

HOUSE BILL No. 2724

By Committee on Federal and State Affairs

2-21

1 AN ACT concerning education; creating the Kansas student academic
2 improvement act; amending K.S.A. 79-32,117 and repealing the
3 existing section.

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

6 New Section 1. Sections 1 through 14, and amendments thereto, shall
7 be known and may be cited as the Kansas student academic improvement
8 act.

9 New Sec. 2. As used in this act:

10 (a) "Account" means a Kansas student academic improvement
11 account.

12 (b) "BASE aid" means the amount of base aid for student excellence
13 set forth in K.S.A. 72-5132, and amendments thereto, for the immediately
14 preceding school year.

15 (c) "Department" means the Kansas department of education.

16 (d) "Eligible student" means a resident of Kansas who:

17 (1) Is or has been enrolled in any of the grades three through eight in
18 a school district organized under the laws of this state;

19 (2) is or has been determined to be performing below grade level in
20 either English language arts or mathematics as determined pursuant to
21 section 3, and amendments thereto; and

22 (3) has not graduated from high school.

23 (e) "Parent" means a parent, legal guardian, custodian or other person
24 with authority to act on behalf of an eligible student.

25 (f) "Postsecondary educational institution" means any postsecondary
26 educational institution or any private or out-of-state postsecondary
27 educational institution as such terms are defined in K.S.A. 74-3201b, and
28 amendments thereto.

29 (g) "Program" means the Kansas student academic improvement
30 program established under section 4, and amendments thereto.

31 (h) "Qualified private school" means an accredited private school
32 located in Kansas that:

33 (1) Is registered with the state board of education pursuant to K.S.A.
34 72-4346, and amendments thereto;

35 (2) provides instruction in at least those subjects required by K.S.A.
36 72-3214, 72-3217 and 72-3235, and amendments thereto;

1 (3) is approved by the treasurer pursuant to section 10, and
2 amendments thereto; and

3 (4) is in good standing in accordance with the provisions of this act.

4 (i) "Resident school district" means the school district in which an
5 eligible student would be enrolled based on such eligible student's
6 residence.

7 (j) "Treasurer" means the state treasurer or the state treasurer's
8 designee.

9 New Sec. 3. (a) Each school district shall annually make a
10 determination whether those students enrolled in any of the grades three
11 through eight are academically eligible for the Kansas student academic
12 improvement program. The determination of academic eligibility shall be
13 based on the most recently administered state assessments for English
14 language arts and mathematics. A student shall be deemed academically
15 eligible if the student:

16 (1) Is enrolled in any of the grades three through eight; and

17 (2) scores at the lowest or second lowest achievement level on either
18 the state assessment for English language arts or the state assessment for
19 mathematics.

20 (b) A student who has been determined to be academically eligible
21 for the Kansas student academic improvement program pursuant to
22 subsection (a) may participate in the program, if the student satisfies the
23 other requirements for eligibility. The school district shall notify the parent
24 of such student that the student is eligible for the program. Such notice
25 shall include a cover letter explaining the basis for such child's eligibility
26 for the program, a copy of the results of the most recently administered
27 state assessment for English language arts and state assessment for
28 mathematics for such child, the name and telephone number of the school
29 district employee who may be contacted if the parent has questions about
30 the program and a written description of the program, including the
31 information described in section 4(c), and amendments thereto.

32 (c) When a student becomes eligible for the program, the parent of
33 such student may elect to participate in the program in accordance with the
34 provisions of section 7, and amendments thereto.

35 New Sec. 4. (a) The Kansas student academic improvement program
36 is hereby established and shall be administered by the state treasurer. The
37 purpose of the program is to provide alternative options for the education
38 of Kansas students who are academically eligible as determined pursuant
39 to section 3, and amendments thereto.

40 (b) The treasurer shall establish a Kansas student academic
41 improvement account for each eligible student whose parent satisfies the
42 requirements of this act.

43 (c) The treasurer shall maintain an explanation of the following

1 information on the treasurer's website and provide a hard copy of such
2 information to any person who requests it:

3 (1) The options for participation in the program as provided in section
4 7, and amendments thereto;

5 (2) the allowable uses of moneys in a Kansas student academic
6 improvement account;

7 (3) the responsibilities of a parent of an eligible student participating
8 in the program;

9 (4) the effect of participation in the program by eligible students with
10 an individualized education program (IEP) or an education plan under
11 section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504
12 plan);

13 (5) the duties of the treasurer;

14 (6) the name and telephone number of the treasurer's employee who
15 may be contacted if a parent has questions about the program; and

16 (7) a list of qualified private schools.

17 New Sec. 5. (a) For an eligible student to participate in the program,
18 the parent of such eligible student shall enter into a written agreement with
19 the treasurer, in such manner and form as prescribed by the treasurer.

20 (b) The agreement between the parent of an eligible student and the
21 treasurer shall provide that:

22 (1) The eligible student shall participate in the program in accordance
23 with section 7, and amendments thereto;

24 (2) the treasurer shall establish an account for the eligible student in
25 the Kansas student academic improvement fund established by section 6,
26 and amendments thereto;

27 (3) the parent shall comply with all requirements and rules and
28 regulations of the program; and

29 (4) the moneys in the eligible student's account shall only be
30 expended as authorized by the program.

31 (c) Only one account may be established for each eligible student. A
32 parent acting on behalf of more than one eligible student shall have a
33 separate written agreement for each eligible student.

34 (d) A written agreement entered pursuant to this act shall expire on
35 July 31 immediately following the date the agreement becomes effective,
36 but may be terminated prior to such date pursuant to subsection (e). Each
37 written agreement may be renewed by August 1 upon the written consent
38 of the parent and the treasurer in a manner determined by the treasurer,
39 except that the parent may submit a request to the treasurer for an
40 extension of time for renewal not to exceed 30 days. Failure to renew a
41 written agreement does not preclude renewal of such written agreement in
42 a subsequent year. A written agreement that has been terminated pursuant
43 to subsection (e) shall not be renewed.

1 (e) (1) A written agreement may be terminated by the treasurer upon a
2 determination that:

3 (A) Moneys in an account have been used for purposes other than
4 those allowed by the program;

5 (B) the eligible student no longer satisfies the qualifications of an
6 eligible student as defined in section 2, and amendments thereto; or

7 (C) the eligible student no longer participates in the program in
8 accordance with section 7, and amendments thereto.

9 (2) A written agreement may be terminated by a parent at any time.
10 To terminate a written agreement, such parent shall notify the treasurer in
11 writing of such termination.

12 (3) When a written agreement is terminated, the account associated
13 with such agreement shall be deemed inactive, and the treasurer shall close
14 the account in accordance with section 6(h), and amendments thereto.

15 New Sec. 6. (a) (1) There is hereby established in the state treasury
16 the Kansas student academic improvement fund to be administered by the
17 state treasurer. Moneys in the Kansas student academic improvement fund
18 shall be expended only for the purposes established in this act. All moneys
19 received pursuant to section 8, and amendments thereto, shall be deposited
20 in the state treasury in accordance with the provisions of K.S.A. 75-4215,
21 and amendments thereto, and shall be credited to the Kansas student
22 academic improvement fund.

23 (2) The director of accounts and reports shall create a procedure for
24 the Kansas student academic improvement fund to have individual student
25 accounts therein. Each student's accumulated moneys in the student's
26 account shall earn interest based on: (A) The average daily balance of
27 moneys in each student's account for the preceding month; and (B) the net
28 earnings rate of the pooled money investment portfolio for the preceding
29 month. The amount of interest earned shall be added monthly to each
30 student's account in the Kansas student academic improvement fund.

31 (b) Upon execution of an agreement in accordance with section 5, and
32 amendments thereto, the treasurer shall establish an account in the Kansas
33 student academic improvement fund in the state treasury in the name of
34 the eligible student. Upon establishment of such account, the treasurer
35 shall notify the resident school district of the establishment of such
36 account for the eligible student.

37 (c) If the eligible student is enrolled in a qualified private school, the
38 treasurer shall transfer to such eligible student's account in the Kansas
39 student academic improvement fund an aggregate annual amount equal to:

40 (1) 88% of the BASE aid, if the eligible student is enrolled in any of
41 the grades three through five in the current school year;

42 (2) 92% of the BASE aid, if the eligible student is enrolled in any of
43 the grades six through eight in the current school year; and

1 (3) 96% of the BASE aid, if the eligible student is enrolled in any of
2 the grades nine through 12 in the current school year.

3 (d) If the eligible student continues to be enrolled in such student's
4 resident school district, the treasurer shall transfer to such eligible student's
5 account in the Kansas student academic improvement fund an aggregate
6 annual amount equal to 0.484 multiplied by the BASE aid.

7 (e) The treasurer shall make transfers required under subsections (c)
8 and (d) in quarterly installments pursuant to a schedule determined by the
9 treasurer.

10 (f) The treasurer may deduct a percentage of the aggregate annual
11 amount to be transferred into an eligible student's account as
12 reimbursement for the administrative costs of implementing the provisions
13 of this act as follows:

14 (1) Up to 5% each year for the first two years moneys are transferred
15 to an eligible student's account; and

16 (2) up to 2.5% for the third year and for each subsequent year moneys
17 are transferred to an eligible student's account.

18 (g) No transfers shall be made to an eligible student's account after
19 such student has graduated from high school.

20 (h) (1) Each account shall remain active until:

21 (A) A written agreement is terminated pursuant to section 5, and
22 amendments thereto;

23 (B) July 31 following the date on which the eligible student graduates
24 from high school; or

25 (C) there are two consecutive years of nonrenewal of an agreement.

26 (2) If the treasurer determines an account is inactive, the treasurer
27 shall close the account and certify the amount of moneys remaining in the
28 account to the director of accounts and reports. Such certified amount shall
29 remain in the Kansas student academic improvement fund.

30 (i) The treasurer shall develop a system for payment of services by
31 participating parents by electronic funds transfer. Such system shall not
32 require parents to be reimbursed for allowable expenses. All electronic
33 funds transfers shall only be for expenditures approved by the treasurer.
34 The treasurer may contract with a third party for the purposes of
35 implementing this subsection.

36 New Sec. 7. (a) An eligible student whose parent has entered into an
37 agreement with the treasurer in accordance with section 5, and
38 amendments thereto, shall participate in the program by:

39 (1) Continuing enrollment in such student's resident school district
40 and receiving additional services to improve such student's reading and
41 mathematics skills through evidence-based practices and programs
42 requested or approved by such student's parent;

43 (2) enrolling in a qualified private school; or

1 (3) receiving additional educational services as allowed under the
2 program.

3 (b) For eligible students participating in the program in accordance
4 with subsection (a)(1), a school district shall provide those evidenced-
5 based practices and programs requested by the parent of such eligible
6 student to the extent the cost of such practices or programs is covered by
7 moneys transferred to such student's account pursuant to section 6, and
8 amendments thereto. A school district also may recommend evidence-
9 based practices and programs to improve such eligible student's reading
10 and mathematics skills, but shall obtain the parent's approval for such
11 practices or programs prior to the expenditure of any moneys held in such
12 student's account for such practices or programs.

13 New Sec. 8. (a) Each year, the treasurer shall notify the state board of
14 education as to the names of the students participating in the Kansas
15 student academic improvement program, the resident school district of
16 each student and the qualified private school, if any, each student is
17 attending in the current school year.

18 (b) For school year 2020-2021, and each school year thereafter, an
19 eligible student shall be counted in the enrollment of such eligible student's
20 resident school district for the purposes of calculating the amount of the
21 state foundation aid for the resident school district.

22 (c) (1) The state board shall determine the amounts to be transferred
23 to the Kansas student academic improvement fund by:

24 (A) Multiplying an amount equal to the percentage of the BASE aid
25 as set forth in section 6(c), and amendments thereto, by the total number of
26 eligible students in such resident school district who are participating in
27 the program, who are enrolled in a qualified private school and who
28 correspond to such percentage; plus

29 (B) multiplying an amount equal to the BASE aid by 0.484 and then
30 multiplying the resulting product by the total number of eligible students
31 in such resident school district who are participating in the program, but
32 who are not enrolled in a qualified private school; plus

33 (C) any interest earned pursuant to section 6(a)(2), and amendments
34 thereto.

35 (2) The state board of education shall certify the resulting amounts to
36 the director of accounts and reports. Upon receipt of such certification, the
37 director shall transfer such certified amounts from the state general fund to
38 the Kansas student academic improvement fund established in section 6,
39 and amendments thereto.

40 (3) For school year 2020-2021, and each school year thereafter, the
41 state board shall deduct from the amount of state foundation aid for each
42 resident school district the amount certified under paragraph (2) for such
43 resident school district. The appropriation for the fiscal year of the date of

1 the certification in the state foundation aid account of the state general
2 fund is hereby lapsed by the amount equal to the accumulated total of such
3 certified amounts under paragraph (2).

4 New Sec. 9. (a) Moneys in the eligible student's account may be
5 accessed by such eligible student's parent, but shall only be expended by
6 such parent for the following purposes:

7 (1) Tuition and fees charged by a qualified private school;

8 (2) textbooks and other supplies required by a qualified private
9 school;

10 (3) fees for transportation provided by a qualified private school
11 required for the eligible student to travel to and from such qualified private
12 school;

13 (4) educational therapies or services provided by a licensed or
14 accredited education provider;

15 (5) tutoring services provided by a certified tutor;

16 (6) curriculum materials;

17 (7) tuition or fees charged by an accredited private online learning
18 program;

19 (8) fees for any nationally standardized norm-referenced achievement
20 test, advanced placement examination or other examination related to
21 admission to a postsecondary educational institution;

22 (9) contracted services from a school district, including individual
23 classes;

24 (10) tuition and fees charged by a postsecondary educational
25 institution;

26 (11) evidenced-based practices and programs requested or approved
27 in accordance with section 7(b), and amendments thereto; and

28 (12) any other education expenses approved by the treasurer.

29 (b) The treasurer shall notify the parent of any expenditures from an
30 eligible student's account that do not meet the requirements of subsection
31 (a). Such parent shall repay the cost of any such expenditures within 30
32 days of notification by the treasurer.

33 (c) Except as provided in section 6(h), and amendments thereto,
34 funds remaining in an account at the end of a school year shall roll over to
35 the next succeeding school year.

36 (d) A qualified private school providing education services purchased
37 with funds from an account shall not share, refund or rebate any portion of
38 such funds to the parent or eligible student. Any such refund or rebate shall
39 be made directly into the eligible student's account.

40 (e) No personal deposits may be made into an account.

41 (f) (1) The treasurer shall conduct or contract to conduct annual
42 audits of eligible student accounts to ensure compliance with the
43 provisions of this act and may conduct or contract to conduct additional

1 audits of eligible student accounts, as needed.

2 (2) If the treasurer determines moneys in an account have been used
3 for purposes other than those allowed by subsection (a), the treasurer may:

4 (A) Prohibit expenditures from the account until such time as
5 determined by the treasurer;

6 (B) prorate amounts to be deposited in such account under section 6,
7 and amendments thereto, by an amount equal to the total amount used for
8 purposes other than those allowed by subsection (a); or

9 (C) terminate the account.

10 New Sec. 10. (a) To become a qualified private school, an applicant
11 shall submit an application to the treasurer on a form and in a manner
12 prescribed by the treasurer. Such application shall include proof that the
13 applicant is an accredited nonpublic school registered with the state board
14 of education pursuant to K.S.A. 72-4346, and amendments thereto, and
15 provides instruction in at least those subjects required by K.S.A. 72-3214,
16 72-3217 and 72-3235, and amendments thereto.

17 (b) The treasurer shall approve an application or request additional
18 information, as necessary, to prove an applicant meets the criteria to be
19 deemed a qualified private school within 45 days of receiving the
20 application. If the applicant is unable to provide such additional
21 information, the treasurer may deny the application.

22 (c) The treasurer shall conduct or contract to conduct an audit of a
23 qualified private school, selected at random each year, to determine
24 whether the qualified private school is compliant with the requirements of
25 subsection (a).

26 (d) (1) The treasurer may revoke a qualified private school's approval,
27 if the treasurer determines the qualified private school:

28 (A) Has routinely failed to comply with the provisions of this act or
29 applicable rules and regulations; or

30 (B) has failed to provide any educational services required by law to
31 an eligible student receiving instruction from the school, if the school is
32 accepting payments made from such eligible student's account.

33 (2) Prior to revoking a qualified private school's approval, the
34 treasurer shall notify such school of an impending revocation and the
35 reason for such revocation. The qualified private school shall have 30 days
36 from the time it was notified to cure the matter identified in the notice. If
37 the qualified private school fails to cure such matter within 30 days, such
38 school's approval shall be revoked. A qualified private school whose
39 approval has been revoked shall not be allowed to participate in the
40 program until such time the treasurer determines such school is in
41 compliance with the requirements of this act.

42 (3) If the treasurer revokes a qualified private school's approval, the
43 treasurer shall immediately notify each parent of an eligible student

1 participating in the program and receiving instruction from such school.

2 (e) The treasurer may notify the attorney general or the district or
3 county attorney of the county where the qualified private school is located,
4 if a qualified private school's approval was revoked because of misuse of
5 moneys paid from an account.

6 New Sec. 11. Enrollment of an eligible student in a qualified private
7 school shall be considered a parental placement of such student under the
8 individuals with disabilities education act, 20 U.S.C. § 1400 et seq.

9 New Sec. 12. The provisions of this act shall be subject to the Kansas
10 administrative procedure act and reviewable under the Kansas judicial
11 review act.

12 New Sec. 13. On or before January 1, 2021, the treasurer shall adopt
13 rules and regulations necessary to carry out the provisions of this act.

14 New Sec. 14. Nothing in this act shall be deemed to limit the
15 independence or autonomy of a qualified private school or to make the
16 actions of a qualified private school the actions of the state government.

17 Sec. 15. K.S.A. 79-32,117 is hereby amended to read as follows: 79-
18 32,117. (a) The Kansas adjusted gross income of an individual means such
19 individual's federal adjusted gross income for the taxable year, with the
20 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 the
23 purchase of state or political subdivision obligations, to the extent that the
24 same is not included in federal adjusted gross income, on obligations of
25 any state or political subdivision thereof, but to the extent that interest
26 income on obligations of this state or a political subdivision thereof issued
27 prior to January 1, 1988, is specifically exempt from income tax under the
28 laws of this state authorizing the issuance of such obligations, it shall be
29 excluded from computation of Kansas adjusted gross income whether or
30 not included in federal adjusted gross income. Interest income on
31 obligations of this state or a political subdivision thereof issued after
32 December 31, 1987, shall be excluded from computation of Kansas
33 adjusted gross income whether or not included in federal adjusted gross
34 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 the
37 extent deductible in determining federal adjusted gross income and not
38 credited against federal income tax. This paragraph shall not apply to taxes
39 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
40 amendments thereto, for privilege tax year 1995, and all such years
41 thereafter.

42 (iii) The federal net operating loss deduction, except that the federal
43 net operating loss deduction shall not be added to an individual's federal

1 adjusted gross income for tax years beginning after December 31, 2016.

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

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

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

25 (vii) The amount of any charitable contribution made to the extent the
26 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
27 32,196, and amendments thereto.

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

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

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

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

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

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

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

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

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

29 (xvii) 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. 79-32,256, and amendments
32 thereto.

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

43 (xix) For taxable years beginning after December 31, 2012, and

1 ending before January 1, 2017, the amount of any: (1) Loss from business
2 as determined under the federal internal revenue code and reported from
3 schedule C and on line 12 of the taxpayer's form 1040 federal individual
4 income tax return; (2) loss from rental real estate, royalties, partnerships, S
5 corporations, except those with wholly owned subsidiaries subject to the
6 Kansas privilege tax, estates, trusts, residual interest in real estate
7 mortgage investment conduits and net farm rental as determined under the
8 federal internal revenue code and reported from schedule E and on line 17
9 of the taxpayer's form 1040 federal individual income tax return; and (3)
10 farm loss as determined under the federal internal revenue code and
11 reported from schedule F and on line 18 of the taxpayer's form 1040
12 federal income tax return; all to the extent deducted or subtracted in
13 determining the taxpayer's federal adjusted gross income. For purposes of
14 this subsection, references to the federal form 1040 and federal schedule
15 C, schedule E, and schedule F, shall be to such form and schedules as they
16 existed for tax year 2011, and as revised thereafter by the internal revenue
17 service.

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

26 (xxi) For taxable years beginning after December 31, 2012, and
27 ending before January 1, 2017, the amount of any deduction for pension,
28 profit sharing, and annuity plans of self-employed individuals under
29 section 62(a)(6) of the federal internal revenue code as in effect on January
30 1, 2012, and amendments thereto, in determining the federal adjusted gross
31 income of an individual taxpayer.

32 (xxii) For taxable years beginning after December 31, 2012, and
33 ending before January 1, 2017, the amount of any deduction for health
34 insurance under section 162(l) of the federal internal revenue code as in
35 effect on January 1, 2012, and amendments thereto, in determining the
36 federal adjusted gross income of an individual taxpayer.

37 (xxiii) For taxable years beginning after December 31, 2012, and
38 ending before January 1, 2017, the amount of any deduction for domestic
39 production activities under section 199 of the federal internal revenue code
40 as in effect on January 1, 2012, and amendments thereto, in determining
41 the federal adjusted gross income of an individual taxpayer.

42 (xxiv) For taxable years commencing after December 31, 2013, that
43 portion of the amount of any expenditure deduction claimed in

1 determining federal adjusted gross income for expenses paid for medical
2 care of the taxpayer or the taxpayer's spouse or dependents when such
3 expenses were paid or incurred for an abortion, or for a health benefit plan,
4 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
5 an optional rider for coverage of abortion in accordance with K.S.A. 2019
6 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
7 assessments are claimed as an itemized deduction for federal income tax
8 purposes.

9 (xxv) For taxable years commencing after December 31, 2013, that
10 portion of the amount of any expenditure deduction claimed in
11 determining federal adjusted gross income for expenses paid by a taxpayer
12 for health care when such expenses were paid or incurred for abortion
13 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
14 amendments thereto, when such expenses were paid or incurred for
15 abortion coverage or amounts contributed to health savings accounts for
16 such taxpayer's employees for the purchase of an optional rider for
17 coverage of abortion in accordance with K.S.A. 2019 Supp. 40-2,190, and
18 amendments thereto, to the extent that such taxes and assessments are
19 claimed as a deduction for federal income tax purposes.

20 (xxvi) For all taxable years beginning after December 31, 2016, the
21 amount of any charitable contribution made to the extent the same is
22 claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07,
23 and amendments thereto, and is also claimed as an itemized deduction for
24 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~~ *that* 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~~ *that* 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~~ *that* 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~~ *that*
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. 74-50,201 et seq., and
41 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~~ *that* accrues to the taxpayer who is a stockholder of such
7 corporation and ~~which~~ *that* is not distributed to the stockholders as
8 dividends of the corporation. For taxable years beginning after December
9 31, 2012, and ending before January 1, 2017, the amount of modification
10 under this subsection shall exclude the portion of income or loss reported
11 on schedule E and included on line 17 of the taxpayer's form 1040 federal
12 individual income tax return.

13 (xv) For all taxable years beginning after December 31, 2017, the
14 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple
15 filing a joint return, for each designated beneficiary that are contributed to:
16 (1) A family postsecondary education savings account established under
17 the 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; or (2) an achieving a
22 better life experience (ABLE) account established under the Kansas ABLE
23 savings program or a qualified ABLE program established and maintained
24 by another state or agency or instrumentality thereof pursuant to section
25 529A of the internal revenue code of 1986, as amended, for the purpose of
26 saving private funds to support an individual with a disability. The terms
27 and phrases used in this paragraph shall have the meaning respectively
28 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and
29 amendments thereto, and the provisions of such sections are hereby
30 incorporated by reference for all purposes thereof.

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

41 (xvii) For all taxable years beginning after December 31, 2004,
42 amounts received by taxpayers who are eligible members of the Kansas
43 army and air national guard as a reimbursement pursuant to K.S.A. 48-

1 281, and amendments thereto, and amounts received for death benefits
2 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
3 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
4 amendments thereto, to the extent that such death benefits are included in
5 federal adjusted gross income of the taxpayer.

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

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

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

39 (xxi) For all taxable years beginning after December 31, 2013,
40 amounts equal to the unreimbursed travel, lodging and medical
41 expenditures directly incurred by a taxpayer while living, or a dependent
42 of the taxpayer while living, for the donation of one or more human organs
43 of the taxpayer, or a dependent of the taxpayer, to another person for

1 human organ transplantation. The expenses may be claimed as a
2 subtraction modification provided for in this section to the extent the
3 expenses are not already subtracted from the taxpayer's federal adjusted
4 gross income. In no circumstances shall the subtraction modification
5 provided for in this section for any individual, or a dependent, exceed
6 \$5,000. As used in this section, "human organ" means all or part of a liver,
7 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
8 paragraph shall take effect on the day the secretary of revenue certifies to
9 the director of the budget that the cost for the department of revenue of
10 modifications to the automated tax system for the purpose of
11 implementing this paragraph will not exceed \$20,000.

12 (xxii) For taxable years beginning after December 31, 2012, and
13 ending before January 1, 2017, the amount of net gain from the sale of: (1)
14 Cattle and horses, regardless of age, held by the taxpayer for draft,
15 breeding, dairy or sporting purposes, and held by such taxpayer for 24
16 months or more from the date of acquisition; and (2) other livestock,
17 regardless of age, held by the taxpayer for draft, breeding, dairy or
18 sporting purposes, and held by such taxpayer for 12 months or more from
19 the date of acquisition. The subtraction from federal adjusted gross income
20 shall be limited to the amount of the additions recognized under the
21 provisions of subsection (b)(xix) attributable to the business in which the
22 livestock sold had been used. As used in this paragraph, the term
23 "livestock" shall not include poultry.

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

29 (xxiv) For taxable years beginning after December 31, 2013, and
30 ending before January 1, 2017, the net gain from the sale from Christmas
31 trees grown in Kansas and held by the taxpayer for six years or more.

32 (xxv) *For all taxable years beginning after December 31, 2019,*
33 *amounts deposited in a Kansas student academic improvement account*
34 *established by agreement between the taxpayer and the state treasurer*
35 *pursuant to section 5, and amendments thereto.*

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

40 (e) The amount of modifications required to be made under this
41 section by a partner ~~which~~ *that* relates to items of income, gain, loss,
42 deduction or credit of a partnership shall be determined under K.S.A. 79-
43 32,131, and amendments thereto, to the extent that such items affect

1 federal adjusted gross income of the partner.

2 (f) No taxpayer shall be assessed penalties and interest from the
3 underpayment of taxes due to changes to this section that became law on
4 July 1, 2017, so long as such underpayment is rectified on or before April
5 17, 2018.

6 Sec. 16. K.S.A. 79-32,117 is hereby repealed.

7 Sec. 17. This act shall take effect and be in force from and after its
8 publication in the statute book.