

SENATE BILL No. 147

By Committee on Assessment and Taxation

1 AN ACT concerning income taxation; relating to rates; determination of
2 Kansas adjusted gross income, modifications; amending K.S.A. 2016
3 Supp. 79-32,110 and 79-32,117 and repealing the existing sections.

4
5 Be it enacted by the Legislature of the State of Kansas:

6 Section 1. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as
7 follows: 79-32,110. (a) Resident Individuals. Except as otherwise provided
8 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed
9 upon the Kansas taxable income of every resident individual, which tax
10 shall be computed in accordance with the following tax schedules:

11 (1) Married individuals filing joint returns.

12 (A) For tax year 2012:

13 If the taxable income is:	The tax is:
14 Not over \$30,000.....	3.5% of Kansas taxable income
15 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of excess over \$30,000
16	
17 Over \$60,000.....	\$2,925 plus 6.45% of excess over \$60,000
18	

19 (B) For tax year 2013:

20 If the taxable income is:	The tax is:
21 Not over \$30,000.....	3.0% of Kansas taxable income
22 Over \$30,000.....	\$900 plus 4.9% of excess over \$30,000
23	

24 (C) For tax year 2014:

25 If the taxable income is:	The tax is:
26 Not over \$30,000.....	2.7% of Kansas taxable income
27 Over \$30,000.....	\$810 plus 4.8% of excess over \$30,000
28	

29 (D) For tax years 2015, 2016 and 2017:

30 If the taxable income is:	The tax is:
31 Not over \$30,000.....	2.7% of Kansas taxable income
32 Over \$30,000.....	\$810 plus 4.6% of excess over \$30,000
33	

34 (E) For tax year 2018, and all tax years thereafter:

35 If the taxable income is:	The tax is:
36 Not over \$30,000.....	2.6% 3.0% of Kansas taxable

1 income

2 Over \$30,000.....~~\$780~~~~\$900~~ plus ~~4.6%~~ ~~4.9%~~ of

3 excess over \$30,000

4 (2) *All other individuals.*

5 (A) For tax year 2012:

6 If the taxable income is: The tax is:

7 Not over \$15,000.....3.5% of Kansas taxable income

8 Over \$15,000 but not over \$30,000.....\$525 plus 6.25% of excess

9 over \$15,000

10 Over \$30,000.....\$1,462.50 plus 6.45% of excess

11 over \$30,000

12 (B) For tax year 2013:

13 If the taxable income is: The tax is:

14 Not over \$15,000.....3.0% of Kansas taxable income

15 Over \$15,000.....\$450 plus 4.9% of excess over

16 \$15,000

17 (C) For tax year 2014:

18 If the taxable income is: The tax is:

19 Not over \$15,000.....2.7% of Kansas taxable income

20 Over \$15,000.....\$405 plus 4.8% of excess over

21 \$15,000

22 (D) For tax years 2015, 2016 and 2017:

23 If the taxable income is: The tax is:

24 Not over \$15,000.....2.7% of Kansas taxable income

25 Over \$15,000.....\$405 plus 4.6% of excess over

26 \$15,000

27 (E) For tax year 2018, and all tax years thereafter:

28 If the taxable income is: The tax is:

29 Not over \$15,000.....~~2.6%~~~~3.0%~~ of Kansas taxable

30 income

31 Over \$15,000.....~~\$390~~~~\$450~~ plus ~~4.6%~~ ~~4.9%~~ of

32 excess over \$15,000

33 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas

34 taxable income of every nonresident individual, which tax shall be an

35 amount equal to the tax computed under subsection (a) as if the

36 nonresident were a resident multiplied by the ratio of modified Kansas

37 source income to Kansas adjusted gross income.

38 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable

39 income of every corporation doing business within this state or deriving

40 income from sources within this state. Such tax shall consist of a normal

41 tax and a surtax and shall be computed as follows:

42 (1) The normal tax shall be in an amount equal to 4% of the Kansas

43 taxable income of such corporation; and

1 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
2 3.1% of the Kansas taxable income of such corporation in excess of
3 \$50,000;

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

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

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

13 (e) Tax rates provided in this section shall be adjusted pursuant to the
14 provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.

15 (f) Notwithstanding the provisions of subsections (a) and (b), for tax
16 ~~year years 2016, and all tax years thereafter~~ and 2017, married individuals
17 filing joint returns with taxable income of \$12,500 or less, and all other
18 individuals with taxable income of \$5,000 or less, shall have a tax liability
19 of zero.

20 Sec. 2. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as
21 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
22 means such individual's federal adjusted gross income for the taxable year,
23 with the modifications specified in this section.

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

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

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

1 thereafter.

2 (iii) The federal net operating loss deduction, *except that the federal*
3 *net operating loss deduction shall not be added to an individual's federal*
4 *adjusted gross income for tax years beginning after December 31, 2016.*

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

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

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

28 (vii) The amount of any charitable contribution made to the extent the
29 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
30 32,196, and amendments thereto.

31 (viii) The amount of any costs incurred for improvements to a swine
32 facility, claimed for deduction in determining federal adjusted gross
33 income, to the extent the same is claimed as the basis for any credit
34 allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments
35 thereto.

36 (ix) The amount of any ad valorem taxes and assessments paid and
37 the amount of any costs incurred for habitat management or construction
38 and maintenance of improvements on real property, claimed for deduction
39 in 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. 79-32,203,
41 and amendments thereto.

42 (x) Amounts received as nonqualified withdrawals, as defined by
43 K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of

1 contribution to a family postsecondary education savings account, such
2 amounts were subtracted from the federal adjusted gross income pursuant
3 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
4 are not already included in the federal adjusted gross income.

5 (xi) The amount of any contribution made to the same extent the
6 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2016
7 Supp. 74-50,154, and amendments thereto.

8 (xii) For taxable years commencing after December 31, 2004,
9 amounts received as withdrawals not in accordance with the provisions of
10 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of
11 contribution to an individual development account, such amounts were
12 subtracted from the federal adjusted gross income pursuant to subsection
13 (c)(xiii), or if such amounts are not already included in the federal adjusted
14 gross income.

15 (xiii) The amount of any expenditures claimed for deduction in
16 determining federal adjusted gross income, to the extent the same is
17 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
18 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

19 (xiv) The amount of any amortization deduction claimed in
20 determining federal adjusted gross income to the extent the same is
21 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and
22 amendments thereto.

23 (xv) The amount of any expenditures claimed for deduction in
24 determining federal adjusted gross income, to the extent the same is
25 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
26 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
27 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
28 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

29 (xvi) The amount of any amortization deduction claimed in
30 determining federal adjusted gross income to the extent the same is
31 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
32 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
33 thereto.

34 (xvii) The amount of any amortization deduction claimed in
35 determining federal adjusted gross income to the extent the same is
36 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and
37 amendments thereto.

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

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

5 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*
6 *ending before January 1, 2017*, the amount of any: (1) Loss from business
7 as determined under the federal internal revenue code and reported from
8 schedule C and on line 12 of the taxpayer's form 1040 federal individual
9 income tax 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 under the
13 federal internal revenue code and reported from schedule E and on line 17
14 of the taxpayer's form 1040 federal individual income tax return; and (3)
15 farm loss as determined under the federal internal revenue code and
16 reported from schedule F and on line 18 of the taxpayer's form 1040
17 federal income tax return; all to the extent deducted or subtracted in
18 determining the taxpayer's federal adjusted gross income. For purposes of
19 this subsection, references to the federal form 1040 and federal schedule
20 C, schedule E, and schedule F, shall be to such form and schedules as they
21 existed for tax year 2011, and as revised thereafter by the internal revenue
22 service.

23 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
24 *ending before January 1, 2017*, the amount of any deduction for self-
25 employment taxes under section 164(f) of the federal internal revenue
26 code as in effect on January 1, 2012, and amendments thereto, in
27 determining the federal adjusted gross income of an individual taxpayer, to
28 the extent the deduction is attributable to income reported on schedule C,
29 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
30 tax return.

31 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*
32 *ending before January 1, 2017*, the amount of any deduction for pension,
33 profit sharing, and annuity plans of self-employed individuals under
34 section 62(a)(6) of the federal internal revenue code as in effect on January
35 1, 2012, and amendments thereto, in determining the federal adjusted gross
36 income of an individual taxpayer.

37 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
38 *ending before January 1, 2017*, the amount of any deduction for health
39 insurance under section 162(l) of the federal internal revenue code as in
40 effect on January 1, 2012, and amendments thereto, in determining the
41 federal adjusted gross income of an individual taxpayer.

42 (xxiii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
43 *ending before January 1, 2017*, the amount of any deduction for domestic

1 production activities under section 199 of the federal internal revenue code
2 as in effect on January 1, 2012, and amendments thereto, in determining
3 the federal adjusted gross income of an individual taxpayer.

4 (xxiv) For taxable years commencing after December 31, 2013, that
5 portion of the amount of any expenditure deduction claimed in
6 determining federal adjusted gross income for expenses paid for medical
7 care of the taxpayer or the taxpayer's spouse or dependents when such
8 expenses were paid or incurred for an abortion, or for a health benefit plan,
9 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the
10 purchase of an optional rider for coverage of abortion in accordance with
11 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that
12 such taxes and assessments are claimed as an itemized deduction for
13 federal income tax purposes.

14 (xxv) For taxable years commencing after December 31, 2013, that
15 portion of the amount of any expenditure deduction claimed in
16 determining federal adjusted gross income for expenses paid by a taxpayer
17 for health care when such expenses were paid or incurred for abortion
18 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,
19 and amendments thereto, when such expenses were paid or incurred for
20 abortion coverage or amounts contributed to health savings accounts for
21 such taxpayer's employees for the purchase of an optional rider for
22 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and
23 amendments thereto, to the extent that such taxes and assessments are
24 claimed as a deduction for federal income tax purposes.

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

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

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

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

43 (iv) The amount necessary to prevent the taxation under this act of

1 any annuity or other amount of income or gain which was properly
2 included in income or gain and was taxed under the laws of this state for a
3 taxable year prior to the effective date of this act, as amended, to the
4 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
5 the right to receive the income or gain, or to a trust or estate from which
6 the taxpayer received the income or gain.

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

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

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

19 (viii) Amounts received by retired railroad employees as a
20 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
21 228c (a)(1) et seq.

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

27 (x) For taxable years beginning after December 31, 1976, the amount
28 of the federal tentative jobs tax credit disallowance under the provisions of
29 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
30 amount of the targeted jobs tax credit and work incentive credit
31 disallowances under 26 U.S.C. § 280 C.

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

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

38 (xiii) For taxable years beginning after December 31, 2004, amounts
39 contributed to and the amount of income earned on contributions deposited
40 to an individual development account under K.S.A. 2016 Supp. 74-50,201
41 et seq., and amendments thereto.

42 (xiv) For all taxable years commencing after December 31, 1996, that
43 portion of any income of a bank organized under the laws of this state or

1 any other state, a national banking association organized under the laws of
2 the United States, an association organized under the savings and loan
3 code of this state or any other state, or a federal savings association
4 organized under the laws of the United States, for which an election as an
5 S corporation under subchapter S of the federal internal revenue code is in
6 effect, which accrues to the taxpayer who is a stockholder of such
7 corporation and which is not distributed to the stockholders as dividends of
8 the corporation. For ~~all~~ taxable years beginning after December 31, 2012,
9 *and ending before January 1, 2017*, the amount of modification under this
10 subsection shall exclude the portion of income or loss reported on schedule
11 E and included on line 17 of the taxpayer's form 1040 federal individual
12 income tax return.

13 (xv) For all taxable years beginning after December 31, 2006,
14 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
15 joint return, for each designated beneficiary which are contributed to a
16 family postsecondary education savings account established under the
17 Kansas postsecondary education savings program or a qualified tuition
18 program established and maintained by another state or agency or
19 instrumentality thereof pursuant to section 529 of the internal revenue
20 code of 1986, as amended, for the purpose of paying the qualified higher
21 education expenses of a designated beneficiary at an institution of
22 postsecondary education. The terms and phrases used in this paragraph
23 shall have the meaning respectively ascribed thereto by the provisions of
24 K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of
25 such section are hereby incorporated by reference for all purposes thereof.

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

36 (xvii) For all taxable years beginning after December 31, 2004,
37 amounts received by taxpayers who are eligible members of the Kansas
38 army and air national guard as a reimbursement pursuant to K.S.A. 48-
39 281, and amendments thereto, and amounts received for death benefits
40 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
41 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
42 amendments thereto, to the extent that such death benefits are included in
43 federal adjusted gross income of the taxpayer.

1 (xviii) For the taxable year beginning after December 31, 2006,
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 \$50,000 or less, whether such taxpayer's filing
5 status is single, head of household, married filing separate or married filing
6 jointly; and for all taxable years beginning after December 31, 2007,
7 amounts received as benefits under the federal social security act which
8 are included in federal adjusted gross income of a taxpayer with federal
9 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
10 status is single, head of household, married filing separate or married filing
11 jointly.

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

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

34 (xxi) For all taxable years beginning after December 31, 2013,
35 amounts equal to the unreimbursed travel, lodging and medical
36 expenditures directly incurred by a taxpayer while living, or a dependent
37 of the taxpayer while living, for the donation of one or more human organs
38 of the taxpayer, or a dependent of the taxpayer, to another person for
39 human organ transplantation. The expenses may be claimed as a
40 subtraction modification provided for in this section to the extent the
41 expenses are not already subtracted from the taxpayer's federal adjusted
42 gross income. In no circumstances shall the subtraction modification
43 provided for in this section for any individual, or a dependent, exceed

1 \$5,000. As used in this section, "human organ" means all or part of a liver,
2 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
3 paragraph shall take effect on the day the secretary of revenue certifies to
4 the director of the budget that the cost for the department of revenue of
5 modifications to the automated tax system for the purpose of
6 implementing this paragraph will not exceed \$20,000.

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

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

23 (xxiv) For all taxable years beginning after December 31, 2013, the
24 net gain from the sale from Christmas trees grown in Kansas and held by
25 the taxpayer for six years or more.

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

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

35 (f) *Any taxpayer who is in compliance with the provisions of this*
36 *section, as they appear on June 30, 2017, shall not be assessed penalties*
37 *and interest arising from the underpayment of taxes due to changes to this*
38 *section which became law on July 1, 2017, so long as such underpayment*
39 *occurred prior to July 1, 2017, and is rectified on or before April 15, 2018.*

40 Sec. 3. K.S.A. 2016 Supp. 79-32,110 and 79-32,117 are hereby
41 repealed.

42 Sec. 4. This act shall take effect and be in force from and after its
43 publication in the statute book.