreneurship, along with the department, shall also
30 develop rules for the administration of and disbursements from its
31 accounts.

32 (f) The Kansas center for entrepreneurship shall distribute funds to
33 regional or local community seed capital funds or economic development
34 agencies based on the following criteria: (1) The organization can provide
35 a 40% match; (2) the organization provides a plan that assures funds will
36 be used as seed capital for qualified entrepreneurs; (3) the funds will be
37 used in a distressed or rural community; or (4) other criteria as deemed
38 necessary by the Kansas center for entrepreneurship.

39 (g) *For tax year 2014, and all tax years thereafter, the income tax*
40 *credit provided by this section shall not be available to taxpayers subject*
41 *to the income tax on corporations imposed pursuant to subsection (c) of*
42 *K.S.A. 79-32,110, and amendment thereto.*

43 Sec. 3. K.S.A. 2012 Supp. 79-32,117 is hereby amended to read as

1 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
2 means such individual's federal adjusted gross income for the taxable year,
3 with the modifications specified in this section.

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

5 (i) Interest income less any related expenses directly incurred in the
6 purchase of state or political subdivision obligations, to the extent that the
7 same is not included in federal adjusted gross income, on obligations of
8 any state or political subdivision thereof, but to the extent that interest
9 income on obligations of this state or a political subdivision thereof issued
10 prior to January 1, 1988, is specifically exempt from income tax under the
11 laws of this state authorizing the issuance of such obligations, it shall be
12 excluded from computation of Kansas adjusted gross income whether or
13 not included in federal adjusted gross income. Interest income on
14 obligations of this state or a political subdivision thereof issued after
15 December 31, 1987, shall be excluded from computation of Kansas
16 adjusted gross income whether or not included in federal adjusted gross
17 income.

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

25 (iii) *For tax years prior to January 1, 2014*, the federal net operating
26 loss deduction.

27 (iv) Federal income tax refunds received by the taxpayer if the
28 deduction of the taxes being refunded resulted in a tax benefit for Kansas
29 income tax purposes during a prior taxable year. Such refunds shall be
30 included in income in the year actually received regardless of the method
31 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
32 be deemed to have resulted if the amount of the tax had been deducted in
33 determining income subject to a Kansas income tax for a prior year
34 regardless of the rate of taxation applied in such prior year to the Kansas
35 taxable income, but only that portion of the refund shall be included as
36 bears the same proportion to the total refund received as the federal taxes
37 deducted in the year to which such refund is attributable bears to the total
38 federal income taxes paid for such year. For purposes of the foregoing
39 sentence, federal taxes shall be considered to have been deducted only to
40 the extent such deduction does not reduce Kansas taxable income below
41 zero.

42 (v) The amount of any depreciation deduction or business expense
43 deduction claimed on the taxpayer's federal income tax return for any

1 capital expenditure in making any building or facility accessible to the
2 handicapped, for which expenditure the taxpayer claimed the credit
3 allowed by K.S.A. 79-32,177, and amendments thereto.

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

7 (vii) The amount of any charitable contribution made to the extent the
8 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
9 32,196, and amendments thereto.

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

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

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

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

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

38 (xiii) The amount of any expenditures claimed for deduction in
39 determining federal adjusted gross income, to the extent the same is
40 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.
41 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

42 (xiv) The amount of any amortization deduction claimed in
43 determining federal adjusted gross income to the extent the same is

1 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,221, and
2 amendments thereto.

3 (xv) The amount of any expenditures claimed for deduction in
4 determining federal adjusted gross income, to the extent the same is
5 claimed as the basis for any credit allowed pursuant to K.S.A. 2012 Supp.
6 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
7 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
8 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

9 (xvi) The amount of any amortization deduction claimed in
10 determining federal adjusted gross income to the extent the same is
11 claimed for deduction pursuant to K.S.A. 2012 Supp. 79-32,227, 79-
12 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
13 thereto.

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

18 (xviii) For taxable years commencing after December 31, 2006, the
19 amount of any ad valorem or property taxes and assessments paid to a state
20 other than Kansas or local government located in a state other than Kansas
21 by a taxpayer who resides in a state other than Kansas, when the law of
22 such state does not allow a resident of Kansas who earns income in such
23 other state to claim a deduction for ad valorem or property taxes or
24 assessments paid to a political subdivision of the state of Kansas in
25 determining taxable income for income tax purposes in such other state, to
26 the extent that such taxes and assessments are claimed as an itemized
27 deduction for federal income tax purposes.

28 (xix) For all taxable years beginning after December 31, 2012, the
29 amount of any: (1) Loss from business as determined under the federal
30 internal revenue code and reported from schedule C and on line 12 of the
31 taxpayer's form 1040 federal individual income tax return; (2) loss from
32 rental real estate, royalties, partnerships, S corporations, estates, trusts,
33 residual interest in real estate mortgage investment conduits and net farm
34 rental as determined under the federal internal revenue code and reported
35 from schedule E and on line 17 of the taxpayer's form 1040 federal
36 individual income tax return; and (3) farm loss as determined under the
37 federal internal revenue code and reported from schedule F and on line 18
38 of the taxpayer's form 1040 federal income tax return; all to the extent
39 deducted or subtracted in determining the taxpayer's federal adjusted gross
40 income. For purposes of this subsection, references to the federal form
41 1040 and federal schedule C, schedule E, and schedule F, shall be to such
42 form and schedules as they existed for tax year 2011, and as revised
43 thereafter by the internal revenue service.

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

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

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

16 (xxiii) For all taxable years beginning after December 31, 2012, the
17 amount of any deduction for domestic production activities under section
18 199 of the federal internal revenue code as in effect on January 1, 2012,
19 and amendments thereto, in determining the federal adjusted gross income
20 of an individual taxpayer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (xv) For all taxable years beginning after December 31, 2006,
9 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
10 joint return, for each designated beneficiary which are contributed to a
11 family postsecondary education savings account established under the
12 Kansas postsecondary education savings program or a qualified tuition
13 program established and maintained by another state or agency or
14 instrumentality thereof pursuant to section 529 of the internal revenue
15 code of 1986, as amended, for the purpose of paying the qualified higher
16 education expenses of a designated beneficiary at an institution of
17 postsecondary education. The terms and phrases used in this paragraph
18 shall have the meaning respectively ascribed thereto by the provisions of
19 K.S.A. 2012 Supp. 75-643, and amendments thereto, and the provisions of
20 such section are hereby incorporated by reference for all purposes thereof.

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

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

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

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

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

9 (xx) For all taxable years beginning after December 31, 2012, the
10 amount of any: (1) Net profit from business as determined under the
11 federal internal revenue code and reported from schedule C and on line 12
12 of the taxpayer's form 1040 federal individual income tax return; (2) net
13 income from rental real estate, royalties, partnerships, S corporations,
14 estates, trusts, residual interest in real estate mortgage investment conduits
15 and net farm rental as determined under the federal internal revenue code
16 and reported from schedule E and on line 17 of the taxpayer's form 1040
17 federal individual income tax return; and (3) net farm profit as determined
18 under the federal internal revenue code and reported from schedule F and
19 on line 18 of the taxpayer's form 1040 federal income tax return; all to the
20 extent included in the taxpayer's federal adjusted gross income. For
21 purposes of this subsection, references to the federal form 1040 and
22 federal schedule C, schedule E, and schedule F, shall be to such form and
23 schedules as they existed for tax year 2011 and as revised thereafter by the
24 internal revenue service.

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

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

34 Sec. 4. K.S.A. 2012 Supp. 79-32,196 is hereby amended to read as
35 follows: 79-32,196. ~~For taxable years commencing after December 31,~~
36 ~~1997,~~ Any business firm which contributes to a community service
37 organization or governmental entity which engages in the activities of
38 providing community services, shall be allowed a credit, as provided in
39 K.S.A. 79-32,197, *and amendments thereto*, against the tax imposed by the
40 Kansas income tax act, the tax on net income of national banking
41 associations, state banks, trust companies or savings and loan associations
42 imposed under article 11 of chapter 79 of the Kansas Statutes Annotated,
43 *and amendments thereto*, or the premium tax or privilege fees imposed

1 pursuant to K.S.A. 40-252, and amendments thereto, if the proposal of the
2 provider of community services is approved pursuant to K.S.A. 79-32,198,
3 *and amendments thereto. Any business firm which makes such a*
4 *contribution after the effective date of this act and prior to July 1, 1998,*
5 *shall be allowed a credit in accordance with this act, as if the contribution*
6 *had been made in calendar year 1997, for the firm's tax liability for taxable*
7 *years commencing after December 31, 1996. Notwithstanding any other*
8 *provisions of this section, no business firm shall claim more than one*
9 *credit for the same contribution. For tax year 2014, and all tax years*
10 *thereafter, the income tax credit provided by this section shall not be*
11 *available to taxpayers subject to the income tax on corporations imposed*
12 *pursuant to subsection (c) of K.S.A. 79-32,110, and amendment thereto.*

13 Sec. 5. K.S.A. 2012 Supp. 79-32,211 is hereby amended to read as
14 follows: 79-32,211. (a) For all taxable years commencing after December
15 31, 2006, there shall be allowed a tax credit against the income, privilege
16 or premium tax liability imposed upon a taxpayer pursuant to the Kansas
17 income tax act, the privilege tax imposed upon any national banking
18 association, state bank, trust company or savings and loan association
19 pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, *and*
20 *amendments thereto*, or the premiums tax and privilege fees imposed upon
21 an insurance company pursuant to K.S.A. 40-252, and amendments
22 thereto, in an amount equal to 25% of qualified expenditures incurred in
23 the restoration and preservation of a qualified historic structure pursuant to
24 a qualified rehabilitation plan by a qualified taxpayer if the total amount of
25 such expenditures equal \$5,000 or more; or in an amount equal to 30% of
26 qualified expenditures incurred in the restoration and preservation of a
27 qualified historic structure which is exempt from federal income taxation
28 pursuant to section 501(c)(3) of the federal internal revenue code and
29 which is not income producing pursuant to a qualified rehabilitation plan
30 by a qualified taxpayer if the total amount of such expenditures equals
31 \$5,000 or more. In no event shall the total amount of credits allowed under
32 this section exceed \$3,750,000 for fiscal year 2010. If the amount of such
33 tax credit exceeds the qualified taxpayer's income, privilege or premium
34 tax liability for the year in which the qualified rehabilitation plan was
35 placed in service, as defined by section 47(b)(1) of the federal internal
36 revenue code and federal regulation section 1.48-12(f)(2), such excess
37 amount may be carried over for deduction from such taxpayer's income,
38 privilege or premium tax liability in the next succeeding year or years until
39 the total amount of the credit has been deducted from tax liability, except
40 that no such credit shall be carried over for deduction after the 10th taxable
41 year succeeding the taxable year in which the qualified rehabilitation plan
42 was placed in service.

43 (b) As used in this section, unless the context clearly indicates

1 otherwise:

2 (1) "Qualified expenditures" means the costs and expenses incurred
3 by a qualified taxpayer in the restoration and preservation of a qualified
4 historic structure pursuant to a qualified rehabilitation plan which are
5 defined as a qualified rehabilitation expenditure by section 47(c)(2) of the
6 federal internal revenue code;

7 (2) "qualified historic structure" means any building, whether or not
8 income producing, which is defined as a certified historic structure by
9 section 47(c)(3) of the federal internal revenue code, is individually listed
10 on the register of Kansas historic places, or is located and contributes to a
11 district listed on the register of Kansas historic places;

12 (3) "qualified rehabilitation plan" means a project which is approved
13 by the cultural resources division of the state historical society, or by a
14 local government certified by the division to so approve, as being
15 consistent with the standards for rehabilitation and guidelines for
16 rehabilitation of historic buildings as adopted by the federal secretary of
17 interior and in effect on the effective date of this act. The society shall
18 adopt rules and regulations providing application and approval procedures
19 necessary to effectively and efficiently provide compliance with this act,
20 and may collect fees in order to defray its approval costs in accordance
21 with rules and regulations adopted therefor; and

22 (4) "qualified taxpayer" means the owner of the qualified historic
23 structure or any other person who may qualify for the federal rehabilitation
24 credit allowed by section 47 of the federal internal revenue code.

25 If the taxpayer is a corporation having an election in effect under
26 subchapter S of the federal internal revenue code, a partnership or a
27 limited liability company, the credit provided by this section shall be
28 claimed by the shareholders of such corporation, the partners of such
29 partnership or the members of such limited liability company in the same
30 manner as such shareholders, partners or members account for their
31 proportionate shares of the income or loss of the corporation, partnership
32 or limited liability company, or as the corporation, partnership or limited
33 liability company mutually agree as provided in the bylaws or other
34 executed agreement. Credits granted to a partnership, a limited liability
35 company taxed as a partnership or other multiple owners of property shall
36 be passed through to the partners, members or owners respectively pro rata
37 or pursuant to an executed agreement among the partners, members or
38 owners documenting any alternate distribution method.

39 (c) Any person, hereinafter designated the assignor, may sell, assign,
40 convey or otherwise transfer tax credits allowed and earned pursuant to
41 subsection (a). The taxpayer acquiring credits, hereinafter designated the
42 assignee, may use the amount of the acquired credits to offset up to 100%
43 of its income, privilege or premiums tax liability for either the taxable year

1 in which the qualified rehabilitation plan was first placed into service or
2 the taxable year in which such acquisition was made. Unused credit
3 amounts claimed by the assignee may be carried forward for up to five
4 years, except that all such amounts shall be claimed within 10 years
5 following the tax year in which the qualified rehabilitation plan was first
6 placed into service. The assignor shall enter into a written agreement with
7 the assignee establishing the terms and conditions of the agreement and
8 shall perfect such transfer by notifying the cultural resources division of
9 the state historical society in writing within 90 calendar days following the
10 effective date of the transfer and shall provide any information as may be
11 required by such division to administer and carry out the provisions of this
12 section. The amount received by the assignor of such tax credit shall be
13 taxable as income of the assignor, and the excess of the value of such
14 credit over the amount paid by the assignee for such credit shall be taxable
15 as income of the assignee.

16 *(d) For tax year 2014, and all tax years thereafter, the income tax*
17 *credit provided by this section shall not be available to taxpayers subject*
18 *to the income tax on corporations imposed pursuant to subsection (c) of*
19 *K.S.A. 79-32,110, and amendment thereto.*

20 New Sec. 6. Any nonrefundable credits applicable to the Kansas tax
21 imposed on corporations that are no longer available commencing in tax
22 year 2014 pursuant to this act and earned in any tax year prior to 2014
23 which are unused may continue to be claimed, subject to the limitations
24 applicable to any such credit pursuant to law at the time such credit was
25 earned.

26 Sec. 7. K.S.A. 2012 Supp. 32-1438, 39-7,132, 40-2246, 65-7107, 74-
27 50,208, 74-8206, 74-8304, 74-8316, 74-8401, 74-99c09, 79-1117, 79-
28 32,110, 79-32,117, 79-32,143, 79-32,160a, 79-32,160f, 79-32,175, 79-
29 32,182b, 79-32,196, 79-32,200, 79-32,201, 79-32,204, 79-32,207, 79-
30 32,210, 79-32,211, 79-32,212 and 79-32,222 are hereby repealed.

31 Sec. 8. This act shall take effect and be in force from and after its
32 publication in the statute book.