

**HOUSE BILL No. 2725**

By Committee on Federal and State Affairs

2-21

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

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

10 (a) "Account" means a Kansas exceptional child academic  
11 improvement 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) "Dyslexia" means a specific learning disability that is  
17 neurobiological in origin, and that is characterized by difficulties with  
18 accurate or fluent word recognition and by poor spelling and decoding  
19 abilities. The term "dyslexia" includes: (1) Those difficulties that typically  
20 result from a deficit in the phonological component of language that is  
21 often unexpected in relation to other cognitive abilities and the provision  
22 of effective classroom instruction; and (2) secondary consequences, such  
23 as problems in reading comprehension and reduced reading experience,  
24 that can impede growth of vocabulary and background knowledge.

25 (e) "Eligible student" means a resident of Kansas who:

26 (1) Is or has been enrolled in kindergarten or any of the grades one  
27 through 12 in a school district organized under the laws of this state;

28 (2) (A) is an exceptional child; or

29 (B) is a child who has been diagnosed with dyslexia or a related  
30 disorder; and

31 (3) has not graduated from high school.

32 (f) "Exceptional child" means the same as defined in K.S.A. 72-3404,  
33 and amendments thereto, except the term "exceptional child" shall not  
34 include gifted children.

35 (g) "Gifted children" means the same as defined in K.S.A. 72-3404,  
36 and amendments thereto.

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

3 (i) "Postsecondary educational institution" means any postsecondary  
4 educational institution or any private or out-of-state postsecondary  
5 educational institution as such terms are defined in K.S.A. 74-3201b, and  
6 amendments thereto.

7 (j) "Program" means the Kansas exceptional child academic  
8 improvement program established under section 4, and amendments  
9 thereto.

10 (k) "Qualified private school" means an accredited private school  
11 located in Kansas that:

12 (1) Is registered with the state board of education pursuant to K.S.A.  
13 72-4346, and amendments thereto;

14 (2) provides instruction in at least those subjects required by K.S.A.  
15 72-3214, 72-3217 and 72-3235, and amendments thereto;

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

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

19 (l) "Related disorder" means a disorder similar to or related to  
20 dyslexia, such as developmental auditory imperception, dysphasia, specific  
21 developmental dyslexia, developmental dysgraphia and developmental  
22 spelling disability.

23 (m) "Resident school district" means the school district in which an  
24 eligible student would be enrolled based on such eligible student's  
25 residence.

26 (n) "Treasurer" means the state treasurer or the state treasurer's  
27 designee.

28 New Sec. 3. (a) The Kansas exceptional child academic improvement  
29 program is hereby established and shall be administered by the state  
30 treasurer. The purpose of the program is to provide alternative options for  
31 the education of exceptional children.

32 (b) The treasurer shall establish a Kansas exceptional child academic  
33 improvement account for each eligible student whose parent satisfies the  
34 requirements of this act.

35 (c) The treasurer shall maintain an explanation of the following  
36 information on the treasurer's website and provide a hard copy of such  
37 information to any person who requests it:

38 (1) The options for participation in the program as provided in section  
39 7, and amendments thereto;

40 (2) the allowable uses of moneys in a Kansas exceptional child  
41 academic improvement account;

42 (3) the responsibilities of a parent of an eligible student participating  
43 in the program;

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

5 (5) the duties of the treasurer;

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

8 (7) a list of qualified private schools.

9 New Sec. 4. (a) The school district shall notify the parent of each  
10 eligible student that the student is eligible for the program. Such notice  
11 shall include a cover letter explaining the basis for such child's eligibility  
12 for the program, the name and telephone number of the school district  
13 employee who may be contacted if the parent has questions about the  
14 program and a written description of the program, including the  
15 information described in section 3(c), and amendments thereto.

16 (b) When a student becomes eligible for the program, the parent of  
17 such student may elect to participate in the program in accordance with the  
18 provisions of section 7, and amendments thereto.

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

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

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

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

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

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

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

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

1 a subsequent year. A written agreement that has been terminated pursuant  
2 to subsection (e) shall not be renewed.

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

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

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

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

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

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

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

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

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

40 (c) If the eligible student is enrolled in a qualified private school, the  
41 treasurer shall transfer to such eligible student's account in the Kansas  
42 exceptional child academic improvement fund an aggregate annual amount  
43 equal to:

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

3 (2) 92% of the BASE aid, if the eligible student is enrolled in any of  
4 the grades six through eight in the current school year; and

5 (3) 96% of the BASE aid, if the eligible student is enrolled in any of  
6 the grades nine through 12 in the current school year.

7 (d) If the eligible student continues to be enrolled in such student's  
8 resident school district, the treasurer shall transfer to such eligible student's  
9 account in the Kansas exceptional child academic improvement fund an  
10 aggregate annual amount equal to 0.484 multiplied by the BASE aid.

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

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

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

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

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

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

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

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

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

30 (2) If the treasurer determines an account is inactive, the treasurer  
31 shall close the account and certify the amount of moneys remaining in the  
32 account to the director of accounts and reports. Such certified amount shall  
33 remain in the Kansas exceptional child academic improvement fund.

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

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

43 (1) Continuing enrollment in such student's resident school district

1 and receiving additional services to improve such student's reading and  
2 mathematics skills through evidence-based practices and programs  
3 requested or approved by such student's parent;

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

5 (3) receiving additional educational services as allowed under the  
6 program.

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

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

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

26 (c) (1) The state board shall determine the amounts to be transferred  
27 to the Kansas exceptional child academic improvement fund by:

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

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

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

39 (2) The state board of education shall certify the resulting sums to the  
40 director of accounts and reports. Upon receipt of such certification, the  
41 director shall transfer such certified amounts from the state general fund to  
42 the Kansas exceptional child academic improvement fund established in  
43 section 6, and amendments thereto.

1 (3) For school year 2020-2021, and each school year thereafter, the  
2 state board shall deduct from the amount of state foundation aid for each  
3 resident school district the amount certified under paragraph (2) for such  
4 resident school district. The appropriation for the fiscal year of the date of  
5 the certification in the state foundation aid account of the state general  
6 fund is hereby lapsed by the amount equal to the accumulated total of such  
7 certified amounts under paragraph (2).

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

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

12 (2) textbooks and other supplies required by a qualified private  
13 school;

14 (3) fees for transportation provided by a qualified private school  
15 required for the eligible student to travel to and from such qualified private  
16 school;

17 (4) educational therapies or services provided by a licensed or  
18 accredited education provider;

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

20 (6) curriculum materials;

21 (7) tuition or fees charged by an accredited private online learning  
22 program;

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

26 (9) contracted services from a school district, including individual  
27 classes;

28 (10) tuition and fees charged by a postsecondary educational  
29 institution;

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

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

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

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

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

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

2 (f) (1) The treasurer shall conduct or contract to conduct annual  
3 audits of eligible student accounts to ensure compliance with the  
4 provisions of this act and may conduct or contract to conduct additional  
5 audits of eligible student accounts, as needed.

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

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

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

13 (C) terminate the account.

14 New Sec. 10. (a) To become a qualified private school, an applicant  
15 shall submit an application to the treasurer on a form and in a manner  
16 prescribed by the treasurer. Such application shall include proof that the  
17 applicant is an accredited nonpublic school registered with the state board  
18 of education pursuant to K.S.A. 72-4346, and amendments thereto, and  
19 provides instruction in at least those subjects required by K.S.A. 72-3214,  
20 72-3217 and 72-3235, and amendments thereto.

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

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

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

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

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

37 (2) Prior to revoking a qualified private school's approval, the  
38 treasurer shall notify such school of an impending revocation and the  
39 reason for such revocation. The qualified private school shall have 30 days  
40 from the time it was notified to cure the matter identified in the notice. If  
41 the qualified private school fails to cure such matter within 30 days, such  
42 school's approval shall be revoked. A qualified private school whose  
43 approval has been revoked shall not be allowed to participate in the



1 program until such time the treasurer determines such school is in  
2 compliance with the requirements of this act.

3 (3) If the treasurer revokes a qualified private school's approval, the  
4 treasurer shall immediately notify each parent of an eligible student  
5 participating in the program and receiving instruction from such school.

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

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

13 New Sec. 12. The provisions of this act shall be subject to the Kansas  
14 administrative procedure act and reviewable under the Kansas judicial  
15 review act.

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

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

21 Sec. 15. K.S.A. 79-32,117 is hereby amended to read as follows: 79-  
22 32,117. (a) The Kansas adjusted gross income of an individual means such  
23 individual's federal adjusted gross income for the taxable year, with the  
24 modifications specified in this section.

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

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

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

1 amendments thereto, for privilege tax year 1995, and all such years  
2 thereafter.

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

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

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

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

29 (vii) The amount of any charitable contribution made to the extent the  
30 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
31 32,196, and amendments thereto.

32 (viii) The amount of any costs incurred for improvements to a swine  
33 facility, claimed for deduction in determining federal adjusted gross  
34 income, to the extent the same is claimed as the basis for any credit  
35 allowed pursuant to K.S.A. 79-32,204, and amendments 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. 75-643, and amendments thereto, if, at the time of contribution to a

1 family postsecondary education savings account, such amounts were  
2 subtracted from the federal adjusted gross income pursuant to K.S.A. 79-  
3 32,117(c)(xv), and amendments thereto, or if such amounts are not already  
4 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. 74-  
7 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. 74-50,204, and amendments thereto, if, at the time of contribution  
11 to an individual development account, such amounts were subtracted from  
12 the federal adjusted gross income pursuant to subsection (c)(xiii), or if  
13 such amounts are not already included in the federal adjusted gross  
14 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. 79-32,217  
18 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. 79-32,221, and amendments  
22 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. 79-32,223  
26 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-  
27 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-  
28 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. 79-32,227, 79-32,232, 79-  
32 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

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

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

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

4 (xix) For taxable years beginning after December 31, 2012, and  
5 ending before January 1, 2017, the amount of any: (1) Loss from business  
6 as determined under the federal internal revenue code and reported from  
7 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
8 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
9 corporations, except those with wholly owned subsidiaries subject to the  
10 Kansas privilege tax, estates, trusts, residual interest in real estate  
11 mortgage investment conduits and net farm rental as determined under the  
12 federal internal revenue code and reported from schedule E and on line 17  
13 of the taxpayer's form 1040 federal individual income tax return; and (3)  
14 farm loss as determined under the federal internal revenue code and  
15 reported from schedule F and on line 18 of the taxpayer's form 1040  
16 federal income tax return; all to the extent deducted or subtracted in  
17 determining the taxpayer's federal adjusted gross income. For purposes of  
18 this subsection, references to the federal form 1040 and federal schedule  
19 C, schedule E, and schedule F, shall be to such form and schedules as they  
20 existed for tax year 2011, and as revised thereafter by the internal revenue  
21 service.

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

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

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

41 (xxiii) For taxable years beginning after December 31, 2012, and  
42 ending before January 1, 2017, the amount of any deduction for domestic  
43 production activities under section 199 of the federal internal revenue code

1 as in effect on January 1, 2012, and amendments thereto, in determining  
2 the federal adjusted gross income of an individual taxpayer.

3 (xxiv) For taxable years commencing after December 31, 2013, that  
4 portion of the amount of any expenditure deduction claimed in  
5 determining federal adjusted gross income for expenses paid for medical  
6 care of the taxpayer or the taxpayer's spouse or dependents when such  
7 expenses were paid or incurred for an abortion, or for a health benefit plan,  
8 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of  
9 an optional rider for coverage of abortion in accordance with K.S.A. 2019  
10 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and  
11 assessments are claimed as an itemized deduction for federal income tax  
12 purposes.

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

24 (xxvi) For all taxable years beginning after December 31, 2016, the  
25 amount of any charitable contribution made to the extent the same is  
26 claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07,  
27 and amendments thereto, and is also claimed as an itemized deduction for  
28 federal income tax purposes.

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

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

36 (ii) Any amounts received ~~which~~ *that* are included in federal adjusted  
37 gross income but which are specifically exempt from Kansas income  
38 taxation under the laws of the state of Kansas.

39 (iii) The portion of any gain or loss from the sale or other disposition  
40 of property having a higher adjusted basis for Kansas income tax purposes  
41 than for federal income tax purposes on the date such property was sold or  
42 disposed of in a transaction in which gain or loss was recognized for  
43 purposes of federal income tax that does not exceed such difference in

1 basis, but if a gain is considered a long-term capital gain for federal  
2 income tax purposes, the modification shall be limited to that portion of  
3 such gain ~~which~~ *that* is included in federal adjusted gross income.

4 (iv) The amount necessary to prevent the taxation under this act of  
5 any annuity or other amount of income or gain ~~which~~ *that* was properly  
6 included in income or gain and was taxed under the laws of this state for a  
7 taxable year prior to the effective date of this act, as amended, to the  
8 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
9 the right to receive the income or gain, or to a trust or estate from which  
10 the taxpayer received the income or gain.

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

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

18 (vii) Amounts received as annuities under the federal civil service  
19 retirement system from the civil service retirement and disability fund and  
20 other amounts received as retirement benefits in whatever form ~~which~~ *that*  
21 were earned for being employed by the federal government or for service  
22 in the armed forces of the United States.

23 (viii) Amounts received by retired railroad employees as a  
24 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
25 228c (a)(1) et seq.

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

31 (x) For taxable years beginning after December 31, 1976, the amount  
32 of the federal tentative jobs tax credit disallowance under the provisions of  
33 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
34 amount of the targeted jobs tax credit and work incentive credit  
35 disallowances under 26 U.S.C. § 280 C.

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

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

42 (xiii) For taxable years beginning after December 31, 2004, amounts  
43 contributed to and the amount of income earned on contributions deposited

1 to an individual development account under K.S.A. 74-50,201 et seq., and  
2 amendments thereto.

3 (xiv) For all taxable years commencing after December 31, 1996, that  
4 portion of any income of a bank organized under the laws of this state or  
5 any other state, a national banking association organized under the laws of  
6 the United States, an association organized under the savings and loan  
7 code of this state or any other state, or a federal savings association  
8 organized under the laws of the United States, for which an election as an  
9 S corporation under subchapter S of the federal internal revenue code is in  
10 effect, ~~which~~ that accrues to the taxpayer who is a stockholder of such  
11 corporation and ~~which~~ that is not distributed to the stockholders as  
12 dividends of the corporation. For taxable years beginning after December  
13 31, 2012, and ending before January 1, 2017, the amount of modification  
14 under this subsection shall exclude the portion of income or loss reported  
15 on schedule E and included on line 17 of the taxpayer's form 1040 federal  
16 individual income tax return.

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

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

1 including service in the Kansas army and air national guard.

2 (xvii) For all taxable years beginning after December 31, 2004,  
3 amounts received by taxpayers who are eligible members of the Kansas  
4 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
5 281, and amendments thereto, and amounts received for death benefits  
6 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
7 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and  
8 amendments thereto, to the extent that such death benefits are included in  
9 federal adjusted gross income of the taxpayer.

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

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

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

43 (xxi) For all taxable years beginning after December 31, 2013,



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

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

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

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

36 (xxv) *For all taxable years beginning after December 31, 2019,*  
37 *amounts deposited in a Kansas exceptional child academic improvement*  
38 *account established by agreement between the taxpayer and the state*  
39 *treasurer pursuant to section 5, and amendments thereto.*

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

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

6 (f) No taxpayer shall be assessed penalties and interest from the  
7 underpayment of taxes due to changes to this section that became law on  
8 July 1, 2017, so long as such underpayment is rectified on or before April  
9 17, 2018.

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

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