

HOUSE BILL No. 2747

By Committee on Taxation

2-14

1 AN ACT concerning taxation; relating to income and privilege tax rates;
2 income tax deductions and credits and income determination;
3 distribution of sales and use tax revenue; severance tax, exemptions;
4 rural opportunity zones; amending K.S.A. 79-32,128 and K.S.A. 2011
5 Supp. 74-50,222, 79-1107, 79-1108, 79-32,110, 79-32,111, 79-32,117,
6 79-32,119, 79-32,205, 79-3620, 79-3710 and 79-4217 and repealing the
7 existing sections.
8

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

10 New Section 1. (a) (1) Except as provided in subsection (a)(2),
11 commencing with fiscal year 2012, in any fiscal year in which the amount
12 of selected actual state general fund receipts from such fiscal year exceeds
13 the selected actual state general fund receipts for the immediately
14 preceding fiscal year by more than 2%, the director of legislative research
15 shall certify such excess amount to the secretary of revenue and the
16 director of the budget. Upon receipt of such certified amount, the secretary
17 shall compute the excess percentage increase in selected actual state
18 general fund receipts above 2%. Based on such excess percentage of
19 calculated receipt growth, the secretary shall compute the income tax rate
20 reductions to go into effect for the next tax year that would reduce by such
21 certified amount the tax rates during the fiscal year after the next fiscal
22 year according to the provisions of this section, as follows: (A) Rate
23 reductions for individual income tax rates shall be applied to reduce the
24 middle marginal income tax rate applicable to the current tax year by such
25 excess percentage, the highest marginal income tax rate applicable to the
26 current tax year, by such excess percentage minus 0.5%, and the lowest
27 marginal income tax rate applicable to the current tax year by such excess
28 percentage plus 0.5%. In any such computation by the secretary pursuant
29 to this subsection in which the income tax rate for any individual marginal
30 income tax rate is below 0.4%, such rate shall be 0%. Based on all such
31 determinations, the secretary shall reduce individual income tax rates
32 prescribed by K.S.A. 79-32,110, and amendments thereto, as required by
33 this section;

34 (B) upon all individual marginal income tax rates being reduced to
35 0% pursuant to the provisions of subsection (a)(1)(A), rate reduction next
36 shall be applied for the surtax on corporations applicable to the current tax

1 year by such excess percentage. In any such computation by the secretary
2 pursuant to this subsection in which the surtax is below 0.4%, such surtax
3 rate shall be 0%. Based on such determination, the secretary shall reduce
4 the surtax on corporations prescribed by K.S.A. 79-32,110, and
5 amendments thereto, as required by this section;

6 (C) upon the surtax on corporations being reduced to 0% pursuant to
7 the provisions of subsection (a)(1)(B), rate reductions next shall be applied
8 for the normal tax on corporations applicable to the current tax year by
9 such excess percentage. In any such computation by the secretary pursuant
10 to this subsection in which the normal tax is below 0.4%, such normal tax
11 rate shall be 0%. Based on such determination, the secretary shall reduce
12 the normal tax on corporations prescribed by K.S.A. 79-32,110, and
13 amendments thereto, as required by this section;

14 (D) upon the normal tax on corporations being reduced to 0%
15 pursuant to the provisions of (a)(1)(C), rate reductions next shall be
16 applied for the surtax imposed upon any national banking association, state
17 bank, trust company or savings and loan association pursuant to article 11
18 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto,
19 applicable to the current tax year by such excess percentage. In any such
20 computation by the secretary pursuant to this subsection in which the
21 surtax is below 0.4%, such surtax rate shall be 0%. Based on such
22 determination, the secretary shall reduce the surtax on national banking
23 associations and state banks prescribed by K.S.A. 79-1107, and
24 amendments thereto, and the surtax on trust companies and savings and
25 loan associations prescribed by K.S.A. 79-1108, and amendments thereto,
26 as required by this section; and

27 (E) upon the surtax imposed upon any national banking association,
28 state bank, trust company and savings and loan association being reduced
29 to 0% pursuant to the provisions of subsection (a)(1)(D), rate reductions
30 next shall be applied for the normal tax imposed upon any national
31 banking association, state bank, trust company and savings and loan
32 association pursuant to article 11 of chapter 79 of the Kansas Statutes
33 Annotated, and amendments thereto, applicable to the current tax year by
34 such excess percentage. In any such computation by the secretary pursuant
35 to this subsection in which the normal tax is below 0.4%, such normal tax
36 shall be 0%. Based on such determination, the secretary shall reduce the
37 normal tax on national banking associations and state banks prescribed by
38 K.S.A. 79-1107, and amendments thereto, and the normal tax on trust
39 companies and savings and loan associations prescribed by K.S.A. 79-
40 1108, and amendments thereto, as required by this section.

41 (2) In any fiscal year in which the amount of selected actual state
42 general fund receipts for such fiscal year are 102% or less than the selected
43 actual state general fund receipts from the immediately preceding fiscal

1 year, the director of legislative research shall certify such amount and fact
2 to the secretary of revenue and the director of the budget. Upon receipt of
3 such amount and fact, the secretary of revenue shall not make any
4 adjustment to the income tax rates for that tax year.

5 (b) The director of legislative research shall report any reduction in
6 income tax rates prescribed by this section to the chairperson of the
7 assessment and taxation committee of the senate, the chairperson of the
8 taxation committee of the house of representatives and the governor, and
9 shall cause notice of any such reduction to be published in the Kansas
10 register prior to September 15 of the calendar year immediately preceding
11 the tax year in which such reduction takes effect.

12 (c) As used in this section, "selected actual state general fund
13 receipts" means receipts from the following taxes and fees: Individual and
14 corporation income taxes imposed under K.S.A. 79-32,110, and
15 amendments thereto, financial institutions privilege taxes imposed under
16 article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments
17 thereto, retail sales taxes imposed under K.S.A. 79-3601 *et seq.*, and
18 amendments thereto, compensating use taxes imposed under K.S.A. 79-
19 3701 *et seq.*, and amendments thereto, cigarette and tobacco product taxes
20 imposed under K.S.A. 79-3301 *et seq.*, and amendments thereto, cereal
21 malt beverage and liquor gallonage taxes imposed under K.S.A. 41-501 *et*
22 *seq.*, and amendments thereto, liquor enforcement taxes imposed under
23 K.S.A. 79-4101 *et seq.*, and amendments thereto, liquor drink taxes
24 imposed under K.S.A. 79-41a01 *et seq.*, and amendments thereto,
25 corporation franchise taxes imposed under K.S.A. 79-5401, and
26 amendments thereto, annual franchise fees charged pursuant to law and
27 mineral severance taxes imposed under K.S.A. 79-4216 *et seq.*, and
28 amendments thereto.

29 Sec. 2. K.S.A. 2011 Supp. 74-50,222 is hereby amended to read as
30 follows: 74-50,222. As used in K.S.A. 74-50,222, 74-50,223 and 79-
31 32,267, and amendments thereto:

32 (a) "Institution of higher education" means a public or private
33 nonprofit educational institution that meets the requirements of
34 participation in programs under the higher education act of 1965, as
35 amended, 34 C.F.R. § 600;

36 (b) "rural opportunity zone" means *Allen, Anderson, Barber,*
37 *Bourbon, Brown, Chase, Chautauqua, Cherokee, Cheyenne, Clark, Clay,*
38 *Cloud, Coffey, Comanche, Decatur, Doniphan, Edwards, Elk, Ellsworth,*
39 *Gove, Graham, Grant, Greeley, Greenwood, Hamilton, Haskell, Harper,*
40 *Hodgeman, Jewell, Kearny, Kingman, Kiowa, Labette, Lane, Lincoln,*
41 *Logan, Marion, Marshall, Meade, Mitchell, Morris, Morton, Nemaha,*
42 *Neosho, Ness, Norton, Osage, Osborne, Ottawa, Pawnee, Phillips, Pratt,*
43 *Rawlins, Republic, Rice, Rooks, Rush, Russell, Scott, Sheridan, Sherman,*

1 Smith, Stafford, Stanton, Trego, Thomas, Wallace, Washington, Wichita,
2 Wilson or Woodson counties;

3 (c) "secretary" means the secretary of commerce; and

4 (d) "student loan" means a federal student loan program supported by
5 the federal government and a nonfederal loan issued by a lender such as a
6 bank, savings and loan or credit union to help students and parents pay
7 school expenses for attendance at an institution of higher education.

8 Sec. 3. K.S.A. 2011 Supp. 79-1107 is hereby amended to read as
9 follows: 79-1107. (a) Every national banking association and state bank
10 located or doing business within the state shall pay to the state for the
11 privilege of doing business within the state a tax according to or measured
12 by its net income for the next preceding taxable year to be computed as
13 provided in this act. Such tax shall consist of a normal tax and a surtax and
14 shall be computed as follows:

15 ~~(a)(1)~~ The normal tax shall be an amount equal to $2\frac{1}{4}\%$ of such net
16 income; and

17 ~~(b)(2)~~ the surtax shall be an amount equal to $2\frac{1}{8}\%$ of such net income
18 in excess of \$25,000.

19 (b) The tax levied shall be in lieu of ad valorem taxes which might
20 otherwise be imposed by the state or political subdivisions thereof upon
21 shares of capital stock or the intangible assets of national banking
22 associations and state banks.

23 (c) *Tax rates provided in this section shall be adjusted pursuant to the*
24 *provisions of section 1, and amendments thereto.*

25 Sec. 4. K.S.A. 2011 Supp. 79-1108 is hereby amended to read as
26 follows: 79-1108. (a) Every trust company and savings and loan
27 association located or doing business within the state shall pay to the state
28 for the privilege of doing business within the state a tax according to or
29 measured by its net income for the next preceding taxable year to be
30 computed as provided in this act. Such tax shall consist of a normal tax
31 and a surtax and shall be computed as follows:

32 ~~(a)(1)~~ The normal tax on every trust company and savings and loan
33 association shall be an amount equal to $2\frac{1}{4}\%$ of such net income; and

34 ~~(b)(2)~~ the surtax on every trust company and savings and loan
35 association shall be an amount equal to $2\frac{1}{4}\%$ of such net income in excess
36 of \$25,000.

37 (b) The tax levied shall be in lieu of ad valorem taxes which might
38 otherwise be imposed by the state or political subdivision thereof upon
39 shares of capital stock or other intangible assets of trust companies and
40 savings and loan associations.

41 (c) *Tax rates provided in this section shall be adjusted pursuant to the*
42 *provisions of section 1, and amendments thereto.*

43 Sec. 5. K.S.A. 2011 Supp. 79-32,110 is hereby amended to read as

1 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise
 2 provided by subsection (a) of K.S.A. 79-3220, and amendments thereto, a
 3 tax is hereby imposed upon the Kansas taxable income of every resident
 4 individual, which tax shall be computed in accordance with the following
 5 tax schedules:

6 (1) *Married individuals filing joint returns*.

7 If the taxable income is:	The tax is:
8 Not over \$30,000.....	3.5% of Kansas taxable
9	income
10 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of
11	excess over \$30,000
12 Over \$60,000.....	\$2,925 plus 6.45% of
13	excess over \$60,000

14 (2) *All other individuals*.

15 (A) For tax year 1997:

16 If the taxable income is:	The tax is:
17 Not over \$20,000.....	4.1% of Kansas taxable
18	income
19 Over \$20,000 but not over \$30,000.....	\$820 plus 7.5% of excess
20	over \$20,000
21 Over \$30,000.....	\$1,570 plus 7.75% of
22	excess over \$30,000

23 (B) For tax year 1998, and all tax years thereafter:

24 If the taxable income is:	The tax is:
25 Not over \$15,000.....	3.5% of Kansas taxable
26	income
27 Over \$15,000 but not over \$30,000.....	\$525 plus 6.25% of
28	excess over \$15,000
29 Over \$30,000.....	1,462.50 plus 6.45% of
30	excess over \$30,000

31 (b) *Nonresident Individuals*. A tax is hereby imposed upon the Kansas
 32 taxable income of every nonresident individual, which tax shall be an
 33 amount equal to the tax computed under subsection (a) as if the
 34 nonresident were a resident multiplied by the ratio of modified Kansas
 35 source income to Kansas adjusted gross income.

36 (c) *Corporations*. A tax is hereby imposed upon the Kansas taxable
 37 income of every corporation doing business within this state or deriving
 38 income from sources within this state. Such tax shall consist of a normal
 39 tax and a surtax and shall be computed as follows:

40 (1) The normal tax shall be in an amount equal to 4% of the Kansas
 41 taxable income of such corporation; and

42 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
 43 3.1% of the Kansas taxable income of such corporation in excess of
 44 \$50,000;

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

48 (C) for tax year 2011, and all tax years thereafter, the surtax shall be

1 in an amount equal to 3% of the Kansas taxable income of such
2 corporation in excess of \$50,000.

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

6 (e) *Tax rates provided in this section shall be adjusted pursuant to the*
7 *provisions of section 1, and amendments thereto.*

8 Sec. 6. K.S.A. 2011 Supp. 79-32,111 is hereby amended to read as
9 follows: 79-32,111. (a) The amount of income tax paid to another state by
10 a resident individual, resident estate or resident trust on income derived
11 from sources in another state, *and included in Kansas adjusted gross*
12 *income*, shall be allowed as a credit against the tax computed under the
13 provisions of this act. Such credit shall not be greater in proportion to the
14 tax computed under this act than the *Kansas* adjusted gross income for
15 such year derived in another state while such taxpayer is a resident of this
16 state is to the total Kansas adjusted gross income of the taxpayer. As used
17 in this subsection, state shall have the meaning ascribed thereto by
18 subsection (h) of K.S.A. 79-3271, and amendments thereto. The credit
19 allowable hereunder for income tax paid to a foreign country or political
20 subdivision thereof shall not exceed the difference of such income tax paid
21 less the credit allowable for such income tax paid by the federal internal
22 revenue code. No redetermination of income tax paid for the purposes of
23 determining the credit allowed by this subsection shall be required for the
24 taxable year for which an income tax refund payment pursuant to the
25 provisions of section 18 of article 10 of the Missouri constitution is made,
26 but the income tax paid allowable for credit in the next following taxable
27 year shall be reduced by the amount of such refund amount, except that,
28 for tax year 1998, the income tax paid allowable for credit shall be reduced
29 by the amount of such refunds made for all taxable years prior to tax year
30 1998.

31 (b) There shall be allowed as a credit against the tax computed under
32 the provisions of the Kansas income tax act, and ~~acts amendatory thereof~~
33 ~~and supplemental amendments~~ thereto, on the Kansas taxable income of an
34 individual, corporation or fiduciary the amount determined under the
35 provisions of K.S.A. 79-32,153 to 79-32,158, and amendments thereto.

36 Sec. 7. K.S.A. 2011 Supp. 79-32,117 is hereby amended to read as
37 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
38 means such individual's federal adjusted gross income for the taxable year,
39 with the modifications specified in this section.

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

41 (i) Interest income less any related expenses directly incurred in the
42 purchase of state or political subdivision obligations, to the extent that the
43 same is not included in federal adjusted gross income, on obligations of

1 any state or political subdivision thereof, but to the extent that interest
2 income on obligations of this state or a political subdivision thereof issued
3 prior to January 1, 1988, is specifically exempt from income tax under the
4 laws of this state authorizing the issuance of such obligations, it shall be
5 excluded from computation of Kansas adjusted gross income whether or
6 not included in federal adjusted gross income. Interest income on
7 obligations of this state or a political subdivision thereof issued after
8 December 31, 1987, shall be excluded from computation of Kansas
9 adjusted gross income whether or not included in federal adjusted gross
10 income.

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

18 (iii) The federal net operating loss deduction.

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

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

39 (vi) Any amount of designated employee contributions picked up by
40 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
41 and amendments ~~to such sections~~ *thereto*.

42 (vii) The amount of any charitable contribution made to the extent the
43 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-

1 32,196, and amendments thereto.

2 (viii) The amount of any costs incurred for improvements to a swine
3 facility, claimed for deduction in determining federal adjusted gross
4 income, to the extent the same is claimed as the basis for any credit
5 allowed pursuant to K.S.A. 2011 Supp. 79-32,204 and amendments
6 thereto.

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

13 (x) Amounts received as nonqualified withdrawals, as defined by
14 K.S.A. 2011 Supp. 75-643, and amendments thereto, if, at the time of
15 contribution to a family postsecondary education savings account, such
16 amounts were subtracted from the federal adjusted gross income pursuant
17 to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amendments
18 thereto, or if such amounts are not already included in the federal adjusted
19 gross income.

20 (xi) The amount of any contribution made to the same extent the
21 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2011
22 Supp. 74-50,154, and amendments thereto.

23 (xii) For taxable years commencing after December 31, 2004,
24 amounts received as withdrawals not in accordance with the provisions of
25 K.S.A. 2011 Supp. 74-50,204, and amendments thereto, if, at the time of
26 contribution to an individual development account, such amounts were
27 subtracted from the federal adjusted gross income pursuant to paragraph
28 (xiii) of subsection (c), or if such amounts are not already included in the
29 federal adjusted gross income.

30 (xiii) The amount of any expenditures claimed for deduction in
31 determining federal adjusted gross income, to the extent the same is
32 claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp.
33 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

34 (xiv) The amount of any amortization deduction claimed in
35 determining federal adjusted gross income to the extent the same is
36 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,221, and
37 amendments thereto.

38 (xv) The amount of any expenditures claimed for deduction in
39 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. 2011 Supp.
41 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
42 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
43 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

1 (xvi) The amount of any amortization deduction claimed in
2 determining federal adjusted gross income to the extent the same is
3 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,227, 79-
4 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
5 thereto.

6 (xvii) The amount of any amortization deduction claimed in
7 determining federal adjusted gross income to the extent the same is
8 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,256, and
9 amendments thereto.

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

20 (xix) *For tax years 2013, 2014 and 2015, for a taxpayer with federal*
21 *adjusted gross income less than \$100,000; for tax years 2016 and 2017,*
22 *for a taxpayer with federal adjusted gross income less than \$250,000; and*
23 *for tax year 2018, and all tax years thereafter, the amount of any: (1) Loss*
24 *from business as determined under the federal internal revenue code and*
25 *reported from schedule C and on line 12 of the taxpayer's form 1040*
26 *federal individual income tax return; (2) loss from rental real estate,*
27 *royalties, partnerships, S corporations, estates, trusts, residual interest in*
28 *real estate mortgage investment conduits and net farm rental as*
29 *determined under the federal internal revenue code and reported from*
30 *schedule E and on line 17 of the taxpayer's form 1040 federal individual*
31 *income tax return; and (3) farm loss as determined under the federal*
32 *internal revenue code and reported from schedule F and on line 18 of the*
33 *taxpayer's form 1040 federal income tax return; all to the extent deducted*
34 *or subtracted in determining the taxpayer's federal adjusted gross income.*
35 *For purposes of this subsection, references to the federal form 1040 and*
36 *federal schedule C, schedule E, and schedule F, shall be to such form and*
37 *schedules as they existed for tax year 2011, and as revised thereafter by*
38 *the internal revenue service.*

39 (xx) *For tax years 2013, 2014 and 2015, for a taxpayer with federal*
40 *adjusted gross income less than \$100,000; for tax years 2016 and 2017,*
41 *for a taxpayer with federal adjusted gross income less than \$250,000; and*
42 *for tax year 2018, and all tax years thereafter, the amount of any*
43 *deduction for self-employment taxes under section 164(f) of the federal*

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

4 *(xxi) For tax years 2013, 2014 and 2015, for a taxpayer with federal*
5 *adjusted gross income less than \$100,000; for tax years 2016 and 2017,*
6 *for a taxpayer with federal adjusted gross income less than \$250,000; and*
7 *for tax year 2018, and all tax years thereafter, the amount of any*
8 *deduction for pension, profit sharing, and annuity plans of self-employed*
9 *individuals under section 62(a)(6) of the federal internal revenue code as*
10 *in effect on January 1, 2012, and amendments thereto, in determining the*
11 *federal adjusted gross income of an individual taxpayer.*

12 *(xxii) For tax years 2013, 2014 and 2015, for a taxpayer with federal*
13 *adjusted gross income less than \$100,000; for tax years 2016 and 2017,*
14 *for a taxpayer with federal adjusted gross income less than \$250,000; and*
15 *for tax year 2018, and all tax years thereafter, the amount of any*
16 *deduction for health insurance under section 162(l) of the federal internal*
17 *revenue code as in effect on January 1, 2012, and amendments thereto, in*
18 *determining the federal adjusted gross income of an individual taxpayer.*

19 *(xxiii) For tax years 2013, 2014 and 2015, for a taxpayer with*
20 *federal adjusted gross income less than \$100,000; for tax years 2016 and*
21 *2017, for a taxpayer with federal adjusted gross income less than*
22 *\$250,000; and for tax year 2018, and all tax years thereafter, the amount*
23 *of any deduction for domestic production activities under section 199 of*
24 *the federal internal revenue code as in effect on January 1, 2012, and*
25 *amendments thereto, in determining the federal adjusted gross income of*
26 *an individual taxpayer.*

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

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

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

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

1 such gain which is included in federal adjusted gross income.

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

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

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

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

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

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

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

34 (xi) For taxable years beginning after December 31, 1986, dividend
35 income on stock issued by Kansas Venture Capital, Inc.

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

40 (xiii) For taxable years beginning after December 31, 2004, amounts
41 contributed to and the amount of income earned on contributions deposited
42 to an individual development account under K.S.A. 2011 Supp. 74-50,201,
43 *et seq.*, and amendments thereto.

1 (xiv) For all taxable years commencing after December 31, 1996, that
2 portion of any income of a bank organized under the laws of this state or
3 any other state, a national banking association organized under the laws of
4 the United States, an association organized under the savings and loan
5 code of this state or any other state, or a federal savings association
6 organized under the laws of the United States, for which an election as an
7 S corporation under subchapter S of the federal internal revenue code is in
8 effect, which accrues to the taxpayer who is a stockholder of such
9 corporation and which is not distributed to the stockholders as dividends of
10 the corporation. *For tax years 2013, 2014 and 2015, for a taxpayer with*
11 *federal adjusted gross income less than \$100,000; for tax years 2016 and*
12 *2017, for a taxpayer with federal adjusted gross income less than*
13 *\$250,000; and for tax year 2018, and all tax years thereafter, the amount*
14 *of modification under this subsection shall exclude the portion of income*
15 *or loss reported on schedule E and included on line 17 of the taxpayer's*
16 *form 1040 federal individual income tax return.*

17 (xv) For all taxable years beginning after December 31, 2006,
18 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
19 joint return, for each designated beneficiary, which are contributed to a
20 family postsecondary education savings account established under the
21 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 at an institution of
26 postsecondary education. The terms and phrases used in this paragraph
27 shall have the meaning respectively ascribed thereto by the provisions of
28 K.S.A. 2011 Supp. 75-643, and amendments thereto, and the provisions of
29 such section are hereby incorporated by reference for all purposes thereof.

30 (xvi) For the tax year beginning after December 31, 2004, an amount
31 not exceeding \$500; for the tax year beginning after December 31, 2005,
32 an amount not exceeding \$600; for the tax year beginning after December
33 31, 2006, an amount not exceeding \$700; for the tax year beginning after
34 December 31, 2007, an amount not exceeding \$800; for the tax year
35 beginning December 31, 2008, an amount not exceeding \$900; and for all
36 taxable years commencing after December 31, 2009, an amount not
37 exceeding \$1,000 of the premium costs for qualified long-term care
38 insurance contracts, as defined by subsection (b) of section 7702B of
39 public law 104-191.

40 (xvii) For all taxable years beginning after December 31, 2004,
41 amounts received by taxpayers who are or were members of the armed
42 forces of the United States, including service in the Kansas army and air
43 national guard, as a recruitment, sign up or retention bonus received by

1 such taxpayer as an incentive to join, enlist or remain in the armed services
2 of the United States, including service in the Kansas army and air national
3 guard, and amounts received for repayment of educational or student loans
4 incurred by or obligated to such taxpayer and received by such taxpayer as
5 a result of such taxpayer's service in the armed forces of the United States,
6 including service in the Kansas army and air national guard.

7 (xviii) For all taxable years beginning after December 31, 2004,
8 amounts received by taxpayers who are eligible members of the Kansas
9 army and air national guard as a reimbursement pursuant to K.S.A. 48-
10 281, and amendments thereto, and amounts received for death benefits
11 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
12 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
13 amendments thereto, to the extent that such death benefits are included in
14 federal adjusted gross income of the taxpayer.

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

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

28 (xxi) *For tax years 2013, 2014 and 2015, for a taxpayer with federal*
29 *adjusted gross income less than \$100,000; for tax years 2016 and 2017,*
30 *for a taxpayer with federal adjusted gross income less than \$250,000; and*
31 *for tax year 2018, and all tax years thereafter, the amount of any: (1) Net*
32 *profit from business as determined under the federal internal revenue code*
33 *and reported from schedule C and on line 12 of the taxpayer's form 1040*
34 *federal individual income tax return; (2) net income from rental real*
35 *estate, royalties, partnerships, S corporations, estates, trusts, residual*
36 *interest in real estate mortgage investment conduits and net farm rental as*
37 *determined under the federal internal revenue code and reported from*
38 *schedule E and on line 17 of the taxpayer's form 1040 federal individual*
39 *income tax return; and (3) net farm profit as determined under the federal*
40 *internal revenue code and reported from schedule F and on line 18 of the*
41 *taxpayer's form 1040 federal income tax return; all to the extent included*
42 *in the taxpayer's federal adjusted gross income. For purposes of this*
43 *subsection, references to the federal form 1040 and federal schedule C,*

1 *schedule E, and schedule F, shall be to such form and schedules as they*
2 *existed for tax year 2011 and as revised thereafter by the internal revenue*
3 *service.*

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

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

13 Sec. 8. K.S.A. 2011 Supp. 79-32,119 is hereby amended to read as
14 follows: 79-32,119. The Kansas standard deduction of an individual,
15 including a husband and wife who are either both residents or who file a
16 joint return as if both were residents, shall be equal to the sum of the
17 standard deduction amount allowed pursuant to this section, and the
18 additional standard deduction amount allowed pursuant to this section for
19 each such deduction allowable to such individual or to such husband and
20 wife under the federal internal revenue code. For tax year 1998, ~~and all tax~~
21 ~~years thereafter through tax year 2013~~, the standard deduction amount
22 shall be as follows: Single individual filing status, \$3,000; married filing
23 status, \$6,000; and head of household filing status, \$4,500. For tax year
24 1998, and all tax years thereafter, the additional standard deduction
25 amount shall be as follows: Single individual and head of household filing
26 status, \$850; and married filing status, \$700. *For tax year 2014, and all*
27 *tax years thereafter, the standard deduction amount of an individual,*
28 *including husband and wife who are either both residents or who file a*
29 *joint return as if both were residents, shall be as follows: Single individual*
30 *filing status, \$3,000; married filing status, \$6,000; and head of household*
31 *filing status, \$9,000. For purposes of the foregoing, the federal standard*
32 *deduction allowable to a husband and wife filing separate Kansas income*
33 *tax returns shall be determined on the basis that separate federal returns*
34 *were filed, and the federal standard deduction of a husband and wife filing*
35 *a joint Kansas income tax return shall be determined on the basis that a*
36 *joint federal income tax return was filed.*

37 Sec. 9. K.S.A. 79-32,128 is hereby amended to read as follows: 79-
38 32,128. An individual who is a resident of Kansas for part of a year shall
39 have the election to:

40 (a) Report and compute ~~his or her~~ *such individual's* Kansas tax as if
41 ~~he or she were~~ *such individual was* a resident for the entire year and take
42 the applicable credit as provided in K.S.A. 79-32,111, *and amendments*
43 *thereto; or*

1 (b) report and compute ~~his or her~~ *such individual's* Kansas tax as if he
2 ~~or she were~~ *such individual* was a nonresident for the entire year, except,
3 however, that for purposes of this computation the following modifications
4 shall be made: ~~(i)~~(1) Modified Kansas source income for that period
5 during which such individual was a resident shall include all items of
6 income, gain, loss or deductions *as set forth in K.S.A. 79-32,117, and*
7 *amendments thereto*, whether or not derived from sources within Kansas;
8 and ~~(ii)~~(2) the credit provided by K.S.A. 79-32,111, *and amendments*
9 *thereto*, shall be allowed. For purposes of computing such credit, the
10 amount of income taxes paid to another state shall be deemed to be limited
11 by an amount which bears the same proportion to the total taxes paid to
12 such other state for such year as the amount of *Kansas* adjusted gross
13 income derived from sources within that state while such individual was a
14 resident bears to the total *Kansas* adjusted gross income derived from
15 sources within such state for such year.

16 Sec. 10. K.S.A. 2011 Supp. 79-32,205 is hereby amended to read as
17 follows: 79-32,205. (a) There shall be allowed as a credit against the tax
18 liability of a resident individual imposed under the Kansas income tax act
19 an amount equal to 18% for tax years 2010 through 2012, and an amount
20 equal to 17% for tax year 2013, *and an amount equal to 9% for tax year*
21 *2014*, and all tax years thereafter, of the amount of the earned income
22 credit allowed against such taxpayer's federal income tax liability pursuant
23 to section 32 of the federal internal revenue code for the taxable year in
24 which such credit was claimed against the taxpayer's federal income tax
25 liability.

26 (b) If the amount of the credit allowed by subsection (a) exceeds the
27 taxpayer's income tax liability imposed under the Kansas income tax act,
28 such excess amount shall be refunded to the taxpayer.

29 Sec. 11. K.S.A. 2011 Supp. 79-3620 is hereby amended to read as
30 follows: 79-3620. (a) All revenue collected or received by the director of
31 taxation from the taxes imposed by this act shall be remitted to the state
32 treasurer in accordance with the provisions of K.S.A. 75-4215, and
33 amendments thereto. Upon receipt of each such remittance, the state
34 treasurer shall deposit the entire amount in the state treasury, less amounts
35 withheld as provided in subsection (b) and amounts credited as provided in
36 subsection (c), (d) and (e), to the credit of the state general fund.

37 (b) A refund fund, designated as "sales tax refund fund" not to exceed
38 \$100,000 shall be set apart and maintained by the director from sales tax
39 collections and estimated tax collections and held by the state treasurer for
40 prompt payment of all sales tax refunds including refunds authorized
41 under the provisions of K.S.A. 79-3635, and amendments thereto. Such
42 fund shall be in such amount, within the limit set by this section, as the
43 director shall determine is necessary to meet current refunding

1 requirements under this act. In the event such fund as established by this
2 section is, at any time, insufficient to provide for the payment of refunds
3 due claimants thereof, the director shall certify the amount of additional
4 funds required to the director of accounts and reports who shall promptly
5 transfer the required amount from the state general fund to the sales tax
6 refund fund, and notify the state treasurer, who shall make proper entry in
7 the records.

8 (c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or
9 received from the tax imposed by K.S.A. 79-3603, and amendments
10 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
11 exclusive of amounts credited pursuant to subsection (d), in the state
12 highway fund.

13 (2) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
14 received from the tax imposed by K.S.A. 79-3603, and amendments
15 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
16 exclusive of amounts credited pursuant to subsection (d), in the state
17 highway fund.

18 (3) On July 1, 2006, the state treasurer shall credit $\frac{19}{265}$ of the revenue
19 collected and received from the tax imposed by K.S.A. 79-3603, and
20 amendments thereto, at the rate of 5.3%, and deposited as provided by
21 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
22 the state highway fund.

23 (4) On July 1, 2007, the state treasurer shall credit $\frac{13}{106}$ of the revenue
24 collected and received from the tax imposed by K.S.A. 79-3603, and
25 amendments thereto, at the rate of 5.3%, and deposited as provided by
26 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
27 the state highway fund.

28 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the
29 revenue collected and received from the tax imposed by K.S.A. 79-3603,
30 and amendments thereto, at the rate of 6.3%, and deposited as provided by
31 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
32 the state highway fund.

33 (6) On July 1, 2011, the state treasurer shall credit 11.26% of the
34 revenue collected and received from the tax imposed by K.S.A. 79-3603,
35 and amendments thereto, at the rate of 6.3%, and deposited as provided by
36 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
37 the state highway fund.

38 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the
39 revenue collected and received from the tax imposed by K.S.A. 79-3603,
40 and amendments thereto, at the rate of 6.3%, and deposited as provided by
41 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
42 the state highway fund, as well as such revenue collected and received at
43 the rate of 6.3%, after June 30, 2013.

1 (8) On July 1, 2013, ~~and thereafter,~~ the state treasurer shall credit
2 ~~18.421%~~ 11.926% of the revenue collected and received from the tax
3 imposed by K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%,
4 and deposited as provided by subsection (a), exclusive of amounts credited
5 pursuant to subsection (d), in the state highway fund.

6 (9) On July 1, 2014, the state treasurer shall credit 11.535% of the
7 revenue collected and received from the tax imposed by K.S.A. 79-3603,
8 and amendments thereto, at the rate of 5.7%, and deposited as provided by
9 subsection (a) exclusive of amounts credited pursuant to subsection (d), in
10 the state highway fund.

11 (10) On July 1, 2015, the state treasurer shall credit 20.159% of the
12 revenue collected and received from the tax imposed by K.S.A. 79-3603,
13 and amendments thereto, at the rate of 5.7%, and deposited as provided by
14 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
15 the state highway fund.

16 (11) On July 1, 2016, the state treasurer shall credit 20.096% of the
17 revenue collected and received from the tax imposed by K.S.A. 79-3603,
18 and amendments thereto, at the rate of 5.7%, and deposited as provided by
19 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
20 the state highway fund.

21 (12) On July 1, 2017, the state treasurer shall credit 20.004% of the
22 revenue collected and received from the tax imposed by K.S.A. 79-3603,
23 and amendments thereto, at the rate of 5.7%, and deposited as provided by
24 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
25 the state highway fund.

26 (13) On July 1, 2018, the state treasurer shall credit 19.977% of the
27 revenue collected and received from the tax imposed by K.S.A. 79-3603,
28 and amendments thereto, at the rate of 5.7%, and deposited as provided by
29 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
30 the state highway fund.

31 (14) On July 1, 2019, the state treasurer shall credit 19.921% of the
32 revenue collected and received from the tax imposed by K.S.A. 79-3603,
33 and amendments thereto, at the rate of 5.7%, and deposited as provided by
34 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
35 the state highway fund.

36 (15) On July 1, 2020, the state treasurer shall credit 19.867% of the
37 revenue collected and received from the tax imposed by K.S.A. 79-3603,
38 and amendments thereto, at the rate of 5.7%, and deposited as provided by
39 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
40 the state highway fund.

41 (16) On July 1, 2021, the state treasurer shall credit 19.814% of the
42 revenue collected and received from the tax imposed by K.S.A. 79-3603,
43 and amendments thereto, at the rate of 5.7%, and deposited as provided by

1 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
2 the state highway fund.

3 (17) On July 1, 2022, and thereafter, the state treasurer shall credit
4 18.421% of the revenue collected and received from the tax imposed by
5 K.S.A. 79-3603, and amendments thereto, at the rate of 5.7%, and
6 deposited as provided by subsection (a), exclusive of amounts credited
7 pursuant to subsection (d), in the state highway fund.

8 (d) The state treasurer shall credit all revenue collected or received
9 from the tax imposed by K.S.A. 79-3603, and amendments thereto, as
10 certified by the director, from taxpayers doing business within that portion
11 of a STAR bond project district occupied by a STAR bond project or
12 taxpayers doing business with such entity financed by a STAR bond
13 project as defined in K.S.A. 2011 Supp. 12-17,162, and amendments
14 thereto, that was determined by the secretary of commerce to be of
15 statewide as well as local importance or will create a major tourism area
16 for the state or the project was designated as a STAR bond project as
17 defined in K.S.A. 2011 Supp. 12-17,162, and amendments thereto, to the
18 city bond finance fund, which fund is hereby created. The provisions of
19 this subsection shall expire when the total of all amounts credited
20 hereunder and under subsection (d) of K.S.A. 79-3710, and amendments
21 thereto, is sufficient to retire the special obligation bonds issued for the
22 purpose of financing all or a portion of the costs of such STAR bond
23 project.

24 (e) All revenue certified by the director of taxation as having been
25 collected or received from the tax imposed by subsection (c) of K.S.A. 79-
26 3603, and amendments thereto, on the sale or furnishing of gas, water,
27 electricity and heat for use or consumption within the intermodal facility
28 district described in this subsection, shall be credited by the state treasurer
29 to the state highway fund. Such revenue may be transferred by the
30 secretary of transportation to the rail service improvement fund pursuant to
31 law. The provisions of this subsection shall take effect upon certification
32 by the secretary of transportation that a notice to proceed has been
33 received for the construction of the improvements within the intermodal
34 facility district, but not later than December 31, 2010, and shall expire
35 when the secretary of revenue determines that the total of all amounts
36 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3710, and
37 amendments thereto, is equal to \$53,300,000, but not later than December
38 31, 2045. Thereafter, all revenues shall be collected and distributed in
39 accordance with applicable law. For all tax reporting periods during which
40 the provisions of this subsection are in effect, none of the exemptions
41 contained in K.S.A. 79-3601 *et seq.*, and amendments thereto, shall apply
42 to the sale or furnishing of any gas, water, electricity and heat for use or
43 consumption within the intermodal facility district. As used in this

1 subsection, "intermodal facility district" shall consist of an intermodal
2 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and
3 amendments thereto, located in Johnson county within the polygonal-
4 shaped area having Waverly Road as the eastern boundary, 191st Street as
5 the southern boundary, Four Corners Road as the western boundary, and
6 Highway 56 as the northern boundary, and the polygonal-shaped area
7 having Poplar Road as the eastern boundary, 183rd Street as the southern
8 boundary, Waverly Road as the western boundary, and the BNSF mainline
9 track as the northern boundary, that includes capital investment in an
10 amount exceeding \$150 million for the construction of an intermodal
11 facility to handle the transfer, storage and distribution of freight through
12 railway and trucking operations.

13 Sec. 12. K.S.A. 2011 Supp. 79-3710 is hereby amended to read as
14 follows: 79-3710. (a) All revenue collected or received by the director
15 under the provisions of this act shall be remitted to the state treasurer in
16 accordance with the provisions of K.S.A. 75-4215, and amendments
17 thereto. Upon receipt of each such remittance, the state treasurer shall
18 deposit the entire amount in the state treasury, less amounts set apart as
19 provided in subsection (b) and amounts credited as provided in subsection
20 (c), (d) and (e), to the credit of the state general fund.

21 (b) A revolving fund, designated as "compensating tax refund fund"
22 not to exceed \$10,000 shall be set apart and maintained by the director
23 from compensating tax collections and estimated tax collections and held
24 by the state treasurer for prompt payment of all compensating tax refunds.
25 Such fund shall be in such amount, within the limit set by this section, as
26 the director shall determine is necessary to meet current refunding
27 requirements under this act.

28 (c) (1) The state treasurer shall credit $\frac{5}{98}$ of the revenue collected or
29 received from the tax imposed by K.S.A. 79-3703, and amendments
30 thereto, at the rate of 4.9%, and deposited as provided in subsection (a),
31 exclusive of amounts credited pursuant to subsection (d), in the state
32 highway fund.

33 (2) The state treasurer shall credit $\frac{5}{106}$ of the revenue collected or
34 received from the tax imposed by K.S.A. 79-3703, and amendments
35 thereto, at the rate of 5.3%, and deposited as provided in subsection (a),
36 exclusive of amounts credited pursuant to subsection (d), in the state
37 highway fund.

38 (3) On July 1, 2006, the state treasurer shall credit $\frac{19}{265}$ of the revenue
39 collected or received from the tax imposed by K.S.A. 79-3703, and
40 amendments thereto, at the rate of 5.3%, and deposited as provided by
41 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
42 the state highway fund.

43 (4) On July 1, 2007, the state treasurer shall credit $\frac{13}{106}$ of the revenue

1 collected or received from the tax imposed by K.S.A. 79-3703, and
2 amendments thereto, at the rate of 5.3%, and deposited as provided by
3 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
4 the state highway fund.

5 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the
6 revenue collected and received from the tax imposed by K.S.A. 79-3703,
7 and amendments thereto, at the rate of 6.3%, and deposited as provided by
8 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
9 the state highway fund.

10 (6) On July 1, 2011, the state treasurer shall credit 11.26% of the
11 revenue collected and received from the tax imposed by K.S.A. 79-3703,
12 and amendments thereto, at the rate of 6.3%, and deposited as provided by
13 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
14 the state highway fund.

15 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the
16 revenue collected and received from the tax imposed by K.S.A. 79-3703,
17 and amendments thereto, at the rate of 6.3%, and deposited as provided by
18 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
19 the state highway fund, as well as such revenue collected and received at
20 the rate of 6.3%, after June 30, 2013.

21 (8) On July 1, 2013, ~~and thereafter~~, the state treasurer shall credit
22 ~~18.421%~~ 11.926% of the revenue collected and received from the tax
23 imposed by K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%,
24 and deposited as provided by subsection (a), exclusive of amounts credited
25 pursuant to subsection (d), in the state highway fund.

26 (9) *On July 1, 2014, the state treasurer shall credit 11.535% of the*
27 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*
28 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
29 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
30 *the state highway fund.*

31 (10) *On July 1, 2015, the state treasurer shall credit 20.159% of the*
32 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*
33 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
34 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
35 *the state highway fund.*

36 (11) *On July 1, 2016, the state treasurer shall credit 20.096% of the*
37 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*
38 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*
39 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
40 *the state highway fund.*

41 (12) *On July 1, 2017, the state treasurer shall credit 20.004% of the*
42 *revenue collected and received from the tax imposed by K.S.A. 79-3703,*
43 *and amendments thereto, at the rate of 5.7%, and deposited as provided by*

1 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
2 the state highway fund.

3 (13) On July 1, 2018, the state treasurer shall credit 19.977% of the
4 revenue collected and received from the tax imposed by K.S.A. 79-3703,
5 and amendments thereto, at the rate of 5.7%, and deposited as provided by
6 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
7 the state highway fund.

8 (14) On July 1, 2019, the state treasurer shall credit 19.921% of the
9 revenue collected and received from the tax imposed by K.S.A. 79-3703,
10 and amendments thereto, at the rate of 5.7%, and deposited as provided by
11 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
12 the state highway fund.

13 (15) On July 1, 2020, the state treasurer shall credit 19.867% of the
14 revenue collected and received from the tax imposed by K.S.A. 79-3703,
15 and amendments thereto, at the rate of 5.7%, and deposited as provided by
16 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
17 the state highway fund.

18 (16) On July 1, 2021, the state treasurer shall credit 19.814% of the
19 revenue collected and received from the tax imposed by K.S.A. 79-3703,
20 and amendments thereto, at the rate of 5.7%, and deposited as provided by
21 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
22 the state highway fund.

23 (17) On July 1, 2022, and thereafter, the state treasurer shall credit
24 18.421% of the revenue collected and received from the tax imposed by
25 K.S.A. 79-3703, and amendments thereto, at the rate of 5.7%, and
26 deposited as provided by subsection (a), exclusive of amounts credited
27 pursuant to subsection (d), in the state highway fund.

28 (d) The state treasurer shall credit all revenue collected or received
29 from the tax imposed by K.S.A. 79-3703, and amendments thereto, as
30 certified by the director, from taxpayers doing business within that portion
31 of a redevelopment district occupied by a redevelopment project that was
32 determined by the secretary of commerce to be of statewide as well as
33 local importance or will create a major tourism area for the state as defined
34 in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
35 fund created by subsection (d) of K.S.A. 79-3620, and amendments
36 thereto. The provisions of this subsection shall expire when the total of all
37 amounts credited hereunder and under subsection (d) of K.S.A. 79-3620,
38 and amendments thereto, is sufficient to retire the special obligation bonds
39 issued for the purpose of financing all or a portion of the costs of such
40 redevelopment project.

41 This subsection shall not apply to a project designated as a special bond
42 project as defined in subsection (z) of K.S.A. 12-1770a, and amendments
43 thereto.

1 (e) All revenue certified by the director of taxation as having been
2 collected or received from the tax imposed by subsection (c) of K.S.A. 79-
3 3603, and amendments thereto, on the sale or furnishing of gas, water,
4 electricity and heat for use or consumption within the intermodal facility
5 district described in this subsection, shall be credited by the state treasurer
6 to the state highway fund. Such revenue may be transferred by the
7 secretary of transportation to the rail service improvement fund pursuant to
8 law. The provisions of this subsection shall take effect upon certification
9 by the secretary of transportation that a notice to proceed has been
10 received for the construction of the improvements within the intermodal
11 facility district, but not later than December 31, 2010, and shall expire
12 when the secretary of revenue determines that the total of all amounts
13 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3620, and
14 amendments thereto, is equal to \$53,300,000, but not later than December
15 31, 2045. Thereafter, all revenues shall be collected and distributed in
16 accordance with applicable law. For all tax reporting periods during which
17 the provisions of this subsection are in effect, none of the exemptions
18 contained in K.S.A. 79-3601 *et seq.*, and amendments thereto, shall apply
19 to the sale or furnishing of any gas, water, electricity and heat for use or
20 consumption within the intermodal facility district. As used in this
21 subsection, "intermodal facility district" shall consist of an intermodal
22 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and
23 amendments thereto, located in Johnson county within the polygonal-
24 shaped area having Waverly Road as the eastern boundary, 191st Street as
25 the southern boundary, Four Corners Road as the western boundary, and
26 Highway 56 as the northern boundary, and the polygonal-shaped area
27 having Poplar Road as the eastern boundary, 183rd Street as the southern
28 boundary, Waverly Road as the western boundary, and the BNSF mainline
29 track as the northern boundary, that includes capital investment in an
30 amount exceeding \$150 million for the construction of an intermodal
31 facility to handle the transfer, storage and distribution of freight through
32 railway and trucking operations.

33 Sec. 13. K.S.A. 2011 Supp. 79-4217 is hereby amended to read as
34 follows: 79-4217. (a) There is hereby imposed an excise tax upon the
35 severance and production of coal, oil or gas from the earth or water in this
36 state for sale, transport, storage, profit or commercial use, subject to the
37 following provisions of this section. Such tax shall be borne ratably by all
38 persons within the term "producer" as such term is defined in K.S.A. 79-
39 4216, and amendments thereto, in proportion to their respective beneficial
40 interest in the coal, oil or gas severed. Such tax shall be applied equally to
41 all portions of the gross value of each barrel of oil severed and subject to
42 such tax and to the gross value of the gas severed and subject to such tax.
43 The rate of such tax shall be 8% of the gross value of all oil or gas severed

1 from the earth or water in this state and subject to the tax imposed under
2 this act. The rate of such tax with respect to coal shall be \$1 per ton. For
3 the purposes of the tax imposed hereunder the amount of oil or gas
4 produced shall be measured or determined: (1) In the case of oil, by tank
5 tables compiled to show 100% of the full capacity of tanks without
6 deduction for overage or losses in handling; allowance for any reasonable
7 and bona fide deduction for basic sediment and water, and for correction of
8 temperature to 60 degrees Fahrenheit will be allowed; and if the amount of
9 oil severed has been measured or determined by tank tables compiled to
10 show less than 100% of the full capacity of tanks, such amount shall be
11 raised to a basis of 100% for the purpose of the tax imposed by this act;
12 and (2) in the case of gas, by meter readings showing 100% of the full
13 volume expressed in cubic feet at a standard base and flowing temperature
14 of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is
15 sold and purchased; correction to be made for pressure according to
16 Boyle's law, and used for specific gravity according to the gravity at which
17 the gas is sold and purchased, or if not so specified, according to the test
18 made by the balance method.

19 (b) The following shall be exempt from the tax imposed under this
20 section:

21 (1) The severance and production of gas which is: (A) Injected into
22 the earth for the purpose of lifting oil, recycling or repressuring; (B) used
23 for fuel in connection with the operation and development for, or
24 production of, oil or gas in the lease or production unit where severed; (C)
25 lawfully vented or flared; (D) severed from a well having an average daily
26 production during a calendar month having a gross value of not more than
27 \$87 per day, which well has not been significantly curtailed by reason of
28 mechanical failure or other disruption of production; in the event that the
29 production of gas from more than one well is gauged by a common meter,
30 eligibility for exemption hereunder shall be determined by computing the
31 gross value of the average daily combined production from all such wells
32 and dividing the same by the number of wells gauged by such meter; (E)
33 inadvertently lost on the lease or production unit by reason of leaks,
34 blowouts or other accidental losses; (F) used or consumed for domestic or
35 agricultural purposes on the lease or production unit from which it is
36 severed; or (G) placed in underground storage for recovery at a later date
37 and which was either originally severed outside of the state of Kansas, or
38 as to which the tax levied pursuant to this act has been paid;

39 (2) the severance and production of oil which is: (A) From a lease or
40 production unit whose average daily production is five barrels or less per
41 producing well, which well or wells have not been significantly curtailed
42 by reason of mechanical failure or other disruption of production; (B) from
43 a lease or production unit, the producing well or wells upon which have a

1 completion depth of 2,000 feet or more, and whose average daily
2 production is six barrels or less per producing well or, if the price of oil as
3 determined pursuant to subsection (d) is \$16 or less, whose average daily
4 production is seven barrels or less per producing well, or, if the price of oil
5 as determined pursuant to subsection (d) is \$15 or less, whose average
6 daily production is eight barrels or less per producing well, or, if the price
7 of oil as determined pursuant to subsection (d) is \$14 or less, whose
8 average daily production is nine barrels or less per producing well, or, if
9 the price of oil as determined pursuant to subsection (d) is \$13 or less,
10 whose average daily production is 10 barrels or less per producing well,
11 which well or wells have not been significantly curtailed by reason of
12 mechanical failure or other disruption of production; (C) from a lease or
13 production unit, whose production results from a tertiary recovery process.
14 "Tertiary recovery process" means the process or processes described in
15 subparagraphs (1) through (9) of 10 C.F.R. § 212.78(c) as in effect on June
16 1, 1979; (D) from a lease or production unit, the producing well or wells
17 upon which have a completion depth of less than 2,000 feet and whose
18 average daily production resulting from a water flood process, is six
19 barrels or less per producing well, which well or wells have not been
20 significantly curtailed by reason of mechanical failure or other disruption
21 of production; (E) from a lease or production unit, the producing well or
22 wells upon which have a completion depth of 2,000 feet or more, and
23 whose average daily production resulting from a water flood process, is
24 seven barrels or less per producing well or, if the price of oil as determined
25 pursuant to subsection (d) is \$16 or less, whose average daily production is
26 eight barrels or less per producing well, or, if the price of oil as determined
27 pursuant to subsection (d) is \$15 or less, whose average daily production is
28 nine barrels or less per producing well, or, if the price of oil as determined
29 pursuant to subsection (d) is \$14 or less, whose average daily production is
30 10 barrels or less per producing well, which well or wells have not been
31 significantly curtailed by reason of mechanical failure or other disruption
32 of production; (F) test, frac or swab oil which is sold or exchanged for
33 value; or (G) inadvertently lost on the lease or production unit by reason of
34 leaks or other accidental means;

35 (3) (A) any taxpayer applying for an exemption pursuant to
36 subsection (b)(2)(A) and (B) shall make application biennially to the
37 director of taxation therefor. Exemptions granted pursuant to subsection
38 (b)(2)(A) and (B) shall be valid for a period of two years following the
39 date of certification thereof by the director of taxation; (B) any taxpayer
40 applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall
41 make application biennially to the director of taxation therefor. Such
42 application shall be accompanied by proof of the approval of an
43 application for the utilization of a water flood process therefor by the

1 corporation commission pursuant to rules and regulations adopted under
2 the authority of K.S.A. 55-152 and amendments thereto and proof that the
3 oil produced therefrom is kept in a separate tank battery and that separate
4 books and records are maintained therefor. Such exemption shall be valid
5 for a period of two years following the date of certification thereof by the
6 director of taxation; (C) any exemption granted pursuant to subsections (b)
7 (2)(A), (B), (D) or (E) with an odd lease number and an exemption
8 termination date between June 1, 2004, and May 31, 2005, inclusive, shall
9 be valid for a period of one year following the date of certification; and
10 (D) notwithstanding the provisions of paragraph (A) or (B), any exemption
11 in effect on the effective date of this act affected by the amendments to
12 subsection (b)(2) by this act shall be redetermined in accordance with such
13 amendments. Any such exemption, and any new exemption established by
14 such amendments and applied for after the effective date of this shall be
15 valid for a period commencing with May 1, 1998, and ending on April 30,
16 1999.

17 (4) the severance and production of gas or oil from any pool from
18 which oil or gas was first produced on or after April 1, 1983, *and prior to*
19 *July 1, 2012*, as determined by the state corporation commission and
20 certified to the director of taxation, and continuing for a period of 24
21 months from the month in which oil or gas was first produced from such
22 pool as evidenced by an affidavit of completion of a well, filed with the
23 state corporation commission and certified to the director of taxation.
24 Exemptions granted for production from any well pursuant to this
25 paragraph shall be valid for a period of 24 months following the month in
26 which oil or gas was first produced from such pool. The term "pool"
27 means an underground accumulation of oil or gas in a single and separate
28 natural reservoir characterized by a single pressure system so that
29 production from one part of the pool affects the reservoir pressure
30 throughout its extent;

31 (5) *the severance and production of oil of not more than 50 barrels*
32 *per day from any pool from which oil was first produced on or after July 1,*
33 *2012, as determined by the state corporation commission and certified to*
34 *the director of taxation, and continuing for a period of 24 months from the*
35 *month in which oil was first produced from such pool as evidenced by an*
36 *affidavit of completion of a well, filed with the state corporation*
37 *commission and certified to the director of taxation. Exemptions granted*
38 *for production from any well pursuant to this subsection shall be valid for*
39 *a period of 24 months following the month in which oil was first produced*
40 *from such pool. The term "pool" means an underground accumulation of*
41 *oil in a single and separate natural reservoir characterized by a single*
42 *pressure system so that production from one part of the pool affects the*
43 *reservoir pressure throughout its extent;*

1 (6) the severance and production of oil or gas from a three-year
2 inactive well, as determined by the state corporation commission and
3 certified to the director of taxation, for a period of 10 years after the date
4 of receipt of such certification. As used in this paragraph, "three-year
5 inactive well" means any well that has not produced oil or gas in more
6 than one month in the three years prior to the date of application to the
7 state corporation commission for certification as a three-year inactive well.
8 An application for certification as a three-year inactive well shall be in
9 such form and contain such information as required by the state
10 corporation commission, and shall be made prior to July 1, 1996. The
11 commission may revoke a certification if information indicates that a
12 certified well was not a three-year inactive well or if other lease
13 production is credited to the certified well. Upon notice to the operator that
14 the certification for a well has been revoked, the exemption shall not be
15 applied to the production from that well from the date of revocation;

16 ~~(6)~~(7) (A) The incremental severance and production of oil or gas
17 which results from a production enhancement project begun on or after
18 July 1, 1998, shall be exempt for a period of seven years from the startup
19 date of such project. As used in this paragraph ~~(6)~~:

20 (1) "Incremental severance and production" means the amount of oil
21 or natural gas which is produced as the result of a production enhancement
22 project which is in excess of the base production of oil or natural gas, and
23 is determined by subtracting the base production from the total monthly
24 production after the production enhancement project is completed.

25 (2) "Base production" means the average monthly amount of
26 production for the twelve-month period immediately prior to the
27 production enhancement project beginning date, minus the monthly rate of
28 production decline for the well or project for each month beginning 180
29 days prior to the project beginning date. The monthly rate of production
30 decline shall be equal to the average extrapolated monthly decline rate for
31 the well or project for the twelve-month period immediately prior to the
32 production enhancement project beginning date, except that the monthly
33 rate of production decline shall be equal to zero in the case where the well
34 or project has experienced no monthly decline during the twelve-month
35 period immediately prior to the production enhancement project beginning
36 date. Such monthly rate of production decline shall be continued as the
37 decline that would have occurred except for the enhancement project. Any
38 well or project which may have produced during the twelve-month period
39 immediately prior to the production enhancement project beginning date
40 but is not capable of production on the project beginning date shall have a
41 base production equal to zero. The calculation of the base production
42 amount shall be evidenced by an affidavit and supporting documentation
43 filed by the applying taxpayer with the state corporation commission.

1 (3) "Workover" means any downhole operation in an existing oil or
2 gas well that is designed to sustain, restore or increase the production rate
3 or ultimate recovery of oil or gas, including but not limited to acidizing,
4 reperforation, fracture treatment, sand/paraffin/scale removal or other
5 wellbore cleanouts, casing repair, squeeze cementing, initial installation, or
6 enhancement of artificial lifts including plunger lifts, rods, pumps,
7 submersible pumps and coiled tubing velocity strings, downsizing existing
8 tubing to reduce well loading, downhole commingling, bacteria treatments,
9 polymer treatments, upgrading the size of pumping unit equipment, setting
10 bridge plugs to isolate water production zones, or any combination of the
11 aforementioned operations; "workover" shall not mean the routine
12 maintenance, routine repair, or like for-like replacement of downhole
13 equipment such as rods, pumps, tubing packers or other mechanical
14 device.

15 (4) "Production enhancement project" means performing or causing
16 to be performed the following:

- 17 (i) Workover;
- 18 (ii) recompletion to a different producing zone in the same well bore,
19 except recompletions in formations and zones subject to a state
20 corporation commission proration order;
- 21 (iii) secondary recovery projects;
- 22 (iv) addition of mechanical devices to dewater a gas or oil well;
- 23 (v) replacement or enhancement of surface equipment;
- 24 (vi) installation or enhancement of compression equipment, line
25 looping or other techniques or equipment which increases production from
26 a well or a group of wells in a project;
- 27 (vii) new discoveries of oil or gas which are discovered as a result of
28 the use of new technology, including, but not limited to, three dimensional
29 seismic studies.

30 (B) The state corporation commission shall adopt rules and
31 regulations necessary to efficiently and properly administer the provisions
32 of this paragraph ~~(6)~~ including rules and regulations for the qualification of
33 production enhancement projects, the procedures for determining the
34 monthly rate of production decline, criteria for determining the share of
35 incremental production attributable to each well when a production
36 enhancement project includes a group of wells, criteria for determining the
37 start up date for any project for which an exemption is claimed, and
38 determining new qualifying technologies for the purposes of ~~paragraph (6)~~
39 *subsection (7)(A)(4)(vii)*.

40 (C) Any taxpayer applying for an exemption pursuant to this
41 paragraph ~~(6)~~ shall make application to the director of taxation. Such
42 application shall be accompanied by a state corporation commission
43 certification that the production for which an exemption is sought results

1 from a qualified production enhancement project and certification of the
2 base production for the enhanced wells or group of wells, and the rate of
3 decline to be applied to that base production. The secretary of revenue
4 shall provide credit for any taxes paid between the project startup date and
5 the certification of qualifications by the commission.

6 (D) The exemptions provided for in this paragraph ~~(6)~~ shall not apply
7 for 12 months beginning July 1 of the year subsequent to any calendar year
8 during which: (1) In the case of oil, the secretary of revenue determines
9 that the weighted average price of Kansas oil at the wellhead has exceeded
10 \$20.00 per barrel; or (2) in the case of natural gas the secretary of revenue
11 determines that the weighted average price of Kansas gas at the wellhead
12 has exceeded \$2.50 per Mcf.

13 (E) The provisions of this paragraph ~~(6)~~ shall not affect any other
14 exemption allowable pursuant to this section; and

15 (7) for the calendar year 1988, and any year thereafter, the severance
16 or production of the first 350,000 tons of coal from any mine as certified
17 by the state geological survey.

18 (c) No exemption shall be granted pursuant to subsection (b)(3) or (4)
19 to any person who does not have a valid operator's license issued by the
20 state corporation commission, and no refund of tax shall be made to any
21 taxpayer attributable to any production in a period when such taxpayer did
22 not hold a valid operator's license issued by the state corporation
23 commission.

24 (d) On April 15, 1988, and on April 15 of each year thereafter, the
25 secretary of revenue shall determine from statistics compiled and provided
26 by the United States department of energy, the average price per barrel
27 paid by the first purchaser of crude oil in this state for the six-month
28 period ending on December 31 of the preceding year. Such price shall be
29 used for the purpose of determining exemptions allowed by subsection (b)
30 (2)(B) or (E) for the twelve-month period commencing on May 1 of such
31 year and ending on April 30 of the next succeeding year.

32 Sec. 14. K.S.A. 79-32,128 and K.S.A. 2011 Supp. 74-50,222, 79-
33 1107, 79-1108, 79-32,110, 79-32,111, 79-32,117, 79-32,119, 79-32,205,
34 79-3620, 79-3710 and 79-4217 are hereby repealed.

35 Sec. 15. This act shall take effect and be in force from and after its
36 publication in the statute book.

37