

HOUSE BILL No. 2727

By Committee on Taxation

3-3

1 AN ACT concerning income taxation; relating to the determination of
2 Kansas adjusted gross income; increasing the income limit to qualify
3 for the subtraction modification for social security income; amending
4 K.S.A. 2021 Supp. 79-32,117 and repealing the existing section.
5

6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 2021 Supp. 79-32,117 is hereby amended to read as
8 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
9 means such individual's federal adjusted gross income for the taxable year,
10 with the modifications specified in this section.

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

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

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

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

35 (iv) Federal income tax refunds received by the taxpayer if the
36 deduction of the taxes being refunded resulted in a tax benefit for Kansas

1 army and air national guard as a reimbursement pursuant to K.S.A. 48-
 2 281, and amendments thereto, and amounts received for death benefits
 3 pursuant to K.S.A. 48-282, and amendments thereto, to the extent that
 4 such death benefits are included in federal adjusted gross income of the
 5 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 ~~are included in federal adjusted gross income of a taxpayer with federal~~
 9 ~~adjusted gross income of \$50,000 or less, whether such taxpayer's filing~~
 10 ~~status is single, head of household, married filing separate or married filing~~
 11 ~~jointly; and (A) For all taxable years beginning after December 31,~~
 12 ~~2007, and ending before January 1, 2023, amounts received as benefits~~
 13 ~~under the federal social security act which are included in federal adjusted~~
 14 ~~gross income of a taxpayer with federal adjusted gross income of \$75,000~~
 15 ~~or less, whether such taxpayer's filing status is single, head of household,~~
 16 ~~married filing separate or married filing jointly.~~

17 *(B) For all taxable years beginning after December 31, 2022,*
 18 *amounts received as benefits under the federal social security act that are*
 19 *included in federal adjusted gross income of a taxpayer with federal*
 20 *adjusted gross income except that, for taxpayers whose federal adjusted*
 21 *gross income is more than \$75,000, amounts received as benefits under*
 22 *the federal social security act that are included in federal adjusted gross*
 23 *income shall be reduced by 10% for each \$1,000 of federal adjusted gross*
 24 *income in excess of \$75,000, whether a taxpayer's filing status is single,*
 25 *head of household, married filing separate or married filing jointly.*

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

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

, and the amount of the subtraction modification provided by
 this paragraph shall be calculated as follows:

Subtraction modification = social security income x social
 security taxable rate

Where:

(1) Social security income is the amount of benefits received
 under the social security act; and

(2) Social security taxable rate is determined as follows:

(a) For taxpayers with federal adjusted gross income (hereafter
 "FAGI") of \$75,000 or less then the social security taxable rate
 is 1

(b) For taxpayers with federal adjusted gross income is greater
 than \$75,000 and less than \$85,000 then the social security
 taxable rate is calculated as: $1 - ((\text{FAGI} - 75000) / 10,000)$

(c) For taxpayers with federal adjusted gross income equal to or
 greater than \$85,000 then the social security taxable rate is 0