

SENATE BILL No. 289

By Committee on Ways and Means

3-10

1 AN ACT concerning the state response to the emergency of COVID-19;
2 enacting the frontline service pay act; providing for enhanced hazard
3 pay for frontline service workers funded by federal COVID-19 moneys
4 provided to Kansas and making such pay exempt from state income
5 tax; amending K.S.A. 79-32,117 and repealing the existing section.
6

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

8 New Section 1. This act shall be known and may be cited as the
9 frontline service pay act.

10 New Sec. 2. For purposes of this act:

11 (a) "Department" means the department of commerce.

12 (b) "Eligible employee" means an employee engaged in public or
13 private sector frontline service in Kansas who:

14 (1) Cannot effectively and safely conduct their business remotely
15 from home; and

16 (2) has wages of less than \$25 per hour or a salary that, based on all
17 hours worked and pay received during the most recent three-month period,
18 averages less than \$25 per hour.

19 (c) "Eligible employer" means the state of Kansas and any Kansas
20 local governmental or private employer located in Kansas that employs an
21 eligible employee in Kansas.

22 (d) "Frontline service" means:

23 (1) Service in high-contact or congregate work settings, including,
24 but not limited to:

25 (A) Corrections facilities;

26 (B) behavioral health facilities, including, but not limited to, state
27 hospitals;

28 (C) K-12 schools;

29 (D) firefighters, law enforcement officers and emergency medical
30 technicians;

31 (E) grocery stores and food services;

32 (F) critical manufacturing facilities, designated by the secretary of
33 commerce to be critical to the public welfare;

34 (G) food processing facilities;

35 (H) healthcare facilities, including custodial and other support staff;

36 (I) in-home and long-term care;

- 1 (J) childcare providers;
- 2 (K) shelters for domestic violence victims or homeless persons; or
- 3 (L) transportation workers;
- 4 (2) service in the following industries or employments, if required to
- 5 be in a high-risk setting:
- 6 (A) State agencies;
- 7 (B) warehouses;
- 8 (C) agriculture;
- 9 (D) suppliers of critical services or materials for COVID-19 response;
- 10 (E) the division of motor vehicles of the department of revenue; or
- 11 (F) any service designated by the secretary of commerce to be of
- 12 similarly substantial risk of infection;
- 13 (3) service in an industry or employment designated by the secretary
- 14 of commerce to be critical to the public welfare and where employers are
- 15 at risk of a shortage of workers for such service; or
- 16 (4) service in industries that are included in the Kansas' essential
- 17 function framework, as defined in Executive Order 20-16 and that is
- 18 generally required to be in a high-risk setting.
- 19 (e) "Frontline service grant" means a grant of funds from the COVID-
- 20 19 frontline service fund by the secretary of commerce to eligible
- 21 employers to provide enhanced hazard pay to eligible employees in
- 22 accordance with the provisions of this act.
- 23 (f) "High-risk setting" means an employment setting that exposes the
- 24 employee to a high risk of infection of COVID-19 due to the degree of
- 25 physical proximity to or contact with other persons or exposure to the
- 26 respiration of, bodily fluids of or objects or surfaces touched by other
- 27 persons.
- 28 (g) "Secretary" means the secretary of commerce.
- 29 Sec. 3.

30 DEPARTMENT OF COMMERCE

31 (a) There is appropriated for the department of commerce from the

32 following special revenue fund or funds for the fiscal year ending June 30,

33 2021, all moneys now or hereafter lawfully credited to and available in

34 such fund or funds, except that expenditures other than refunds authorized

35 by law shall not exceed the following:

36 COVID-19 frontline service fund.....No limit

37 *Provided*, That, notwithstanding the provisions of any other statute, during

38 the fiscal year ending June 30, 2021, the director of the budget shall

39 determine the amount of moneys received by the state from the federal

40 consolidated appropriations act, 2021, public law 116-260, and any other

41 federal law that appropriates moneys to the state for aid for coronavirus

42 relief, that are identified as moneys that may be expended at the discretion

43 of the state: *Provided further*, That the director of the budget shall certify

1 the amount so determined to the director of accounts and reports and, at
 2 the same time as such certification is transmitted to the director of
 3 accounts and reports, shall transmit a copy of such certification to the
 4 director of legislative research and the governor: *And provided further*;
 5 That, upon receipt of each such certification, if the total certified amount is
 6 greater than \$50,000,000, the director of accounts and reports shall transfer
 7 \$50,000,000 of the amount certified from the identified federal funds in
 8 the state treasury to the COVID-19 frontline service fund: *And provided*
 9 *further*; That such funds shall be distributed to eligible employers as
 10 determined by the department of commerce pursuant to the provisions of
 11 this act.

12 (b) Upon receipt of the certification from the director of the budget as
 13 provided in subsections (a), the governor may determine an additional
 14 amount of moneys greater than \$50,000,000 received by the state from the
 15 federal consolidated appropriations act, 2021, public law 116-260, and any
 16 other federal law that appropriates moneys to the state for aid for
 17 coronavirus relief, that are identified as moneys that may be expended at
 18 the discretion of the state, to be transferred to the COVID-19 frontline
 19 service fund. Such determination shall consider whether additional funds
 20 would improve the duration of or expand eligibility for the distribution of
 21 funds to eligible employers by the department of commerce pursuant to the
 22 provisions of this act. The director of the budget shall certify such
 23 additional amount determined by the governor to the director of accounts
 24 and reports and, at the same time as such certification is transmitted to the
 25 director of accounts and reports, shall transmit a copy of such certification
 26 to the director of legislative research. Upon receipt of such certification,
 27 the director of accounts and reports shall transfer the amount certified from
 28 the identified federal funds in the state treasury to the COVID-19 frontline
 29 service fund. Such moneys shall be distributed to eligible employers as
 30 determined by the department of commerce pursuant to the provisions of
 31 this act.

32 Sec. 4.

33 DEPARTMENT OF COMMERCE

34 (a) There is appropriated for the department of commerce from the
 35 following special revenue fund or funds for the fiscal year ending June 30,
 36 2022, all moneys now or hereafter lawfully credited to and available in
 37 such fund or funds, except that expenditures other than refunds authorized
 38 by law shall not exceed the following:

39 COVID-19 frontline service fund.....No limit
 40 *Provided*, That, notwithstanding the provisions of any other statute, during
 41 the fiscal year ending June 30, 2022, the director of the budget shall
 42 determine the amount of moneys received by the state from the federal
 43 consolidated appropriations act, 2021, public law 116-260, and any other

1 federal law that appropriates moneys to the state for aid for coronavirus
2 relief, that are identified as moneys that may be expended at the discretion
3 of the state: *Provided further*, That the director of the budget shall certify
4 the amount so determined to the director of accounts and reports and, at
5 the same time as such certification is transmitted to the director of
6 accounts and reports, shall transmit a copy of such certification to the
7 director of legislative research and the governor: *And provided further*,
8 That, upon receipt of each such certification, if the total certified amount is
9 greater than \$50,000,000, the director of accounts and reports shall transfer
10 \$50,000,000 of the amount certified from the identified federal funds in
11 the state treasury to the COVID-19 frontline service fund: *And provided*
12 *further*, That such funds shall be distributed to eligible employers as
13 determined by the department of commerce pursuant to the provisions of
14 this act.

15 (b) Upon receipt of the certification from the director of the budget as
16 provided in subsections (a), the governor may determine an additional
17 amount of moneys greater than \$50,000,000 received by the state from the
18 federal consolidated appropriations act, 2021, public law 116-260, and any
19 other federal law that appropriates moneys to the state for aid for
20 coronavirus relief, that are identified as moneys that may be expended at
21 the discretion of the state, to be transferred to the COVID-19 frontline
22 service fund. Such determination shall consider whether additional funds
23 would improve the duration of or expand eligibility for the distribution of
24 funds to eligible employers by the department of commerce pursuant to the
25 provisions of this act. The director of the budget shall certify such
26 additional amount determined by the governor to the director of accounts
27 and reports and, at the same time as such certification is transmitted to the
28 director of accounts and reports, shall transmit a copy of such certification
29 to the director of legislative research. Upon receipt of such certification,
30 the director of accounts and reports shall transfer the amount certified from
31 the identified federal funds in the state treasury to the COVID-19 frontline
32 service fund. Such moneys shall be distributed to eligible employers as
33 determined by the department of commerce pursuant to the provisions of
34 this act.

35 New Sec. 5. (a) The secretary of commerce shall administer the
36 provisions of this act and shall be responsible for the allocation and
37 distribution of grants of moneys from the COVID-19 frontline service
38 fund to eligible employers for the purpose of providing enhanced hazard
39 pay to eligible employees in accordance with the provisions of this act.

40 (b) The amount of a grant by the secretary to an eligible employer
41 shall be limited to \$1,200 per eligible employee and shall be distributed by
42 the eligible employer to the eligible employee during a period of 10 weeks
43 by providing \$3 per hour during such period in addition to the eligible

1 employee's ordinary wages, or for salaried employees, by providing the
2 amount of \$1,200 divided by the number of salary payments during such
3 period in addition to ordinary salary payments.

4 (c) The sole purpose of grant moneys from the COVID-19 frontline
5 service fund shall be to provide additional hazard pay to eligible
6 employees as provided by this act. Employers shall apply for grants of
7 funds from the secretary and shall pass all such funds obtained to their
8 employees as additional pay.

9 (d) In administering the provisions of this act, the secretary shall have
10 and may exercise the following powers, duties and functions, including,
11 but not limited to:

12 (1) Develop and implement a plan to notify potentially eligible
13 employers and employees about their potential eligibility and provide
14 guidance to employers about the application process and lawful use of
15 grant moneys distributed by the secretary;

16 (2) establish standards, criteria and guidelines to determine employer
17 eligibility for grants and employee eligibility for increased pay in
18 accordance with the provisions of this act;

19 (3) develop an employer application form and employer agreement
20 requirements;

21 (4) review applications from employers, enter into agreements with
22 employers approved as eligible by the secretary and distribute grants to
23 such eligible employers, as provided by this act and to the extent funds are
24 available;

25 (5) monitor and audit the use of grant moneys by employers to ensure
26 such use is consistent with the requirements of this act;

27 (6) in the event additional funds are available, provide grants to
28 additional eligible employers or extend grant funding to eligible employers
29 who have received a grant. Extension of funding to an eligible employer
30 shall be at the rate of \$120 per week per eligible employee; and

31 (7) enforce the provisions of this act and investigate any potential
32 violations.

33 (e) The secretary may adopt rules and regulations necessary to
34 implement and administer the provisions of this act.

35 New Sec. 6. (a) (1) The provisions of this subsection shall apply to
36 private eligible employers. Any eligible private employer meeting the
37 requirements of this act may apply to the secretary of commerce for a
38 grant pursuant to the provisions of this act. The application shall be
39 submitted on a form and in a manner prescribed by the secretary and shall
40 include evidence that the:

41 (A) Applicant is an eligible employer; and

42 (B) employees designated by the employer to receive the grant funds
43 are eligible employees.

1 (2) The secretary shall consider applications in the order that they are
2 received, determine whether the employer is an eligible employer and
3 employees designated by the employer for receipt of additional pay are
4 eligible employees and may either approve or disapprove the application.
5 Any eligible employer whose application is approved shall be eligible to
6 receive a grant as of the date such eligible employer enters into an
7 agreement with the secretary in accordance with this section.

8 (3) Upon approval of an application for a grant, the secretary shall
9 enter into an agreement with the eligible employer for benefits under this
10 act. The agreement between the eligible employer and the secretary shall
11 be entered into before any grant may be provided and shall specify that:

12 (A) All grant moneys received by the eligible employer shall be used
13 solely for the purpose of providing additional hazard pay to the identified
14 eligible employees and shall be passed directly to such employees through
15 employee paychecks. Grant-funded additional pay shall be provided to
16 eligible employees not later than the conclusion of the first pay period of
17 the eligible employee that follows two weeks from the receipt of grant
18 funds from the secretary and shall be a demarcated line item on the eligible
19 employee's pay stub or notification, labeled "Frontline Service Pay." The
20 distribution of the grant funds to eligible employees shall be as provided in
21 section 5(b), and amendments thereto;

22 (B) the eligible employer shall not offset or reduce the ordinary
23 compensation or other compensation provided to eligible employees
24 receiving additional pay or to non-eligible employees by the use of grant
25 funds;

26 (C) the eligible employer shall provide any documentation requested
27 by the secretary and, if requested by the secretary, submit to an
28 examination of its books and records for the purpose of determining
29 whether the eligible employer is complying with the requirements of the
30 agreement and of this act; and

31 (D) if the eligible employer fails to comply with the terms and
32 conditions set forth in the agreement or fails to comply with the provisions
33 of this act, the secretary may terminate the agreement, and the eligible
34 employer shall not be entitled to any further grant moneys. The employer
35 shall be required to remit to the state an amount equal to the grant retained
36 by the eligible employer as of the date the agreement is terminated,
37 including any grant funds not paid to an eligible employee.

38 (4) If the secretary approves the application and the agreement is
39 executed, the secretary shall distribute grant funds to the eligible employer
40 in the amount of \$1,200 per identified eligible employee for payment to
41 such eligible employees as provided by the agreement and the provisions
42 of this act.

43 (b) (1) All state agencies, boards, commissions, institutions, political

1 subdivisions of the state and local governmental units shall be considered
2 for distribution of grant funds by the secretary. Within 14 days of the
3 effective date of this act, such public employers shall provide a list of
4 eligible employees to the secretary and such information as requested by
5 the secretary for the purpose of enabling the secretary to determine
6 eligibility. The secretary may require such public employers to enter into
7 an agreement with the secretary specifying the use of grant funds and
8 manner of payment of grant funds to employees prior to extending grant
9 funding. All enhanced hazard pay to employees shall be a demarcated line
10 item on the eligible employee's pay stub or notification, labeled "Frontline
11 Service Pay." The secretary shall determine the eligibility of such
12 employees and execute any agreements by June 30, 2021.

13 (2) Eligible state employees shall receive the enhanced hazard pay at
14 the conclusion of their first pay period following two weeks from the
15 distribution of funds into the COVID-19 frontline service fund.

16 (c) In the event additional funding becomes available to the secretary,
17 an eligible employer that is already receiving grant funds may apply to the
18 secretary for additional grant funding if the eligible employer meets the
19 requirements of this act, is approved by the secretary and enters into a new
20 agreement with the secretary or if the provisions of the previous agreement
21 continue to apply.

22 New Sec. 7. A violation of the provisions of this act committed with
23 the intent to defraud shall be a class C nonperson misdemeanor.

24 New Sec. 8. Payment to eligible employees pursuant to this act shall
25 not be included in Kansas adjusted gross income and shall not be taxable
26 for purposes of the Kansas income tax act. To the extent permitted by
27 federal law, such payments shall not be considered as income for the
28 purposes of eligibility for any income-based programs administered by the
29 state of Kansas, including, but not limited to, medicaid.

30 Sec. 9. K.S.A. 79-32,117 is hereby amended to read as follows: 79-
31 32,117. (a) The Kansas adjusted gross income of an individual means such
32 individual's federal adjusted gross income for the taxable year, with the
33 modifications specified in this section.

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

35 (i) Interest income less any related expenses directly incurred in the
36 purchase of state or political subdivision obligations, to the extent that the
37 same is not included in federal adjusted gross income, on obligations of
38 any state or political subdivision thereof, but to the extent that interest
39 income on obligations of this state or a political subdivision thereof issued
40 prior to January 1, 1988, is specifically exempt from income tax under the
41 laws of this state authorizing the issuance of such obligations, it shall be
42 excluded from computation of Kansas adjusted gross income whether or
43 not included in federal adjusted gross income. Interest income on

1 obligations of this state or a political subdivision thereof issued after
2 December 31, 1987, shall be excluded from computation of Kansas
3 adjusted gross income whether or not included in federal adjusted gross
4 income.

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

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

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

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

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

38 (vii) The amount of any charitable contribution made to the extent the
39 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
40 32,196, and amendments thereto.

41 (viii) The amount of any costs incurred for improvements to a swine
42 facility, claimed for deduction in determining federal adjusted gross
43 income, to the extent the same is claimed as the basis for any credit

1 allowed pursuant to K.S.A. 79-32,204, and amendments thereto.

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

8 (x) Amounts received as nonqualified withdrawals, as defined by
9 K.S.A. 75-643, and amendments thereto, if, at the time of contribution to a
10 family postsecondary education savings account, such amounts were
11 subtracted from the federal adjusted gross income pursuant to K.S.A. 79-
12 32,117(c)(xv), and amendments thereto, or if such amounts are not already
13 included in the federal adjusted gross income.

14 (xi) The amount of any contribution made to the same extent the
15 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
16 50,154, and amendments thereto.

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

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

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

32 (xv) The amount of any expenditures claimed for deduction in
33 determining federal adjusted gross income, to the extent the same is
34 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223
35 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-
36 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-
37 32,251 through 79-32,254, and amendments thereto.

38 (xvi) The amount of any amortization deduction claimed in
39 determining federal adjusted gross income to the extent the same is
40 claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-
41 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

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

1 claimed for deduction pursuant to K.S.A. 79-32,256, and amendments
2 thereto.

3 (xviii) For taxable years commencing after December 31, 2006, the
4 amount of any ad valorem or property taxes and assessments paid to a state
5 other than Kansas or local government located in a state other than Kansas
6 by a taxpayer who resides in a state other than Kansas, when the law of
7 such state does not allow a resident of Kansas who earns income in such
8 other state to claim a deduction for ad valorem or property taxes or
9 assessments paid to a political subdivision of the state of Kansas in
10 determining taxable income for income tax purposes in such other state, to
11 the extent that such taxes and assessments are claimed as an itemized
12 deduction for federal income tax purposes.

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

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

39 (xxi) For taxable years beginning after December 31, 2012, and
40 ending before January 1, 2017, the amount of any deduction for pension,
41 profit sharing, and annuity plans of self-employed individuals under
42 section 62(a)(6) of the federal internal revenue code as in effect on January
43 1, 2012, and amendments thereto, in determining the federal adjusted gross

1 income of an individual taxpayer.

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

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

12 (xxiv) For taxable years commencing after December 31, 2013, that
13 portion of the amount of any expenditure deduction claimed in
14 determining federal adjusted gross income for expenses paid for medical
15 care of the taxpayer or the taxpayer's spouse or dependents when such
16 expenses were paid or incurred for an abortion, or for a health benefit plan,
17 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
18 an optional rider for coverage of abortion in accordance with K.S.A. 2020
19 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
20 assessments are claimed as an itemized deduction for federal income tax
21 purposes.

22 (xxv) For taxable years commencing after December 31, 2013, that
23 portion of the amount of any expenditure deduction claimed in
24 determining federal adjusted gross income for expenses paid by a taxpayer
25 for health care when such expenses were paid or incurred for abortion
26 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
27 amendments thereto, when such expenses were paid or incurred for
28 abortion coverage or amounts contributed to health savings accounts for
29 such taxpayer's employees for the purchase of an optional rider for
30 coverage of abortion in accordance with K.S.A. 2020 Supp. 40-2,190, and
31 amendments thereto, to the extent that such taxes and assessments are
32 claimed as a deduction for federal income tax purposes.

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

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

39 (i) Interest or dividend income on obligations or securities of any
40 authority, commission or instrumentality of the United States and its
41 possessions less any related expenses directly incurred in the purchase of
42 such obligations or securities, to the extent included in federal adjusted
43 gross income but exempt from state income taxes under the laws of the

1 United States.

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

5 (iii) The portion of any gain or loss from the sale or other disposition
6 of property having a higher adjusted basis for Kansas income tax purposes
7 than for federal income tax purposes on the date such property was sold or
8 disposed of in a transaction in which gain or loss was recognized for
9 purposes of federal income tax that does not exceed such difference in
10 basis, but if a gain is considered a long-term capital gain for federal
11 income tax purposes, the modification shall be limited to that portion of
12 such gain which is included in federal adjusted gross income.

13 (iv) The amount necessary to prevent the taxation under this act of
14 any annuity or other amount of income or gain which was properly
15 included in income or gain and was taxed under the laws of this state for a
16 taxable year prior to the effective date of this act, as amended, to the
17 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
18 the right to receive the income or gain, or to a trust or estate from which
19 the taxpayer received the income or gain.

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

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

27 (vii) Amounts received as annuities under the federal civil service
28 retirement system from the civil service retirement and disability fund and
29 other amounts received as retirement benefits in whatever form which
30 were earned for being employed by the federal government or for service
31 in the armed forces of the United States.

32 (viii) Amounts received by retired railroad employees as a
33 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
34 228c (a)(1) et seq.

35 (ix) Amounts received by retired employees of a city and by retired
36 employees of any board of such city as retirement allowances pursuant to
37 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
38 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
39 amendments thereto.

40 (x) For taxable years beginning after December 31, 1976, the amount
41 of the federal tentative jobs tax credit disallowance under the provisions of
42 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
43 amount of the targeted jobs tax credit and work incentive credit

1 disallowances under 26 U.S.C. § 280 C.

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

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

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

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

26 (xv) For all taxable years beginning after December 31, 2017, the
27 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple
28 filing a joint return, for each designated beneficiary that are contributed to:
29 (1) A family postsecondary education savings account established under
30 the Kansas postsecondary education savings program or a qualified tuition
31 program established and maintained by another state or agency or
32 instrumentality thereof pursuant to section 529 of the internal revenue
33 code of 1986, as amended, for the purpose of paying the qualified higher
34 education expenses of a designated beneficiary; or (2) an achieving a
35 better life experience (ABLE) account established under the Kansas ABLE
36 savings program or a qualified ABLE program established and maintained
37 by another state or agency or instrumentality thereof pursuant to section
38 529A of the internal revenue code of 1986, as amended, for the purpose of
39 saving private funds to support an individual with a disability. The terms
40 and phrases used in this paragraph shall have the meaning respectively
41 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and
42 amendments thereto, and the provisions of such sections are hereby
43 incorporated by reference for all purposes thereof.

1 (xvi) For all taxable years beginning after December 31, 2004,
2 amounts received by taxpayers who are or were members of the armed
3 forces of the United States, including service in the Kansas army and air
4 national guard, as a recruitment, sign up or retention bonus received by
5 such taxpayer as an incentive to join, enlist or remain in the armed services
6 of the United States, including service in the Kansas army and air national
7 guard, and amounts received for repayment of educational or student loans
8 incurred by or obligated to such taxpayer and received by such taxpayer as
9 a result of such taxpayer's service in the armed forces of the United States,
10 including service in the Kansas army and air national guard.

11 (xvii) For all taxable years beginning after December 31, 2004,
12 amounts received by taxpayers who are eligible members of the Kansas
13 army and air national guard as a reimbursement pursuant to K.S.A. 48-
14 281, and amendments thereto, and amounts received for death benefits
15 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
16 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
17 amendments thereto, to the extent that such death benefits are included in
18 federal adjusted gross income of the taxpayer.

19 (xviii) For the taxable year beginning after December 31, 2006,
20 amounts received as benefits under the federal social security act which
21 are included in federal adjusted gross income of a taxpayer with federal
22 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
23 status is single, head of household, married filing separate or married filing
24 jointly; and for all taxable years beginning after December 31, 2007,
25 amounts received as benefits under the federal social security act which
26 are included in federal adjusted gross income of a taxpayer with federal
27 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
28 status is single, head of household, married filing separate or married filing
29 jointly.

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

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

1 of the taxpayer's form 1040 federal individual income tax return; and (3)
2 net farm profit as determined under the federal internal revenue code and
3 reported from schedule F and on line 18 of the taxpayer's form 1040
4 federal income tax return; all to the extent included in the taxpayer's
5 federal adjusted gross income. For purposes of this subsection, references
6 to the federal form 1040 and federal schedule C, schedule E, and schedule
7 F, shall be to such form and schedules as they existed for tax year 2011
8 and as revised thereafter by the internal revenue service.

9 (xxi) For all taxable years beginning after December 31, 2013,
10 amounts equal to the unreimbursed travel, lodging and medical
11 expenditures directly incurred by a taxpayer while living, or a dependent
12 of the taxpayer while living, for the donation of one or more human organs
13 of the taxpayer, or a dependent of the taxpayer, to another person for
14 human organ transplantation. The expenses may be claimed as a
15 subtraction modification provided for in this section to the extent the
16 expenses are not already subtracted from the taxpayer's federal adjusted
17 gross income. In no circumstances shall the subtraction modification
18 provided for in this section for any individual, or a dependent, exceed
19 \$5,000. As used in this section, "human organ" means all or part of a liver,
20 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
21 paragraph shall take effect on the day the secretary of revenue certifies to
22 the director of the budget that the cost for the department of revenue of
23 modifications to the automated tax system for the purpose of
24 implementing this paragraph will not exceed \$20,000.

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

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

42 (xxiv) For taxable years beginning after December 31, 2013, and
43 ending before January 1, 2017, the net gain from the sale from Christmas

1 trees grown in Kansas and held by the taxpayer for six years or more.

2 (xxv) *For taxable years beginning after December 31, 2020, amounts*
3 *received by employees in additional compensation as a separate line item*
4 *on an employee's pay stub or notification and labeled "Frontline Service*
5 *Pay", pursuant to the provisions of the frontline service pay act.*

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

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

15 (f) No taxpayer shall be assessed penalties and interest from the
16 underpayment of taxes due to changes to this section that became law on
17 July 1, 2017, so long as such underpayment is rectified on or before April
18 17, 2018.

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

20 Sec. 11. This act shall take effect and be in force from and after its
21 publication in the Kansas register.