

**SENATE BILL No. 339**

By Committee on Assessment and Taxation

1-26

1 AN ACT concerning taxation; relating to income tax, rate for individuals,  
2 credits, deductions and income determination; sales tax rate and  
3 distribution of revenue; severance tax, exemptions; homestead property  
4 tax refunds; food sales tax refund; amending K.S.A. 39-7,132, 65-7107,  
5 74-8206, 74-8304, 79-32,118, 79-32,128, 79-32,177, 79-32,190 and 79-  
6 32,200 and K.S.A. 2011 Supp. 40-2246, 74-50,173, 74-50,208, 74-  
7 8316, 74-8401, 79-32,110, 79-32,111, 79-32,117, 79-32,119, 79-  
8 32,138, 79-32,143, 79-32,143a, 79-32,182b, 79-32,196, 79-32,197, 79-  
9 32,197a, 79-32,201, 79-32,204, 79-32,207, 79-32,210, 79-32,211, 79-  
10 32,212, 79-32,222, 79-3603, 79-3620, 79-3703, 79-3710, 79-4217, 79-  
11 4501, 79-4502, 79-4508, 79-4509, 79-4511 and 79-4522 and repealing  
12 the existing sections; also repealing K.S.A. 79-32,176 and 79-32,182  
13 and K.S.A. 2011 Supp. 74-8131, 74-8132, 74-8133, 74-8134, 74-8135,  
14 74-8136, 74-8137, 79-32,111a, 79-32,120, 79-32,202, 79-32,205, 79-  
15 32,213, 79-32,242, 79-3633, 79-3634, 79-3635, 79-3636, 79-3637, 79-  
16 3638 and 79-3639.

17

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

19 Section 1. On and after January 1, 2013, K.S.A. 39-7,132 is hereby  
20 amended to read as follows: 39-7,132. (a) Any person who agrees to  
21 provide financial support to a person who would otherwise be eligible to  
22 receive aid to families with dependent children and who has entered into  
23 an agreement with the secretary of social and rehabilitation services for  
24 this purpose, in accordance with rules and regulations adopted by the  
25 secretary of social and rehabilitation services establishing the terms and  
26 conditions of such agreement, shall receive a credit against the tax liability  
27 imposed under the Kansas income tax act as provided under K.S.A. 79-  
28 32,200, and amendments thereto.

29 (b) Moneys received by the secretary under this section shall be used  
30 to match available federal moneys for providing aid to families with  
31 dependent children in the following manner: (1) The portion equal to 80%  
32 of such moneys shall be credited to the state general fund; (2) the portion  
33 equal to 15% of such moneys shall be used by the secretary to match  
34 available federal moneys and shall be added by the secretary to the grant  
35 of the recipient family; and (3) the remaining portion equal to 5% of such  
36 moneys shall be credited to the social welfare fund for administrative

1 expenses and one-time grants.

2 (c) For tax year 2013 and all tax years thereafter, the income tax  
3 credit provided by this section shall only be available to taxpayers subject  
4 to the income tax on corporations imposed pursuant to subsection (c) of  
5 K.S.A. 79-32,110, and amendments thereto, and shall be applied only  
6 against such taxpayer's corporate income tax liability.

7 Sec. 2. On and after January 1, 2013, K.S.A. 2011 Supp. 40-2246 is  
8 hereby amended to read as follows: 40-2246. (a) A credit against the taxes  
9 otherwise due under the Kansas income tax act shall be allowed to an  
10 employer for amounts paid during the taxable year for purposes of this act  
11 on behalf of an eligible employee as defined in K.S.A. 40-2239, and  
12 amendments thereto, to provide health insurance or care and amounts  
13 contributed to health savings accounts of eligible covered employees.

14 (b) (1) For employers that have established a small employer health  
15 benefit plan after December 31, 1999, but prior to January 1, 2005, the  
16 amount of the credit allowed by subsection (a) shall be \$35 per month per  
17 eligible covered employee or 50% of the total amount paid by the  
18 employer during the taxable year, whichever is less, for the first two years  
19 of participation. In the third year, the credit shall be equal to 75% of the  
20 lesser of \$35 per month per employee or 50% of the total amount paid by  
21 the employer during the taxable year. In the fourth year, the credit shall be  
22 equal to 50% of the lesser of \$35 per month per employee or 50% of the  
23 total amount paid by the employer during the taxable year. In the fifth year,  
24 the credit shall be equal to 25% of the lesser of \$35 per month per  
25 employee or 50% of the total amount paid by the employer during the  
26 taxable year. For the sixth and subsequent years, no credit shall be  
27 allowed.

28 (2) For employers that have established a small employer health  
29 benefit plan or made contributions to a health savings account of an  
30 eligible covered employee after December 31, 2004, the amount of credit  
31 allowed by subsection (a) shall be \$70 per month per eligible covered  
32 employee for the first 12 months of participation, \$50 per month per  
33 eligible covered employee for the next 12 months of participation and \$35  
34 per eligible covered employee for the next 12 months of participation.  
35 After 36 months of participation, no credit shall be allowed.

36 (c) If the credit allowed by this section is claimed, the amount of any  
37 deduction allowable under the Kansas income tax act for expenses  
38 described in this section shall be reduced by the dollar amount of the  
39 credit. The election to claim the credit shall be made at the time of filing  
40 the tax return in accordance with law. If the credit allowed by this section  
41 exceeds the taxes imposed under the Kansas income tax act for the taxable  
42 year, that portion of the credit which exceeds those taxes shall be refunded  
43 to the taxpayer.

1 (d) Any amount of expenses paid by an employer under this act shall  
2 not be included as income to the employee for purposes of the Kansas  
3 income tax act. If such expenses have been included in federal taxable  
4 income of the employee, the amount included shall be subtracted in  
5 arriving at state taxable income under the Kansas income tax act.

6 (e) The secretary of revenue shall promulgate rules and regulations to  
7 carry out the provisions of this section.

8 (f) This section shall apply to all taxable years commencing after  
9 December 31, 1999.

10 (g) *For tax year 2013 and all tax years thereafter, the income tax*  
11 *credit provided by this section shall only be available to taxpayers subject*  
12 *to the income tax on corporations imposed pursuant to subsection (c) of*  
13 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
14 *against such taxpayer's corporate income tax liability.*

15 Sec. 3. On and after January 1, 2013, K.S.A. 65-7107 is hereby  
16 amended to read as follows: 65-7107. (a) Appropriate state agencies are  
17 hereby directed to amend their state plans to protect the benefits of those  
18 receiving such benefits by adding language consistent with the following:  
19 Any funds in an individual development account, including accrued  
20 interest, shall be disregarded when determining eligibility to receive the  
21 amount of any public assistance or benefits.

22 (b) A program contributor shall be allowed a credit against state  
23 income tax imposed under the Kansas income tax act in an amount equal  
24 to 25% of the contribution amount.

25 (c) The institute shall verify all tax credit claims by contributors. The  
26 administration of the community-based organization, with the cooperation  
27 of the participating financial institutions, shall submit the names of  
28 contributors and the total amount each contributor contributes to the  
29 individual development account reserve fund for the calendar year. The  
30 institute shall determine the date by which such information shall be  
31 submitted to the institute by the local administrator. The institute shall  
32 submit verification of qualified tax credits pursuant to K.S.A. 65-7101  
33 through 65-7107, and amendments thereto, to the department of revenue.

34 (d) The total tax credits authorized pursuant to this section shall not  
35 exceed \$6,250 in any fiscal year.

36 (e) The provisions of this section shall be applicable to all taxable  
37 years commencing after December 31, 2002.

38 (f) *For tax year 2013 and all tax years thereafter, the income tax*  
39 *credit provided by this section shall only be available to taxpayers subject*  
40 *to the income tax on corporations imposed pursuant to subsection (c) of*  
41 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
42 *against such taxpayer's corporate income tax liability.*

43 Sec. 4. On and after January 1, 2013, K.S.A. 2011 Supp. 74-50,173 is

1 hereby amended to read as follows: 74-50,173. (a) For taxable years  
2 commencing on and after December 31, 2003, December 31, 2004,  
3 December 31, 2005, December 31, 2006, and December 31, 2007, there  
4 shall be allowed as a credit against the tax liability of a taxpayer imposed  
5 under the Kansas income tax act, an amount equal to 20% of the cost of  
6 liability insurance paid by a registered agritourism operator who operates  
7 an agritourism activity on the effective date of this act. No tax credit  
8 claimed pursuant to this subsection shall exceed \$2,000. If the amount of  
9 such tax credit exceeds the taxpayer's income tax liability for such taxable  
10 year, the amount thereof which exceeds such tax liability may be carried  
11 over for deduction from the taxpayer's income tax liability in the next  
12 succeeding taxable year or years until the total amount of tax credit has  
13 been deducted from tax liability, except that no such tax credit shall be  
14 carried forward for deduction after the third taxable year succeeding the  
15 taxable year in which the tax credit is claimed.

16 (b) For the first five taxable years commencing after a taxpayer opens  
17 such taxpayer's business, after the effective date of this act, there shall be  
18 allowed as a credit against the tax liability of a taxpayer imposed under the  
19 Kansas income tax act, an amount equal to 20% of the cost of liability  
20 insurance paid by a registered agritourism operator who starts an  
21 agritourism activity after the effective date of this act. No tax credit  
22 claimed pursuant to this subsection shall exceed \$2,000. If the amount of  
23 such tax credit exceeds the taxpayer's income tax liability for such taxable  
24 year, the amount thereof which exceeds such tax liability may be carried  
25 over for deduction from the taxpayer's income tax liability in the next  
26 succeeding taxable year or years until the total amount of tax credit has  
27 been deducted from tax liability, except that no such tax credit shall be  
28 carried forward for deduction after the third taxable year succeeding the  
29 taxable year in which the tax credit is claimed.

30 (c) The secretary of commerce shall adopt rules and regulations  
31 establishing criteria for determining those costs which qualify as costs of  
32 liability insurance for agritourism activities of a registered agritourism  
33 operator.

34 (d) On or before the 15<sup>th</sup> day of the regular legislative session in  
35 2006, the secretary of commerce shall submit to the senate standing  
36 committee on commerce and the house standing committee on tourism and  
37 parks a report on the implementation and use of the tax credit provided by  
38 this section.

39 (e) As used in this section, terms have the meanings provided by  
40 K.S.A. 2011 Supp. 74-50,167, and amendments thereto.

41 (f) *For tax year 2013 and all tax years thereafter, the income tax*  
42 *credit provided by this section shall only be available to taxpayers subject*  
43 *to the income tax on corporations imposed pursuant to subsection (c) of*

1 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
2 *against such taxpayer's corporate income tax liability.*

3 Sec. 5. On and after January 1, 2013, K.S.A. 2011 Supp. 74-50,208 is  
4 hereby amended to read as follows: 74-50,208. (a) A program contributor  
5 shall be allowed a credit against state income tax imposed under the  
6 Kansas income tax act in an amount not to exceed 75% of the contribution  
7 amount. If the amount of the credit allowed by this section exceeds the  
8 taxpayer's income tax liability imposed under the Kansas income tax act,  
9 such excess amount shall be refunded to the taxpayer. No credit pursuant  
10 to this section shall be allowed for any contribution made by a program  
11 contributor which also qualified for a community services tax credit  
12 pursuant to the provisions of K.S.A. 79-32,195 *et seq.*, and amendments  
13 thereto.

14 (b) The administration of the community-based organization, with the  
15 cooperation of the participating financial institutions, shall submit the  
16 names of contributors and the total amount each contributor contributes to  
17 the individual development account reserve fund for the calendar year. The  
18 secretary of revenue shall determine the date by which such information  
19 shall be submitted to the department of revenue by the local administrator.

20 (c) The total tax credits authorized pursuant to this section shall not  
21 exceed \$500,000 in any fiscal year.

22 (d) The provisions of this section shall be applicable to all taxable  
23 years commencing after December 31, 2010.

24 (e) *For tax year 2013 and all tax years thereafter, the income tax*  
25 *credit provided by this section shall only be available to taxpayers subject*  
26 *to the income tax on corporations imposed pursuant to subsection (c) of*  
27 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
28 *against such taxpayer's corporate income tax liability.*

29 Sec. 6. On and after January 1, 2013, K.S.A. 74-8206 is hereby  
30 amended to read as follows: 74-8206. (a) Except as otherwise provided in  
31 K.S.A. 74-8207, and amendments thereto, every taxpayer investing in  
32 stock issued by Kansas Venture Capital, Inc. shall be entitled to a credit in  
33 an amount equal to 25% of the total amount of cash investment in such  
34 stock against the income tax liability imposed against such taxpayer  
35 pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated. The  
36 amount by which that portion of the credit allowed by this section exceeds  
37 the taxpayer's tax liability in any one taxable year may be carried forward  
38 until the total amount of the credit is used. If the taxpayer is a corporation  
39 having an election in effect under subchapter S of the federal internal  
40 revenue code or a partnership, the credit provided by this section shall be  
41 claimed by the shareholders of such corporation or the partners of such  
42 partnership in the same manner as such shareholders or partners account  
43 for their proportionate shares of the income or loss of the corporation or

1 partnership.

2 (b) No taxpayer claiming a credit under this section for cash  
3 investment in stock issued by Kansas Venture Capital, Inc. shall be eligible  
4 to claim a credit for the same investment under the provisions of K.S.A.  
5 74-8301 to 74-8311, inclusive, and amendments thereto.

6 (c) The provisions of this section, and amendments thereto, shall be  
7 applicable to all taxable years commencing after December 31, 1997, until  
8 all allowed credits are exhausted.

9 (d) *For tax year 2013 and all tax years thereafter, the income tax*  
10 *credit provided by this section shall only be available to taxpayers subject*  
11 *to the income tax on corporations imposed pursuant to subsection (c) of*  
12 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
13 *against such taxpayer's corporate income tax liability.*

14 Sec. 7. On and after January 1, 2013, K.S.A. 74-8304 is hereby  
15 amended to read as follows: 74-8304. (a) There shall be allowed as a credit  
16 against the tax imposed by the Kansas income tax act on the Kansas  
17 taxable income of a taxpayer and against the tax imposed by K.S.A. 40-  
18 252, and amendments thereto, on insurance companies for a cash  
19 investment in a certified Kansas venture capital company in an amount  
20 equal to 25% of such taxpayer's cash investment in any such company in  
21 the taxable year in which such investment is made and the taxable years  
22 following such taxable year until the total amount of the credit is used. The  
23 amount by which that portion of the credit allowed by this section exceeds  
24 the taxpayer's liability in any one taxable year may be carried forward until  
25 the total amount of the credit is used. If the taxpayer is a corporation  
26 having an election in effect under subchapter S of the federal internal  
27 revenue code or a partnership, the credit provided by this section shall be  
28 claimed by the shareholders of such corporation or the partners of such  
29 partnership in the same manner as such shareholders or partners account  
30 for their proportionate shares of the income or loss of the corporation or  
31 partnership.

32 (b) The secretary of revenue shall allow credits that are attributable to  
33 not more than \$50,000,000 of cash investments in certified Kansas venture  
34 capital companies and certified local seed capital pools allowable pursuant  
35 to K.S.A. 74-8401, and amendments thereto, which shall include not more  
36 than \$10,000,000 for Kansas Venture Capital, Inc. The credits shall be  
37 allocated by the secretary for cash investments in certified Kansas venture  
38 capital companies in the order that completed applications for designation  
39 as Kansas venture capital companies are received by the secretary. Any  
40 certified Kansas venture capital company may apply to the secretary at any  
41 time for additional allocation of such credit based upon then committed  
42 cash investments, but priority as to such additional allocation shall be  
43 determined at the time of such subsequent application. Notwithstanding

1 the provisions of subsection (c), investors in Kansas venture capital  
2 companies established after July 1, 1984, which otherwise meet the  
3 requirements specified in this act, shall be, upon certification of the Kansas  
4 venture capital company, entitled to the tax credit provided in subsection  
5 (a) in the calendar year in which the investment was made.

6 (c) No taxpayer shall claim a credit under this section for cash  
7 investment in Kansas Venture Capital, Inc. No Kansas venture capital  
8 company shall qualify for the tax credit allowed by Chapter 332 of the  
9 1986 Session Laws of Kansas for investment in stock of Kansas Venture  
10 Capital, Inc.

11 (d) The provisions of this section, and amendments thereto, shall be  
12 applicable to cash investments made in any taxable year commencing after  
13 December 31, 1985, and prior to January 1, 1998.

14 (e) *For tax year 2013 and all tax years thereafter, the income tax*  
15 *credit provided by this section shall only be available to taxpayers subject*  
16 *to the income tax on corporations imposed pursuant to subsection (c) of*  
17 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
18 *against such taxpayer's corporate income tax liability.*

19 Sec. 8. On and after January 1, 2013, K.S.A. 2011 Supp. 74-8316 is  
20 hereby amended to read as follows: 74-8316. (a) The secretary is hereby  
21 authorized to facilitate the establishment of a technology-based venture-  
22 capital fund in which the department may invest only moneys from the  
23 economic development initiatives fund specifically so allocated. The  
24 department may also credit the fund with gifts, donations or grants  
25 received from any source other than state government and with proceeds  
26 from the fund. Investments in the fund shall qualify for the income tax  
27 credit allowed pursuant to K.S.A. 74-8304, and amendments thereto.

28 (b) The technology-based venture-capital fund may invest the assets  
29 as follows:

30 (1) To carry out the purposes of this act through investments in  
31 qualified securities and through the forms of financial assistance  
32 authorized by this act, including:

33 (A) Loans, loans convertible to equity, and equity;

34 (B) leaseholds;

35 (C) management or consultant service agreements;

36 (D) loans with warrants attached that are beneficially owned by the  
37 fund;

38 (E) loans with warrants attached that are beneficially owned by a  
39 party other than the fund; and

40 (F) the fund, in connection with the provision of any form of financial  
41 assistance, may enter into royalty agreements with an enterprise.

42 (2) To invest in such other investments as are lawful for Kansas  
43 fiduciaries pursuant to K.S.A. 58-24a02, and amendments thereto.

- 1 (c) Distributions received by the corporation may be reinvested in any  
2 fund consistent with the purposes of this act.
- 3 (d) The secretary may invest only in a fund whose investment  
4 guidelines permit the fund's purchase of qualified securities issued by an  
5 enterprise as a part of a resource and technology project subject to the  
6 following:
- 7 (1) Receipt of an application from the enterprise which contains:
- 8 (A) A business plan including a description of the enterprise and its  
9 management, product and market;
- 10 (B) a statement of the amount, timing and projected use of the capital  
11 required;
- 12 (C) a statement of the potential economic impact of the enterprise,  
13 including the number, location and types of jobs expected to be created;  
14 and
- 15 (D) such other information as the fund manager or the fund's board of  
16 directors shall request.
- 17 (2) Approval of the investment by the fund may be made after the  
18 fund manager or the fund's board of directors finds, based upon the  
19 application submitted by the enterprise and such additional investigation as  
20 the fund manager or the fund's board of directors shall make and  
21 incorporate in its minutes, that:
- 22 (A) The proceeds of the investment will be used only to cover the  
23 venture-capital needs of the enterprise except as authorized by this section;
- 24 (B) the enterprise has a reasonable possibility of success;
- 25 (C) the fund's participation is instrumental to the success of the  
26 enterprise because funding otherwise available for the enterprise is not  
27 available on commercially feasible terms;
- 28 (D) the enterprise has the reasonable potential to create a substantial  
29 amount of employment within the state;
- 30 (E) the entrepreneur and other founders of the enterprise have already  
31 made or are contractually committed to make a substantial financial and  
32 time commitment to the enterprise;
- 33 (F) the securities to be purchased are qualified securities;
- 34 (G) there is a reasonable possibility that the fund will recoup at least  
35 its initial investment; and
- 36 (H) binding commitments have been made to the fund by the  
37 enterprise for adequate reporting of financial data to the fund, which shall  
38 include a requirement for an annual report, or if required by the fund  
39 manager, an annual audit of the financial and operational records of the  
40 enterprise, and for such control on the part of the fund as the fund manager  
41 shall consider prudent over the management of the enterprise, so as to  
42 protect the investment of the fund, including in the discretion of the fund  
43 manager and without limitation, the right of access to financial and other

1 records of the enterprise.

2 (e) All investments made pursuant to this section shall be evaluated  
3 by the fund's investment committee and the fund shall be audited annually  
4 by an independent auditing firm.

5 (f) The fund shall not make investments in qualified securities issued  
6 by enterprises in excess of the amount necessary to own more than 49% of  
7 the qualified securities in any one enterprise at the time of the purchase by  
8 the fund, after giving effect to the conversion of all outstanding convertible  
9 qualified securities of the enterprise, except that in the event of severe  
10 financial difficulty of the enterprise, threatening, in the judgment of the  
11 fund manager, the investment of the fund therein, a greater percentage of  
12 such securities may be owned by the fund.

13 (g) At least 75% of the total investment of the fund must be in Kansas  
14 businesses.

15 (h) *For tax year 2013 and all tax years thereafter, the income tax*  
16 *credit provided by this section shall only be available to taxpayers subject*  
17 *to the income tax on corporations imposed pursuant to subsection (c) of*  
18 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
19 *against such taxpayer's corporate income tax liability.*

20 Sec. 9. On and after January 1, 2013, K.S.A. 2011 Supp. 74-8401 is  
21 hereby amended to read as follows: 74-8401. (a) There shall be allowed as  
22 a credit against the tax imposed by the Kansas income tax act on the  
23 Kansas taxable income of a taxpayer and against the tax imposed by  
24 K.S.A. 40-252, and amendments thereto, on insurance companies for cash  
25 investment in a certified local seed capital pool an amount equal to 25% of  
26 such taxpayer's cash investment in any such pool in the taxable year in  
27 which such investment is made and the taxable years following such  
28 taxable year until the total amount of the credit is used. The amount by  
29 which that portion of the credit allowed by this section exceeds the  
30 taxpayer's liability in any one taxable year may be carried forward until the  
31 total amount of the credit is used. If the taxpayer is a corporation having an  
32 election in effect under subchapter S of the federal internal revenue code  
33 or a partnership, the credit provided by this section shall be claimed by the  
34 shareholders of such corporation or the partners of such partnership in the  
35 same manner as such shareholders or partners account for their  
36 proportionate shares of the income or loss of the corporation or  
37 partnership.

38 (b) The total amount of credits allowable pursuant to this section and  
39 credits allowable pursuant to K.S.A. 74-8205, 74-8206 and 74-8304, and  
40 amendments thereto, shall be attributable to not more than \$50,000,000 of  
41 cash investments in Kansas venture capital companies, Kansas Venture  
42 Capital, Inc. and local seed capital pools. With respect to the additional  
43 amount of cash investments made eligible for tax credits by this act,

1 \$10,000,000 of such amount shall be dedicated and reserved until  
2 December 31, 1990, for cash investments in a seed capital fund or funds in  
3 which the department of commerce is an investor. The \$50,000,000  
4 amount of cash investments now eligible for the tax credits allowed  
5 pursuant to this section and K.S.A. 74-8205, 74-8206 and 74-8304, and  
6 amendments thereto, shall be reduced to the extent that the total amount of  
7 cash investments received by such seed capital fund or funds before  
8 January 1, 1991, is less than \$10,000,000. However, any such credits  
9 which were not claimed for investments made prior to January 1, 1991,  
10 may be allowed to a taxpayer for cash investment made in Kansas Venture  
11 Capital, Inc. pursuant to K.S.A. 74-8205 and 74-8206, and amendments  
12 thereto, not to exceed \$2,595,236 of the \$10,000,000 reserved under this  
13 subsection for investment in seed capital funds in which the department of  
14 commerce was an investor. A taxpayer may also be allowed a credit for  
15 cash investment made pursuant to K.S.A. 74-8304, and amendments  
16 thereto, not to exceed \$6,012,345 of the \$10,000,000 reserved under this  
17 subsection if such taxpayer first purchases the entire interest of the  
18 department of commerce in Kansas venture capital companies established  
19 prior to January 1, 1991. However, no credit shall be allowed for cash  
20 investment which results in the purchase of the interest of the Kansas  
21 technology enterprise corporation or its subsidiaries in Kansas venture  
22 capital companies established prior to January 1, 1991.

23 (c) As used in this section, (1) "local seed capital pool" means money  
24 invested in a fund established to provide funding for use by small  
25 businesses for any one or more of the following purposes: (A)  
26 Development of a prototype product or process; (B) a marketing study to  
27 determine the feasibility of a new product or process; or (C) a business  
28 plan for the development and production of a new product or process; and

29 (2) "Kansas business" means any small business owned by an  
30 individual, any partnership, association or corporation domiciled in  
31 Kansas, or any corporation, even if a wholly owned subsidiary of a foreign  
32 corporation, that does business primarily in Kansas or does substantially  
33 all of its production in Kansas.

34 (d) No credit from income tax liability shall be allowed for cash  
35 investment in a local seed capital pool unless: (1) The amount of private  
36 cash investment therein is \$200,000 or more; (2) the moneys necessary to  
37 administer and operate the pool are funded from sources other than the  
38 private and public cash investments; and (3) funds invested by the local  
39 seed capital pool shall be invested at 100% in Kansas businesses.

40 (e) Public funds may be invested in a local seed capital pool except  
41 that each dollar of public funds, other than that which may be used to  
42 administer and operate a pool, shall be matched by not less than \$2 of  
43 private cash investment. Public funds shall have a senior position to any

1 private cash investment and may receive a lower rate of return than that  
 2 allowable for a private cash investment.

3 (f) The provisions of this section, and amendments thereto, shall be  
 4 applicable to all taxable years commencing after December 31, 1986.

5 (g) *For tax year 2013 and all tax years thereafter, the income tax*  
 6 *credit provided by this section shall only be available to taxpayers subject*  
 7 *to the income tax on corporations imposed pursuant to subsection (c) of*  
 8 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
 9 *against such taxpayer's corporate income tax liability.*

10 Sec. 10. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,110  
 11 is hereby amended to read as follows: 79-32,110. (a) *Resident Individuals.*  
 12 Except as otherwise provided by subsection (a) of K.S.A. 79-3220, and  
 13 amendments thereto, a tax is hereby imposed upon the Kansas taxable  
 14 income of every resident individual, which tax shall be computed in  
 15 accordance with the following tax schedules:

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

17 (A) *For tax year 2012:*

If the taxable income is:	The tax is:
19 Not over \$30,000.....	3.5% of Kansas taxable income
20 Over \$30,000 but not over \$60,000....	\$1,050 plus 6.25% of excess over \$30,000
21 Over \$60,000.....	\$2,925 plus 6.45% of excess over \$60,000

22 (B) *For tax year 2013, and all tax years thereafter:*

If the taxable income is:	The tax is:
24 Not over \$30,000.....	3.0% of Kansas taxable income
25 Over \$30,000.....	\$900 plus 4.9% of excess over \$30,000

26 (2) *All other individuals.*

27 (A) ~~For tax year 1997:~~

<del>If the taxable income is:</del>	<del>The tax is:</del>
28 <del>Not over \$20,000.....</del>	<del>4.1% of Kansas taxable income</del>
30 <del>Over \$20,000 but not over \$30,000....</del>	<del>\$820 plus 7.5% of excess over \$20,000</del>
31 <del>Over \$30,000.....</del>	<del>\$1,570 plus 7.75% of excess over \$30,000</del>

32 ~~(B) (A) For tax year 1998, and all tax years thereafter 2012:~~

If the taxable income is:	The tax is:
34 Not over \$15,000.....	3.5% of Kansas taxable income
35 Over \$15,000 but not over \$30,000....	\$525 plus 6.25% of excess over \$15,000
36 Over \$30,000.....	\$1,462.50 plus 6.45% of excess over
37 \$30,000	

38 (B) *For tax year 2013, and all tax years thereafter:*

If the taxable income is:	The tax is:
39 Not over \$15,000.....	3.0 % of Kansas taxable income
41 Over \$15,000.....	\$450 plus 4.9% of excess over \$15,000

42 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas  
 43 taxable income of every nonresident individual, which tax shall be an  
 44 amount equal to the tax computed under subsection (a) as if the  
 45 nonresident were a resident multiplied by the ratio of modified Kansas

1 source income to Kansas adjusted gross income.

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

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

8 (2) (A) for tax year 2008, the surtax shall be in an amount equal to  
9 3.1% of the Kansas taxable income of such corporation in excess of  
10 \$50,000;

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

14 (C) for tax year 2011, and all tax years thereafter, the surtax shall be  
15 in an amount equal to 3% of the Kansas taxable income of such  
16 corporation in excess of \$50,000.

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

20 Sec. 11. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,111  
21 is hereby amended to read as follows: 79-32,111. (a) The amount of  
22 income tax paid to another state by a resident individual, resident estate or  
23 resident trust on income derived from sources in another state, *and*  
24 *included in Kansas adjusted gross income*, shall be allowed as a credit  
25 against the tax computed under the provisions of this act. Such credit shall  
26 not be greater in proportion to the tax computed under this act than the  
27 *Kansas* adjusted gross income for such year derived in another state while  
28 such taxpayer is a resident of this state is to the total Kansas adjusted gross  
29 income of the taxpayer. As used in this subsection, "state" shall have the  
30 meaning ascribed thereto by subsection (h) of K.S.A. 79-3271, and  
31 amendments thereto. The credit allowable hereunder for income tax paid  
32 to a foreign country or political subdivision thereof shall not exceed the  
33 difference of such income tax paid less the credit allowable for such  
34 income tax paid by the federal internal revenue code. No redetermination  
35 of income tax paid for the purposes of determining the credit allowed by  
36 this subsection shall be required for the taxable year for which an income  
37 tax refund payment pursuant to the provisions of section 18 of article 10 of  
38 the Missouri constitution is made, but the income tax paid allowable for  
39 credit in the next following taxable year shall be reduced by the amount of  
40 such refund amount, except that, for tax year 1998, the income tax paid  
41 allowable for credit shall be reduced by the amount of such refunds made  
42 for all taxable years prior to tax year 1998.

43 (b) There shall be allowed as a credit against the tax computed under

1 the provisions of the Kansas income tax act, and ~~acts amendatory thereof~~  
2 ~~and supplemental amendments~~ thereto, on the Kansas taxable income of an  
3 individual, corporation or fiduciary the amount determined under the  
4 provisions of K.S.A. 79-32,153 to 79-32,158, and amendments thereto.

5 Sec. 12. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,117  
6 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted  
7 gross income of an individual means such individual's federal adjusted  
8 gross income for the taxable year, with the modifications specified in this  
9 section.

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

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

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

31 (iii) The federal net operating loss deduction.

32 (iv) Federal income tax refunds received by the taxpayer if the  
33 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
34 income tax purposes during a prior taxable year. Such refunds shall be  
35 included in income in the year actually received regardless of the method  
36 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall  
37 be deemed to have resulted if the amount of the tax had been deducted in  
38 determining income subject to a Kansas income tax for a prior year  
39 regardless of the rate of taxation applied in such prior year to the Kansas  
40 taxable income, but only that portion of the refund shall be included as  
41 bears the same proportion to the total refund received as the federal taxes  
42 deducted in the year to which such refund is attributable bears to the total  
43 federal income taxes paid for such year. For purposes of the foregoing

1 sentence, federal taxes shall be considered to have been deducted only to  
2 the extent such deduction does not reduce Kansas taxable income below  
3 zero.

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

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

12 (vii) The amount of any charitable contribution made to the extent the  
13 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
14 32,196, and amendments thereto.

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

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

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

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

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

43 (xiii) The amount of any expenditures claimed for deduction in

1 determining federal adjusted gross income, to the extent the same is  
2 claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp.  
3 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

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

8 (xv) The amount of any expenditures claimed for deduction in  
9 determining federal adjusted gross income, to the extent the same is  
10 claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp.  
11 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
12 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
13 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

14 (xvi) The amount of any amortization deduction claimed in  
15 determining federal adjusted gross income to the extent the same is  
16 claimed for deduction pursuant to K.S.A. 2011 Supp. 79-32,227, 79-  
17 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
18 thereto.

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

23 (xviii) For taxable years commencing after December 31, 2006, the  
24 amount of any ad valorem or property taxes and assessments paid to a state  
25 other than Kansas or local government located in a state other than Kansas  
26 by a taxpayer who resides in a state other than Kansas, when the law of  
27 such state does not allow a resident of Kansas who earns income in such  
28 other state to claim a deduction for ad valorem or property taxes or  
29 assessments paid to a political subdivision of the state of Kansas in  
30 determining taxable income for income tax purposes in such other state, to  
31 the extent that such taxes and assessments are claimed as an itemized  
32 deduction for federal income tax purposes.

33 (xix) *For all taxable years beginning after December 31, 2012, the*  
34 *amount of any: (1) Loss from business as determined under the federal*  
35 *internal revenue code and reported from schedule C and on line 12 of the*  
36 *taxpayer's form 1040 federal individual income tax return; (2) loss from*  
37 *rental real estate, royalties, partnerships, S corporations, estates, trusts,*  
38 *residual interest in real estate mortgage investment conduits and net farm*  
39 *rental as determined under the federal internal revenue code and reported*  
40 *from schedule E and on line 17 of the taxpayer's form 1040 federal*  
41 *individual income tax return; and (3) farm loss as determined under the*  
42 *federal internal revenue code and reported from schedule F and on line 18*  
43 *of the taxpayer's form 1040 federal income tax return; all to the extent*

1 *deducted or subtracted in determining the taxpayer's federal adjusted*  
2 *gross income. For purposes of this subsection, references to the federal*  
3 *form 1040 and federal schedule C, schedule E, and schedule F, shall be to*  
4 *such form and schedules as they existed for tax year 2011, and as revised*  
5 *thereafter by the internal revenue service.*

6 *(xx) For all taxable years beginning after December 31, 2012, the*  
7 *amount of any deduction for self-employment taxes under section 164(f) of*  
8 *the federal internal revenue code as in effect on January 1, 2012, and*  
9 *amendments thereto, in determining the federal adjusted gross income of*  
10 *an individual taxpayer.*

11 *(xxi) For all taxable years beginning after December 31, 2012, the*  
12 *amount of any deduction for pension, profit sharing, and annuity plans of*  
13 *self-employed individuals under section 62(a)(6) of the federal internal*  
14 *revenue code as in effect on January 1, 2012, and amendments thereto, in*  
15 *determining the federal adjusted gross income of an individual taxpayer.*

16 *(xxii) For all taxable years beginning after December 31, 2012, the*  
17 *amount of any deduction for health insurance under section 162(l) of the*  
18 *federal internal revenue code as in effect on January 1, 2012, and*  
19 *amendments thereto, in determining the federal adjusted gross income of*  
20 *an individual taxpayer.*

21 *(xxiii) For all taxable years beginning after December 31, 2012, the*  
22 *amount of any deduction for domestic production activities under section*  
23 *199 of the federal internal revenue code as in effect on January 1, 2012,*  
24 *and amendments thereto, in determining the federal adjusted gross income*  
25 *of an individual taxpayer.*

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

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

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

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

- 1 (iv) The amount necessary to prevent the taxation under this act of  
2 any annuity or other amount of income or gain which was properly  
3 included in income or gain and was taxed under the laws of this state for a  
4 taxable year prior to the effective date of this act, as amended, to the  
5 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
6 the right to receive the income or gain, or to a trust or estate from which  
7 the taxpayer received the income or gain.
- 8 (v) The amount of any refund or credit for overpayment of taxes on  
9 or measured by income or fees or payments in lieu of income taxes  
10 imposed by this state, or any taxing jurisdiction, to the extent included in  
11 gross income for federal income tax purposes.
- 12 (vi) Accumulation distributions received by a taxpayer as a  
13 beneficiary of a trust to the extent that the same are included in federal  
14 adjusted gross income.
- 15 (vii) Amounts received as annuities under the federal civil service  
16 retirement system from the civil service retirement and disability fund and  
17 other amounts received as retirement benefits in whatever form which  
18 were earned for being employed by the federal government or for service  
19 in the armed forces of the United States.
- 20 (viii) Amounts received by retired railroad employees as a  
21 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
22 228c (a)(1) *et seq.*
- 23 (ix) Amounts received by retired employees of a city and by retired  
24 employees of any board of such city as retirement allowances pursuant to  
25 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
26 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
27 amendments thereto.
- 28 (x) For taxable years beginning after December 31, 1976, the amount  
29 of the federal tentative jobs tax credit disallowance under the provisions of  
30 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
31 amount of the targeted jobs tax credit and work incentive credit  
32 disallowances under 26 U.S.C. § 280 C.
- 33 (xi) For taxable years beginning after December 31, 1986, dividend  
34 income on stock issued by Kansas Venture Capital, Inc.
- 35 (xii) For taxable years beginning after December 31, 1989, amounts  
36 received by retired employees of a board of public utilities as pension and  
37 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,  
38 and amendments thereto.
- 39 (xiii) For taxable years beginning after December 31, 2004, amounts  
40 contributed to and the amount of income earned on contributions deposited  
41 to an individual development account under K.S.A. 2011 Supp. 74-50,201,  
42 *et seq.*, and amendments thereto.
- 43 (xiv) For all taxable years commencing after December 31, 1996, that

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

13 ~~(xv) For all taxable years beginning after December 31, 2006,~~  
14 ~~amounts not exceeding \$3,000, or \$6,000 for a married couple filing a~~  
15 ~~joint return, for each designated beneficiary which are contributed to a~~  
16 ~~family postsecondary education savings account established under the~~  
17 ~~Kansas postsecondary education savings program or a qualified tuition~~  
18 ~~program established and maintained by another state or agency or~~  
19 ~~instrumentality thereof pursuant to section 529 of the internal revenue~~  
20 ~~code of 1986, as amended, for the purpose of paying the qualified higher~~  
21 ~~education expenses of a designated beneficiary at an institution of~~  
22 ~~postsecondary education. The terms and phrases used in this paragraph~~  
23 ~~shall have the meaning respectively ascribed thereto by the provisions of~~  
24 ~~K.S.A. 2011 Supp. 75-643, and amendments thereto, and the provisions of~~  
25 ~~such section are hereby incorporated by reference for all purposes thereof.~~

26 ~~(xvi) For the tax year beginning after December 31, 2004, an amount~~  
27 ~~not exceeding \$500; for the tax year beginning after December 31, 2005,~~  
28 ~~an amount not exceeding \$600; for the tax year beginning after December~~  
29 ~~31, 2006, an amount not exceeding \$700; for the tax year beginning after~~  
30 ~~December 31, 2007, an amount not exceeding \$800; for the tax year~~  
31 ~~beginning December 31, 2008, an amount not exceeding \$900; and for all~~  
32 ~~taxable years commencing after December 31, 2009, an amount not~~  
33 ~~exceeding \$1,000 of the premium costs for qualified long-term care~~  
34 ~~insurance contracts, as defined by subsection (b) of section 7702B of~~  
35 ~~public law 104-191.~~

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

1 a result of such taxpayer's service in the armed forces of the United States,  
2 including service in the Kansas army and air national guard.

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

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

22 ~~(xx)~~ (xviii) Amounts received by retired employees of Washburn  
23 university as retirement and pension benefits under the university's  
24 retirement plan.

25 (xix) *For all taxable years beginning after December 31, 2012, the*  
26 *amount of any: (1) Net profit from business as determined under the*  
27 *federal internal revenue code and reported from schedule C and on line 12*  
28 *of the taxpayer's form 1040 federal individual income tax return; (2) net*  
29 *income from rental real estate, royalties, partnerships, S corporations,*  
30 *estates, trusts, residual interest in real estate mortgage investment*  
31 *conduits and net farm rental as determined under the federal internal*  
32 *revenue code and reported from schedule E and on line 17 of the*  
33 *taxpayer's form 1040 federal individual income tax return; and (3) net*  
34 *farm profit as determined under the federal internal revenue code and*  
35 *reported from schedule F and on line 18 of the taxpayer's form 1040*  
36 *federal income tax return; all to the extent included in the taxpayer's*  
37 *federal adjusted gross income. For purposes of this subsection, references*  
38 *to the federal form 1040 and federal schedule C, schedule E, and schedule*  
39 *F, shall be to such form and schedules as they existed for tax year 2011*  
40 *and as revised thereafter by the internal revenue service.*

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

1 amendments thereto.

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

7 Sec. 13. On and after January 1, 2013, K.S.A. 79-32,118 is hereby  
8 amended to read as follows: 79-32,118. *Commencing in tax year 2013*, the  
9 Kansas deduction of an individual shall be ~~his or her~~ *such individual's*  
10 Kansas standard deduction ~~unless he or she elects to deduct his or her~~  
11 ~~Kansas itemized deductions under the conditions set forth in K.S.A. 79-~~  
12 ~~32,120.~~

13 Sec. 14. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,119  
14 is hereby amended to read as follows: 79-32,119. The Kansas standard  
15 deduction of an individual, including a husband and wife who are either  
16 both residents or who file a joint return as if both were residents, shall be  
17 equal to the sum of the standard deduction amount allowed pursuant to this  
18 section, and the additional standard deduction amount allowed pursuant to  
19 this section for each such deduction allowable to such individual or to such  
20 husband and wife under the federal internal revenue code. For tax year  
21 1998, ~~and all tax years thereafter through tax year 2012~~, the standard  
22 deduction amount shall be as follows: Single individual filing status,  
23 \$3,000; married filing status, \$6,000; and head of household filing status,  
24 \$4,500. For tax year 1998, and all tax years thereafter, the additional  
25 standard deduction amount shall be as follows: Single individual and head  
26 of household filing status, \$850; and married filing status, \$700. *For tax*  
27 *year 2013, and all tax years thereafter, the standard deduction amount of*  
28 *an individual, including husband and wife who are either both residents or*  
29 *who file a joint return as if both were residents, shall be as follows: Single*  
30 *individual filing status, \$3,000; married filing status, \$6,000; and head of*  
31 *household filing status, \$9,000. For purposes of the foregoing, the federal*  
32 *standard deduction allowable to a husband and wife filing separate Kansas*  
33 *income tax returns shall be determined on the basis that separate federal*  
34 *returns were filed, and the federal standard deduction of a husband and*  
35 *wife filing a joint Kansas income tax return shall be determined on the*  
36 *basis that a joint federal income tax return was filed.*

37 Sec. 15. On and after January 1, 2013, K.S.A. 79-32,128 is hereby  
38 amended to read as follows: 79-32,128. An individual who is a resident of  
39 Kansas for part of a year shall 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) Modified Kansas source income for that period during  
5 which such individual was a resident shall include all items of income,  
6 gain, loss or deductions *as set forth in K.S.A. 79-32,117, and amendments*  
7 *thereto*, whether or not derived from sources within Kansas; and (ii) the  
8 credit provided by K.S.A. 79-32,111, *and amendments thereto*, shall be  
9 allowed. For purposes of computing such credit, the amount of income  
10 taxes paid to another state shall be deemed to be limited by an amount  
11 which bears the same proportion to the total taxes paid to such other state  
12 for such year as the amount of *Kansas* adjusted gross income derived from  
13 sources within that state while such individual was a resident bears to the  
14 total *Kansas* adjusted gross income derived from sources within such state  
15 for such year.

16 Sec. 16. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,138  
17 is hereby amended to read as follows: 79-32,138. (a) Kansas taxable  
18 income of a corporation taxable under this act shall be the corporation's  
19 federal taxable income for the taxable year with the modifications  
20 specified in this section.

21 (b) There shall be added to federal taxable income: (i) The same  
22 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and  
23 amendments thereto, with respect to resident individuals, *except*  
24 *subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii).*

25 (ii) The amount of all depreciation deductions claimed for any  
26 property upon which the deduction allowed by K.S.A. 2011 Supp. 79-  
27 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-  
28 32,255 or 79-32,256, and amendments thereto, is claimed.

29 (iii) The amount of any charitable contribution deduction claimed for  
30 any contribution or gift to or for the use of any racially segregated  
31 educational institution.

32 (c) There shall be subtracted from federal taxable income: (i) The  
33 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,  
34 and amendments thereto, with respect to resident individuals, *except*  
35 *subsection (c)(xix).*

36 (ii) The federal income tax liability for any taxable year commencing  
37 prior to December 31, 1971, for which a Kansas return was filed after  
38 reduction for all credits thereon, except credits for payments on estimates  
39 of federal income tax, credits for gasoline and lubricating oil tax, and for  
40 foreign tax credits if, on the Kansas income tax return for such prior year,  
41 the federal income tax deduction was computed on the basis of the federal  
42 income tax paid in such prior year, rather than as accrued. Notwithstanding  
43 the foregoing, the deduction for federal income tax liability for any year

1 shall not exceed that portion of the total federal income tax liability for  
2 such year which bears the same ratio to the total federal income tax  
3 liability for such year as the Kansas taxable income, as computed before  
4 any deductions for federal income taxes and after application of  
5 subsections (d) and (e) of this section as existing for such year, bears to the  
6 federal taxable income for the same year.

7 (iii) An amount for the amortization deduction allowed pursuant to  
8 K.S.A. 2011 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-  
9 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.

10 (iv) For all taxable years commencing after December 31, 1987, the  
11 amount included in federal taxable income pursuant to the provisions of  
12 section 78 of the internal revenue code.

13 (v) For all taxable years commencing after December 31, 1987, 80%  
14 of dividends from corporations incorporated outside of the United States  
15 or the District of Columbia which are included in federal taxable income.

16 (d) If any corporation derives all of its income from sources within  
17 Kansas in any taxable year commencing after December 31, 1979, its  
18 Kansas taxable income shall be the sum resulting after application of  
19 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas  
20 taxable income in any such taxable year, after excluding any refunds of  
21 federal income tax and before the deduction of federal income taxes  
22 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-  
23 3271 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any  
24 refund of federal income tax as determined under paragraph (iv) of  
25 subsection (b) of K.S.A. 79-32,117, and amendments thereto, and minus  
26 the deduction for federal income taxes as provided by subsection (c)(ii)  
27 shall be such corporation's Kansas taxable income.

28 (e) A corporation may make an election with respect to its first  
29 taxable year commencing after December 31, 1982, whereby no addition  
30 modifications as provided for in subsection (b)(ii) of K.S.A. 79-32,138,  
31 *and amendments thereto*, and subtraction modifications as provided for in  
32 subsection (c)(iii) of K.S.A. 79-32,138, *and amendments thereto*, as those  
33 subsections existed prior to their amendment by this act, shall be required  
34 to be made for such taxable year.

35 Sec. 17. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,143  
36 is hereby amended to read as follows: 79-32,143. (a) For net operating  
37 losses incurred in taxable years beginning after December 31, 1987, a net  
38 operating loss deduction shall be allowed in the same manner that it is  
39 allowed under the federal internal revenue code except that such net  
40 operating loss may only be carried forward to each of the 10 taxable years  
41 following the taxable year of the net operating loss. For net operating farm  
42 losses, as defined by subsection (i) of section 172 of the federal internal  
43 revenue code, incurred in taxable years beginning after December 31,

1 1999, a net operating loss deduction shall be allowed in the same manner  
2 that it is allowed under the federal internal revenue code except that such  
3 net operating loss may be carried forward to each of the 10 taxable years  
4 following the taxable year of the net operating loss. The amount of the net  
5 operating loss that may be carried back or forward for Kansas income tax  
6 purposes shall be that portion of the federal net operating loss allocated to  
7 Kansas under this act in the taxable year that the net operating loss is  
8 sustained.

9 (b) The amount of the loss to be carried back or forward will be the  
10 federal net operating loss after: (1) All modifications required under this  
11 act applicable to the net loss in the year the loss was incurred; and (2) after  
12 apportionment as to source in the case of corporations, nonresident  
13 individuals for losses incurred in taxable years beginning prior to January  
14 1, 1978, and nonresident estates and trusts in the same manner that income  
15 for such corporations, nonresident individuals, estates and trusts is  
16 required to be apportioned.

17 (c) If a net operating loss was incurred in a taxable year beginning  
18 prior to January 1, 1988, the amount of the net operating loss that may be  
19 carried back and carried forward and the period for which it may be  
20 carried back and carried forward shall be determined under the provisions  
21 of the Kansas income tax laws which were in effect during the year that  
22 such net operating loss was incurred.

23 (d) If any portion of a net operating loss described in subsections (a)  
24 and (b) is not utilized prior to the final year of the carryforward period  
25 provided in subsection (a), a refund shall be allowable in such final year in  
26 an amount equal to the refund which would have been allowable in the  
27 taxable year the loss was incurred by utilizing the three year carryback  
28 provided under K.S.A. 79-32,143, as in effect on December 31, 1987,  
29 multiplied by a fraction, the numerator of which is the unused portion of  
30 such net operating loss in the final year, and the denominator of which is  
31 the amount of such net operating loss which could have been carried back  
32 to the three years immediately preceding the year in which the loss was  
33 incurred. In no event may such fraction exceed 1.

34 (e) Notwithstanding any other provisions of the Kansas income tax  
35 act, the net operating loss as computed under subsections (a), (b) and (c) of  
36 this section shall be allowed in full in determining Kansas taxable income  
37 or at the option of the taxpayer allowed in full in determining Kansas  
38 adjusted gross income.

39 (f) No refund of income tax which results from a net operating farm  
40 loss carry back shall be allowed in an amount exceeding \$1,500 in any  
41 year. Any overpayment in excess of \$1,500 may be carried forward to any  
42 year or years after the year of the loss and may be claimed as a credit  
43 against the tax. The refundable portion of such credit shall not exceed

1 \$1,500 in any year.

2 (g) For tax year 2013, and all tax years thereafter, a net operating  
3 loss allowed by this section shall only be available to taxpayers subject to  
4 the income tax on corporations imposed pursuant to subsection (c) of  
5 K.S.A. 79-32,110, and amendments thereto, and used only to determine  
6 such taxpayer's corporate income tax liability.

7 Sec. 18. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,143a  
8 is hereby amended to read as follows: 79-32,143a. (a) For taxable years  
9 beginning after December 31, 2011, a taxpayer may elect to take an  
10 expense deduction from Kansas net income before expensing or recapture  
11 allocated or apportioned to this state for the cost of the following property  
12 placed in service in this state during the taxable year: (1) Tangible property  
13 eligible for depreciation under the modified accelerated cost recovery  
14 system in section 168 of the internal revenue code, as amended, but not  
15 including residential rental property, nonresidential real property, any  
16 railroad grading or tunnel bore or any other property with an applicable  
17 recovery period in excess of 25 years as defined under section 168(c) or  
18 (g) of the internal revenue code, as amended; and (2) computer software as  
19 defined in section 197(e)(3)(B) of the internal revenue code, as amended,  
20 and as described in section 197(e)(3)(A)(i) of the internal revenue code, as  
21 amended, to which section 167 of the internal revenue code, as amended,  
22 applies. If such election is made, the amount of expense deduction for such  
23 cost shall equal the difference between the depreciable cost of such  
24 property for federal income tax purposes and the amount of bonus  
25 depreciation being claimed for such property pursuant to section 168(k) of  
26 the internal revenue code, as amended, for federal income tax purposes in  
27 such tax year, but without regard to any expense deduction being claimed  
28 for such property under section 179 of the internal revenue code, as  
29 amended, multiplied by the applicable factor, determined by using, the  
30 table provided in subsection (f), based on the method of depreciation  
31 selected pursuant to section 168(b)(1), (2), or (3) or (g) of the internal  
32 revenue code, as amended, and the applicable recovery period for such  
33 property as defined under section 168(c) or (g) of the internal revenue  
34 code, as amended. This election shall be made by the due date of the  
35 original return, including any extensions, and may be made only for the  
36 taxable year in which the property is placed in service, and once made,  
37 shall be irrevocable. If the section 179 expense deduction election has  
38 been made for federal income tax purposes for any asset, the applicable  
39 factor to be utilized is in the IRC § 168 (b)(1) column of the table provided  
40 in subsection (f) for the applicable recovery period of the respective assets.

41 (b) If the amount of expense deduction calculated pursuant to  
42 subsection (a) exceeds the taxpayer's Kansas net income before expensing  
43 or recapture allocated or apportioned to this state, such excess amount

1 shall be treated as a Kansas net operating loss as provided in K.S.A. 79-  
 2 32,143, and amendments thereto.

3 (c) If the property for which an expense deduction is taken pursuant  
 4 to subsection (a) is subsequently sold during the applicable recovery  
 5 period for such property as defined under section 168(c) of the internal  
 6 revenue code, as amended, and in a manner that would cause recapture of  
 7 any previously taken expense or depreciation deductions for federal  
 8 income tax purposes, or if the situs of such property is otherwise changed  
 9 such that the property is relocated outside the state of Kansas during such  
 10 applicable recovery period, then the expense deduction determined  
 11 pursuant to subsection (a) shall be subject to recapture and treated as  
 12 Kansas taxable income allocated to this state. The amount of recapture  
 13 shall be the Kansas expense deduction determined pursuant to subsection  
 14 (a) multiplied by a fraction, the numerator of which is the number of years  
 15 remaining in the applicable recovery period for such property as defined  
 16 under section 168(c) or (g) of the internal revenue code, as amended, after  
 17 such property is sold or removed from the state including the year of such  
 18 disposition, and the denominator of which is the total number of years in  
 19 such applicable recovery period.

20 (d) The situs of tangible property for purposes of claiming and  
 21 recapture of the expense deduction shall be the physical location of such  
 22 property. If such property is mobile, the situs shall be the physical location  
 23 of the business operations from where such property is used or based. The  
 24 situs of computer software shall be apportioned to Kansas based on the  
 25 fraction, the numerator of which is the number of the taxpayer's users  
 26 located in Kansas of licenses for such computer software used in the active  
 27 conduct of the taxpayer's business operations, and the denominator of  
 28 which is the total number of the taxpayer's users of the licenses for such  
 29 computer software used in the active conduct of the taxpayer's business  
 30 operations everywhere.

31 (e) Any member of a unitary group filing a combined report may  
 32 elect to take an expense deduction pursuant to subsection (a) for an  
 33 investment in property made by any member of the combined group,  
 34 provided that the amount calculated pursuant to subsection (a) may only be  
 35 deducted from the Kansas net income before expensing or recapture  
 36 allocated to or apportioned to this state by such member making the  
 37 election.

38 (f) The following table shall be used in determining the expense  
 39 deduction calculated pursuant to subsection (a):

40 41 42 43 44	Factors			
	IRC§168 Recover Period (year)	IRC§168(b)(1) Depreciation Method	IRC§168(b)(2) Depreciation Method	IRC§168(b)(3) or (g) Depreciation Method
	2.5	*	.077	.092

1	3	.075	.091	.106
2	3.5	*	.102	.116
3	4	*	.114	.129
4	5	.116	.135	.150
5	6	*	.154	.170
6	6.5	*	.163	.179
7	7	.151	.173	.190
8	7.5	*	.181	.199
9	8	*	.191	.208
10	8.5	*	.199	.217
11	9	*	.208	.226
12	9.5	*	.216	.235
13	10	.198	.224	.244
14	10.5	*	.232	.252
15	11	*	.240	.261
16	11.5	*	.248	.269
17	12	*	.256	.277
18	12.5	*	.263	.285
19	13	*	.271	.293
20	13.5	*	.278	.300
21	14	*	.285	.308
22	15	*	.299	.323
23	16	*	.313	.337
24	16.5	*	.319	.344
25	17	*	.326	.351
26	18	*	.339	.365
27	19	*	.351	.378
28	20	*	.363	.391
29	22	*	.386	.415
30	24	*	.408	.438
31	25	*	.419	.449

32 \*Not Applicable

33 (g) If a taxpayer elects to expense any investment pursuant to  
34 subsection (a), such taxpayer shall not be eligible for any tax credit,  
35 accelerated depreciation, or deduction for such investment allowed  
36 pursuant to K.S.A. 2011 Supp. 79-32,160a(e), 79-32,182b, 79-32,201, 79-  
37 32,204, 79-32,211, 79-32,218, 79-32,221, 79-32,222, 79-32,224, 79-  
38 32,227, 79-32,229, 79-32,232, 79-32,234, 79-32,237, 79-32,239, 79-  
39 32,246, 79-32,249, 79-32,252, 79-32,255, 79-32,256 and 79-32,258, and  
40 amendments thereto.

41 (h) For tax 2013, and all tax years thereafter, the deduction allowed  
42 by this section shall only be available to taxpayers subject to the income  
43 tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-

1 *32,110, and amendments thereto, and used only to determine such*  
2 *taxpayer's corporate income tax liability.*

3 New Sec. 19. (a) For Kansas income tax purposes: (1) The basis of a  
4 partner's interest shall be the same as that determined pursuant to section  
5 705 of the federal internal revenue code as in effect on January 1, 2013,  
6 and amendments thereto; and

7 (2) the basis of each shareholder's stock in an S corporation shall be  
8 the same as that determined pursuant to section 1367 of the federal internal  
9 revenue code as in effect on January 1, 2012, and amendments thereto.

10 (b) The provisions of this section shall be effective for tax year 2013,  
11 and all tax years thereafter.

12 Sec. 20. On and after January 1, 2013, K.S.A. 79-32,177 is hereby  
13 amended to read as follows: 79-32,177. (a) Any taxpayer who makes  
14 expenditures for the purpose of making all or any portion of an existing  
15 facility accessible to individuals with a disability, or who makes  
16 expenditures for the purpose of making all or any portion of a facility or of  
17 equipment usable for the employment of individuals with a disability,  
18 which facility or equipment is on real property located in this state and  
19 used in a trade or business or held for the production of income, shall be  
20 entitled to claim an income tax credit in an amount equal to 50% of such  
21 expenditures or, the amount of \$10,000, whichever is less, against the  
22 income tax liability imposed against such taxpayer pursuant to article 32 of  
23 chapter 79 of the Kansas Statutes Annotated. Such tax credit shall be  
24 deducted from the taxpayer's income tax liability for the taxable year in  
25 which the expenditures are made by the taxpayer. If the amount of such tax  
26 credit exceeds the taxpayer's income tax liability for such taxable year, the  
27 amount thereof which exceeds such tax liability may be carried over for  
28 deduction from the taxpayer's income tax liability in the next succeeding  
29 taxable year or years until the total amount of the tax credit has been  
30 deducted from tax liability, except that no such tax credit shall be carried  
31 over for deduction after the fourth taxable year succeeding the taxable year  
32 in which the expenditures are made.

33 (b) *For tax year 2013 and all tax years thereafter, the income tax*  
34 *credit provided by this section shall only be available to taxpayers subject*  
35 *to the income tax on corporations imposed pursuant to subsection (c) of*  
36 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
37 *against such taxpayer's corporate income tax liability.*

38 Sec. 21. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,182b  
39 is hereby amended to read as follows: 79-32,182b. (a) For all taxable years  
40 commencing after December 31, 2000, a credit shall be allowed against  
41 the tax imposed by the Kansas income tax act on the Kansas taxable  
42 income of a taxpayer for expenditures in research and development  
43 activities conducted within this state in an amount equal to 6½% of the

1 amount by which the amount expended for such activities in the taxable  
2 year of the taxpayer exceeds the taxpayer's average of the actual  
3 expenditures for such purposes made in such taxable year and the next  
4 preceding two taxable years.

5 (b) In any one taxable year, the amount of such credit allowable for  
6 deduction from the taxpayer's tax liability shall not exceed 25% of the total  
7 amount of such credit plus any applicable carry forward amount. The  
8 amount by which that portion of the credit allowed by subsections (a) and  
9 (b) to be claimed in any one taxable year exceeds the taxpayer's tax  
10 liability in such year may be carried forward until the total amount of the  
11 credit is used.

12 (c) As used in this section, the term "expenditures in research and  
13 development activities" means expenditures made for such purposes, other  
14 than expenditures of moneys made available to the taxpayer pursuant to  
15 federal or state law, which are treated as expenses allowable for deduction  
16 under the provisions of the federal internal revenue code of 1986, and  
17 amendments thereto.

18 (d) *For tax year 2013 and all tax years thereafter, the income tax*  
19 *credit provided by this section shall only be available to taxpayers subject*  
20 *to the income tax on corporations imposed pursuant to subsection (c) of*  
21 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
22 *against such taxpayer's corporate income tax liability.*

23 Sec. 22. On and after January 1, 2013, K.S.A. 79-32,190 is hereby  
24 amended to read as follows: 79-32,190. (a) Any taxpayer that pays for or  
25 provides child day care services, including the provision of the service of  
26 locating such services, to its employees or that provides facilities and  
27 necessary equipment for child day care services shall be allowed a credit  
28 against the privilege or income tax imposed by articles 11 and 32 of  
29 chapter 79 of the Kansas Statutes Annotated as follows:

30 (1) Thirty percent of the total amount expended in the state during the  
31 taxable year by a taxpayer for child day care services purchased to provide  
32 care for the dependent children of the taxpayer's employees or for the  
33 provision of the service of locating such services for such children;

34 (2) (A) in the taxable year in which a facility providing child day care  
35 services in the state for use primarily by the dependent children of the  
36 taxpayer's employees is established, 50% of the total amount expended  
37 during such year by a taxpayer in the establishment and operation of such  
38 facility;

39 (B) in the taxable years other than the taxable year to which  
40 paragraph (2)(A) applies, 30% of the amount equal to the total amount  
41 expended during the taxable year by a taxpayer for the operation of a  
42 facility described in paragraph (2)(A) less the amount of moneys received  
43 by the taxpayer for use of such facility for child day care services;

1 (3) (A) in the taxable year in which a facility providing child day care  
2 services in the state for use primarily by the dependent children of the  
3 taxpayers' employees is established in conjunction with one or more other  
4 taxpayers, 50% of the total amount expended during such year by a  
5 taxpayer in the establishment and operation of such facility;

6 (B) in the taxable years other than the taxable year to which  
7 paragraph (3)(A) applies, 30% of the amount equal to the total amount  
8 expended during the taxable year by a taxpayer for the operation of a  
9 facility described in paragraph (3)(A) less the amount of moneys received  
10 by the taxpayer for use of such facility for child day care services.

11 (b) No credit shall be allowed under this section unless the child day  
12 care facility or provider is licensed or registered pursuant to Kansas law.

13 (c) The credit allowed by paragraphs (1), (2)(B) and (3)(B) of  
14 subsection (a) shall not exceed \$30,000 for any taxpayer during any  
15 taxable year. The credit allowed by paragraphs (2)(A) and (3)(A) of  
16 subsection (a) shall not exceed \$45,000 for any taxpayer during any  
17 taxable year. The amount of the credit which exceeds the tax liability for a  
18 taxable year shall be refunded to the taxpayer. If the taxpayer is a  
19 corporation having an election in effect under subchapter S of the federal  
20 internal revenue code or a partnership, the credit provided by this section  
21 shall be claimed by the shareholders of such corporation or the partners of  
22 such partnership in the same manner as such shareholders or partners  
23 account for their proportionate shares of the income or loss of the  
24 corporation or partnership.

25 (d) The aggregate amount of credits claimed under this act for any  
26 fiscal year shall not exceed \$3,000,000.

27 (e) *For tax year 2013 and all tax years thereafter, the income tax*  
28 *credit provided by this section shall only be available to taxpayers subject*  
29 *to the income tax on corporations imposed pursuant to subsection (c) of*  
30 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
31 *against such taxpayer's corporate income tax liability.*

32 Sec. 23. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,196  
33 is hereby amended to read as follows: 79-32,196. (a) For taxable years  
34 commencing after December 31, 1997, any business firm which  
35 contributes to a community service organization or governmental entity  
36 which engages in the activities of providing community services, shall be  
37 allowed a credit, as provided in K.S.A. 79-32,197, and amendments  
38 thereto, against the tax imposed by the Kansas income tax act, the tax on  
39 net income of national banking associations, state banks, trust companies  
40 or savings and loan associations imposed under article 11 of chapter 79 of  
41 the Kansas Statutes Annotated, or the premium tax or privilege fees  
42 imposed pursuant to K.S.A. 40-252, and amendments thereto, if the  
43 proposal of the provider of community services is approved pursuant to

1 K.S.A. 79-32,198, *and amendments thereto*. Any business firm which  
2 makes such a contribution after the effective date of this act and prior to  
3 July 1, 1998, shall be allowed a credit in accordance with this act, as if the  
4 contribution had been made in calendar year 1997, for the firm's tax  
5 liability for taxable years commencing after December 31, 1996.  
6 Notwithstanding any other provisions of this section, no business firm  
7 shall claim more than one credit for the same contribution.

8 *(b) For tax year 2013 and all tax years thereafter, the income tax*  
9 *credit provided by this section shall only be available to taxpayers subject*  
10 *to the income tax on corporations imposed pursuant to subsection (c) of*  
11 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
12 *against such taxpayer's corporate income tax liability.*

13 Sec. 24. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,197  
14 is hereby amended to read as follows: 79-32,197. *(a)* The amount of credit  
15 allowed pursuant to K.S.A. 79-32,196, and amendments thereto, shall not  
16 exceed 50% of the total amount contributed during the taxable year by the  
17 business firm to a community service organization or governmental entity  
18 for programs approved pursuant to K.S.A. 79-32,198, and amendments  
19 thereto. The amount of credit allowed pursuant to K.S.A. 79-32,196, and  
20 amendments thereto, shall not exceed 70% of the total amount contributed  
21 during the taxable year by the business firm in a rural community to a  
22 community service organization or governmental entity located therein for  
23 programs approved pursuant to K.S.A. 79-32,198, and amendments  
24 thereto. If the amount of the credit allowed by K.S.A. 79-32,196, and  
25 amendments thereto, exceeds the taxpayer's income tax liability imposed  
26 under the Kansas income tax act, such excess amount shall be refunded to  
27 the taxpayer. In no event shall the total amount of credits allowed under  
28 this section exceed \$4,130,000 for any one fiscal year.

29 *(b) For tax year 2013 and all tax years thereafter, the income tax*  
30 *credit provided by this section shall only be available to taxpayers subject*  
31 *to the income tax on corporations imposed pursuant to subsection (c) of*  
32 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
33 *against such taxpayer's corporate income tax liability.*

34 Sec. 25. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,197a  
35 is hereby amended to read as follows: 79-32,197a. *(a)* Any business firm  
36 or business entity not subject to Kansas income, privilege or premiums tax,  
37 hereinafter designated the assignor, may sell, assign, convey or otherwise  
38 transfer tax credits allowed and earned pursuant to K.S.A. 79-32,196, and  
39 amendments thereto, for an amount not less than 50% of the value of any  
40 such credit. Such credits shall be deemed to be allowed and earned by any  
41 such business entity which is only disqualified therefrom by reason of not  
42 being subject to such Kansas taxes. The business firm acquiring earned  
43 credits, hereinafter designated the assignee, may use the amount of the

1 acquired credits to offset up to 100% of its income, privilege or premiums  
2 tax liability for the taxable year in which such acquisition was made. Only  
3 the full credit amount for any one contribution may be transferred and  
4 such credit may be transferred one time. Unused credit amounts claimed  
5 by the assignee may be carried forward for up to five years, except that all  
6 such amounts shall be claimed within 10 years following the tax year in  
7 which the contribution was made. The assignor shall enter into a written  
8 agreement with the assignee establishing the terms and conditions of the  
9 agreement and shall perfect such transfer by notifying the director of  
10 community development of the department of commerce in writing within  
11 30 calendar days following the effective date of the transfer and shall  
12 provide any information as may be required by the director of community  
13 development of the department of commerce to administer and carry out  
14 the provisions of this section. The amount received by the assignor of such  
15 tax credit shall be taxable as income of the assignor, and the excess of the  
16 value of such credit over the amount paid by the assignee for such credit  
17 shall be taxable as income of the assignee.

18 *(b) For tax year 2013 and all tax years thereafter, the income tax*  
19 *credit provided by this section shall only be available to taxpayers subject*  
20 *to the income tax on corporations imposed pursuant to subsection (c) of*  
21 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
22 *against such taxpayer's corporate income tax liability.*

23 Sec. 26. On and after January 1, 2013, K.S.A. 79-32,200 is hereby  
24 amended to read as follows: 79-32,200. (a) There shall be allowed as a  
25 credit against the tax liability imposed under the Kansas income tax act of  
26 a person who has entered into an agreement with the secretary of social  
27 and rehabilitation services under K.S.A. ~~1997 Supp.~~ 39-7,132, and  
28 amendments thereto, an amount equal to 70% of the amount of financial  
29 assistance paid by such person under K.S.A. ~~1997 Supp.~~ 39-7,132, and  
30 amendments thereto, as certified by the secretary of social and  
31 rehabilitation services, of not to exceed the amount of financial assistance  
32 which would have been paid under the aid to families with dependent  
33 children program from state matching contributions, as certified by the  
34 secretary of social and rehabilitation services, if such person had not  
35 agreed to assume some financial support.

36 (b) An individual may not claim a tax credit under this section if a  
37 credit for child care and dependent care expenses was claimed on either  
38 the state or federal tax return, or if the individual receives payment for care  
39 of the person provided financial assistance.

40 (c) The credit allowed by this section shall not exceed the amount of  
41 tax imposed under the Kansas income tax act reduced by the sum of any  
42 other credits allowable pursuant to law.

43 (d) The provisions of this section shall be applicable to all taxable

1 years commencing after December 31, 1993.

2 *(e) For tax year 2013 and all tax years thereafter, the income tax*  
3 *credit provided by this section shall only be available to taxpayers subject*  
4 *to the income tax on corporations imposed pursuant to subsection (c) of*  
5 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
6 *against such taxpayer's corporate income tax liability.*

7 Sec. 27. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,201  
8 is hereby amended to read as follows: 79-32,201. (a) Any taxpayer who  
9 makes expenditures for a qualified alternative-fueled motor vehicle or  
10 alternative-fuel fueling station shall be allowed a credit against the income  
11 tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated,  
12 as follows:

13 (1) For any qualified alternative-fueled motor vehicle placed in  
14 service on or after January 1, 1996, and before January 1, 2005, an amount  
15 equal to 50% of the incremental cost or conversion cost for each qualified  
16 alternative-fueled motor vehicle but not to exceed \$3,000 for each such  
17 motor vehicle with a gross vehicle weight of less than 10,000 lbs.; \$5,000  
18 for a heavy duty motor vehicle with a gross vehicle weight of greater than  
19 10,000 lbs. but less than 26,000 lbs.; and \$50,000 for motor vehicles  
20 having a gross vehicle weight of greater than 26,000 lbs.;

21 (2) for any qualified alternative-fueled motor vehicle placed in  
22 service on or after January 1, 2005, an amount equal to 40% of the  
23 incremental cost or conversion cost for each qualified alternative-fueled  
24 motor vehicle, but not to exceed \$2,400 for each such motor vehicle with a  
25 gross vehicle weight of less than 10,000 lbs.; \$4,000 for a heavy duty  
26 motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but  
27 less than 26,000 lbs.; and \$40,000 for motor vehicles having a gross  
28 vehicle weight of greater than 26,000 lbs.;

29 (3) for any qualified alternative-fuel fueling station placed in service  
30 on or after January 1, 1996, and before January 1, 2005, an amount equal  
31 to 50% of the total amount expended for each qualified alternative-fuel  
32 fueling station but not to exceed \$200,000 for each fueling station;

33 (4) for any qualified alternative-fuel fueling station placed in service  
34 on or after January 1, 2005, and before January 1, 2009, an amount equal  
35 to 40% of the total amount expended for each qualified alternative-fuel  
36 fueling station, but not to exceed \$160,000 for each fueling station;

37 (5) for any qualified alternative-fuel fueling station placed in service  
38 on or after January 1, 2009, an amount equal to 40% of the total amount  
39 expended for each qualified alternative-fuel fueling station, but not to  
40 exceed \$100,000 for each fueling station.

41 (b) If no credit has been claimed pursuant to subsection (a), a credit in  
42 an amount not exceeding the lesser of 5% of the cost of the vehicle or  
43 \$750 shall be allowed to a taxpayer who purchases a motor vehicle

1 equipped by the vehicle manufacturer with an alternative fuel system and  
2 who is unable or elects not to determine the exact basis attributable to such  
3 property. The credit under this subsection shall be allowed only to the first  
4 individual to take title to such motor vehicle, other than for resale. The  
5 credit under this subsection for motor vehicles which are capable of  
6 operating on a blend of 85% ethanol and 15% gasoline shall be allowed for  
7 taxable years commencing after December 31, 1999, only if the individual  
8 claiming the credit furnishes evidence of the purchase, during the period of  
9 time beginning with the date of purchase of such vehicle and ending on  
10 December 31 of the next succeeding calendar year, of 500 gallons of such  
11 ethanol and gasoline blend as may be required or is satisfactory to the  
12 secretary of revenue.

13 (c) The tax credit under subsection (a)(1) through (a)(4) or (b) shall  
14 be deducted from the taxpayer's income tax liability for the taxable year in  
15 which the expenditures are made by the taxpayer. If the amount of the tax  
16 credit exceeds the taxpayer's income tax liability for the taxable year, the  
17 amount which exceeds the tax liability may be carried over for deduction  
18 from the taxpayer's income tax liability in the next succeeding taxable year  
19 or years until the total amount of the tax credit has been deducted from tax  
20 liability, except that no such tax credit shall be carried over for deduction  
21 after the third taxable year succeeding the taxable year in which the  
22 expenditures are made.

23 (d) The tax credit under subsection (a)(5) shall be deducted from the  
24 taxpayer's income tax liability for the taxable year in which the  
25 expenditures are made by the taxpayer. If the amount of the tax credit  
26 exceeds the taxpayer's income tax liability for the taxable year, the amount  
27 which exceeds the tax liability may be carried over for deduction from the  
28 taxpayer's income tax liability in the next succeeding taxable year or years  
29 until the total amount of the tax credit has been deducted from tax liability,  
30 except that no such tax credit shall be carried over for deduction after the  
31 fourth taxable year in which the expenditures are made.

32 (e) As used in this section:

33 (1) "Alternative fuel" means a combustible liquid derived from grain  
34 starch, oil seed, animal fat or other biomass; or produced from biogas  
35 source, including any nonfossilized, decaying, organic matter.

36 (2) "Qualified alternative-fueled motor vehicle" means a motor  
37 vehicle that operates on an alternative fuel, meets or exceeds the clean fuel  
38 vehicle standards in the federal clean air act amendments of 1990, Title II  
39 and meets one of the following categories:

40 (A) Bi-fuel motor vehicle: A motor vehicle with two separate fuel  
41 systems designed to run on either an alternative fuel or conventional fuel,  
42 using only one fuel at a time;

43 (B) dedicated motor vehicle: A motor vehicle with an engine designed

1 to operate on a single alternative fuel only; or

2 (C) flexible fuel motor vehicle: A motor vehicle that may operate on a  
3 blend of an alternative fuel with a conventional fuel, such as E-85 (85%  
4 ethanol and 15% gasoline) or M-85 (85% methanol and 15% gasoline), as  
5 long as such motor vehicle is capable of operating on at least an 85%  
6 alternative fuel blend.

7 (3) "Qualified alternative-fuel fueling station" means the property  
8 which is directly related to the delivery of alternative fuel into the fuel tank  
9 of a motor vehicle propelled by such fuel, including the compression  
10 equipment, storage vessels and dispensers for such fuel at the point where  
11 such fuel is delivered but only if such property is primarily used to deliver  
12 such fuel for use in a qualified alternative-fueled motor vehicle.

13 (4) "Incremental cost" means the cost that results from subtracting the  
14 manufacturer's list price of the motor vehicle operating on conventional  
15 gasoline or diesel fuel from the manufacturer's list price of the same model  
16 motor vehicle designed to operate on an alternative fuel.

17 (5) "Conversion cost" means the cost that results from modifying a  
18 motor vehicle which is propelled by gasoline or diesel to be propelled by  
19 an alternative fuel.

20 (6) "Taxpayer" means any person who owns and operates a qualified  
21 alternative-fueled vehicle licensed in the state of Kansas or who makes an  
22 expenditure for a qualified alternative-fuel fueling station.

23 (7) "Person" means every natural person, association, partnership,  
24 limited liability company, limited partnership or corporation.

25 (f) Except as otherwise more specifically provided, the provisions of  
26 this section shall apply to all taxable years commencing after December  
27 31, 1995.

28 (g) *For tax year 2013 and all tax years thereafter, the income tax*  
29 *credit provided by this section shall only be available to taxpayers subject*  
30 *to the income tax on corporations imposed pursuant to subsection (c) of*  
31 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
32 *against such taxpayer's corporate income tax liability.*

33 Sec. 28. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,204  
34 is hereby amended to read as follows: 79-32,204. (a) As used in this  
35 section:

36 (1) Terms have the meanings provided by K.S.A. 65-1,178, and  
37 amendments thereto;

38 (2) "qualified swine facility" means a swine facility that: (A) Is  
39 owned and operated by a sole proprietorship or partnership or by a family  
40 farm corporation, authorized farm corporation, limited liability agricultural  
41 company, family farm limited liability agricultural company, limited  
42 agricultural partnership, family trust, authorized trust or testamentary trust,  
43 as defined by K.S.A. 17-5903, and amendments thereto; and (B) is

1 utilizing its swine waste management system on January 1, 1998-; *and*

2 (3) "required improvements to a qualified swine facility" means  
3 capital improvements that the secretary of health and environment certifies  
4 to the director of taxation: (A) Are required for a qualified swine facility to  
5 comply with the standards and requirements established pursuant to  
6 K.S.A. 65-1,178 through 65-1,198, *and amendments thereto*, or pursuant  
7 to the amendments made by this act to K.S.A. 65-171d, *and amendments*  
8 *thereto*; and (B) are not required because of expansion for which a permit  
9 has not been issued or applied for before the effective date of this act.

10 (b) There shall be allowed as a credit against the tax liability of a  
11 taxpayer imposed under the Kansas income tax act an amount equal to not  
12 more than 50% of the costs incurred by the taxpayer for required  
13 improvements to a qualified swine facility. The tax credit allowed by this  
14 subsection shall be deducted from the taxpayer's income tax liability for  
15 the taxable year in which the expenditures are made by the taxpayer. If the  
16 amount of such tax credit exceeds the taxpayer's income tax liability for  
17 such taxable year, the taxpayer may carry over the amount thereof that  
18 exceeds such tax liability for deduction from the taxpayer's income tax  
19 liability in the next succeeding taxable year or years until the total amount  
20 of the tax credit has been deducted from tax liability, except that no such  
21 tax credit shall be carried over for deduction after the fourth taxable year  
22 succeeding the year in which the costs are incurred.

23 (c) The provisions of this section shall be applicable to all taxable  
24 years commencing after December 31, 1997.

25 ~~(d) On or before the first day of the 1999, 2000 and 2001 regular~~  
26 ~~legislative sessions, the secretary of revenue shall submit to the senate~~  
27 ~~standing committee on energy and natural resources, the house standing~~  
28 ~~committee on environment, the senate standing committee on assessment~~  
29 ~~and taxation and the house standing committee on taxation a report of the~~  
30 ~~number of taxpayers claiming the credit allowed by this section and the~~  
31 ~~total amount of such credits claimed by all taxpayers. For tax year 2013~~  
32 ~~and all tax years thereafter, the income tax credit provided by this section~~  
33 ~~shall only be available to taxpayers subject to the income tax on~~  
34 ~~corporations imposed pursuant to subsection (c) of K.S.A. 79-32,110, and~~  
35 ~~amendments thereto, and shall be applied only against such taxpayer's~~  
36 ~~corporate income tax liability.~~

37 Sec. 29. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,207  
38 is hereby amended to read as follows: 79-32,207. (a) As used in this  
39 section, "abandoned oil or gas well" means an abandoned well, as defined  
40 by K.S.A. 55-191, and amendments thereto:

- 41 (1) The drilling of which was commenced before January 1, 1970;  
42 and  
43 (2) which is located on land owned by the taxpayer claiming the tax

1 credit allowed by this section.

2 (b) For any taxable year commencing after December 31, 2000, a  
3 credit shall be allowed against the tax imposed by the Kansas income tax  
4 act on the Kansas taxable income of a taxpayer for expenditures made for  
5 the purpose of plugging any abandoned oil or gas well in accordance with  
6 rules and regulations of the state corporation commission applicable  
7 thereto, in an amount equal to 50% of such expenditures made in the  
8 taxable year.

9 (c) If the amount of the tax credit allowed by this section exceeds the  
10 taxpayer's income tax liability for such taxable year, the amount thereof  
11 which exceeds such tax liability may be carried over for deduction from  
12 the taxpayer's income tax liability in the next succeeding taxable year or  
13 years until the total amount of the tax credit has been deducted from tax  
14 liability.

15 (d) The total amount of credits allowed taxpayers pursuant to this  
16 section, including the amount of credits carried over under subsection (c),  
17 shall not exceed \$250,000 for any one fiscal year.

18 (e) The secretary of revenue shall adopt such rules and regulations as  
19 necessary to carry out the purposes of this section.

20 (f) *For tax year 2013 and all tax years thereafter, the income tax*  
21 *credit provided by this section shall only be available to taxpayers subject*  
22 *to the income tax on corporations imposed pursuant to subsection (c) of*  
23 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
24 *against such taxpayer's corporate income tax liability.*

25 Sec. 30. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,210  
26 is hereby amended to read as follows: 79-32,210. (a) For all taxable years  
27 commencing after December 31, 2000, and with respect to property  
28 initially acquired and first placed into service in this state on and after  
29 January 1, 2001, there shall be allowed as a credit against the tax liability  
30 imposed by the Kansas income tax act of a telecommunications company,  
31 as defined in K.S.A. 79-3271, and amendments thereto, an amount equal  
32 to the difference between the property tax levied for property tax year  
33 2001, and all such years thereafter, and actually and timely paid during the  
34 appropriate income taxable year upon property assessed at the 33%  
35 assessment rate and the property tax which would be levied and paid on  
36 such property if assessed at a 25% assessment rate.

37 (b) If the amount of the tax credit determined under subsection (a)  
38 exceeds the tax liability for the telecommunications company for any  
39 taxable year, the amount thereof which exceeds such tax liability shall be  
40 refunded to the telecommunications company. If the telecommunications  
41 company is a corporation having an election in effect under subchapter S  
42 of the federal internal revenue code, a partnership or a limited liability  
43 company, the credit provided by this section shall be claimed by the

1 shareholders of such corporation, the partners of such partnership or the  
2 members of such limited liability company in the same manner as such  
3 shareholders, partners or members account for their proportionate shares  
4 of income or loss of the corporation, partnership or limited liability  
5 company.

6 (c) As used in this section, the term "acquired" shall not include the  
7 transfer of property pursuant to an exchange for stock securities, or the  
8 transfer of assets of one business entity to another due to a merger or other  
9 consolidation.

10 (d) *For tax year 2013 and all tax years thereafter, the income tax*  
11 *credit provided by this section shall only be available to taxpayers subject*  
12 *to the income tax on corporations imposed pursuant to subsection (c) of*  
13 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
14 *against such taxpayer's corporate income tax liability.*

15 Sec. 31. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,211  
16 is hereby amended to read as follows: 79-32,211. (a) For all taxable years  
17 commencing after December 31, 2006, there shall be allowed a tax credit  
18 against the income, privilege or premium tax liability imposed upon a  
19 taxpayer pursuant to the Kansas income tax act, the privilege tax imposed  
20 upon any national banking association, state bank, trust company or  
21 savings and loan association pursuant to article 11 of chapter 79 of the  
22 Kansas Statutes Annotated, or the premiums tax and privilege fees  
23 imposed upon an insurance company pursuant to K.S.A. 40-252, and  
24 amendments thereto, in an amount equal to 25% of qualified expenditures  
25 incurred in the restoration and preservation of a qualified historic structure  
26 pursuant to a qualified rehabilitation plan by a qualified taxpayer if the  
27 total amount of such expenditures equal \$5,000 or more; or in an amount  
28 equal to 30% of qualified expenditures incurred in the restoration and  
29 preservation of a qualified historic structure which is exempt from federal  
30 income taxation pursuant to section 501(c)(3) of the federal internal  
31 revenue code and which is not income producing pursuant to a qualified  
32 rehabilitation plan by a qualified taxpayer if the total amount of such  
33 expenditures equals \$5,000 or more. In no event shall the total amount of  
34 credits allowed under this section exceed \$3,750,000 for fiscal year 2010.  
35 If the amount of such tax credit exceeds the qualified taxpayer's income,  
36 privilege or premium tax liability for the year in which the qualified  
37 rehabilitation plan was placed in service, as defined by section 47(b)(1) of  
38 the federal internal revenue code and federal regulation section 1.48-12(f)  
39 (2), such excess amount may be carried over for deduction from such  
40 taxpayer's income, privilege or premium tax liability in the next  
41 succeeding year or years until the total amount of the credit has been  
42 deducted from tax liability, except that no such credit shall be carried over  
43 for deduction after the 10th taxable year succeeding the taxable year in

1 which the qualified rehabilitation plan was placed in service.

2 (b) As used in this section, unless the context clearly indicates  
3 otherwise:

4 (1) "Qualified expenditures" means the costs and expenses incurred  
5 by a qualified taxpayer in the restoration and preservation of a qualified  
6 historic structure pursuant to a qualified rehabilitation plan which are  
7 defined as a qualified rehabilitation expenditure by section 47(c)(2) of the  
8 federal internal revenue code;

9 (2) "qualified historic structure" means any building, whether or not  
10 income producing, which is defined as a certified historic structure by  
11 section 47(c)(3) of the federal internal revenue code, is individually listed  
12 on the register of Kansas historic places, or is located and contributes to a  
13 district listed on the register of Kansas historic places;

14 (3) "qualified rehabilitation plan" means a project which is approved  
15 by the cultural resources division of the state historical society, or by a  
16 local government certified by the division to so approve, as being  
17 consistent with the standards for rehabilitation and guidelines for  
18 rehabilitation of historic buildings as adopted by the federal secretary of  
19 interior and in effect on the effective date of this act. The society shall  
20 adopt rules and regulations providing application and approval procedures  
21 necessary to effectively and efficiently provide compliance with this act,  
22 and may collect fees in order to defray its approval costs in accordance  
23 with rules and regulations adopted therefor; and

24 (4) "qualified taxpayer" means the owner of the qualified historic  
25 structure or any other person who may qualify for the federal rehabilitation  
26 credit allowed by section 47 of the federal internal revenue code.

27 If the taxpayer is a corporation having an election in effect under  
28 subchapter S of the federal internal revenue code, a partnership or a  
29 limited liability company, the credit provided by this section shall be  
30 claimed by the shareholders of such corporation, the partners of such  
31 partnership or the members of such limited liability company in the same  
32 manner as such shareholders, partners or members account for their  
33 proportionate shares of the income or loss of the corporation, partnership  
34 or limited liability company, or as the corporation, partnership or limited  
35 liability company mutually agree as provided in the bylaws or other  
36 executed agreement. Credits granted to a partnership, a limited liability  
37 company taxed as a partnership or other multiple owners of property shall  
38 be passed through to the partners, members or owners respectively pro rata  
39 or pursuant to an executed agreement among the partners, members or  
40 owners documenting any alternate distribution method.

41 (c) Any person, hereinafter designated the assignor, may sell, assign,  
42 convey or otherwise transfer tax credits allowed and earned pursuant to  
43 subsection (a). The taxpayer acquiring credits, hereinafter designated the

1 assignee, may use the amount of the acquired credits to offset up to 100%  
2 of its income, privilege or premiums tax liability for either the taxable year  
3 in which the qualified rehabilitation plan was first placed into service or  
4 the taxable year in which such acquisition was made. Unused credit  
5 amounts claimed by the assignee may be carried forward for up to five  
6 years, except that all such amounts shall be claimed within 10 years  
7 following the tax year in which the qualified rehabilitation plan was first  
8 placed into service. The assignor shall enter into a written agreement with  
9 the assignee establishing the terms and conditions of the agreement and  
10 shall perfect such transfer by notifying the cultural resources division of  
11 the state historical society in writing within 90 calendar days following the  
12 effective date of the transfer and shall provide any information as may be  
13 required by such division to administer and carry out the provisions of this  
14 section. The amount received by the assignor of such tax credit shall be  
15 taxable as income of the assignor, and the excess of the value of such  
16 credit over the amount paid by the assignee for such credit shall be taxable  
17 as income of the assignee.

18 *(d) For tax year 2013 and all tax years thereafter, the income tax*  
19 *credit provided by this section shall only be available to taxpayers subject*  
20 *to the income tax on corporations imposed pursuant to subsection (c) of*  
21 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
22 *against such taxpayer's corporate income tax liability.*

23 Sec. 32. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,212  
24 is hereby amended to read as follows: 79-32,212. (a) For taxable years  
25 2002 through 2021, there shall be allowed as a credit against the tax  
26 liability of a taxpayer imposed under the Kansas income tax act, an  
27 amount equal to 100% of the amount attributable to the retirement of  
28 indebtedness authorized by a single city port authority established before  
29 January 1, 2002. In no event shall the total amount of the credits allowed  
30 under this section exceed \$500,000 for any one fiscal year.

31 (b) Upon certification by the secretary of revenue of the amount of  
32 any such credit, the director of accounts and reports shall issue to such  
33 taxpayer a warrant for such amount which shall be deemed to be a capital  
34 contribution.

35 *(c) For tax year 2013 and all tax years thereafter, the income tax*  
36 *credit provided by this section shall only be available to taxpayers subject*  
37 *to the income tax on corporations imposed pursuant to subsection (c) of*  
38 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
39 *against such taxpayer's corporate income tax liability.*

40 Sec. 33. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,222  
41 is hereby amended to read as follows: 79-32,222. (a) As used in this  
42 section:

43 (1) "Refinery" has the meaning provided by K.S.A. 2011 Supp. 79-

1 32,217, and amendments thereto.

2 (2) "Qualified expenditures" means expenditures which the secretary  
3 of health and environment certifies to the director of taxation are required  
4 for an existing refinery to comply with environmental standards or  
5 requirements established pursuant to federal statute or regulation, or state  
6 statute or rules and regulation, adopted after December 31, 2006.

7 (b) There shall be allowed as a credit against the tax liability of a  
8 taxpayer imposed under the Kansas income tax act an amount equal to the  
9 taxpayer's qualified expenditures. The tax credit allowed by this subsection  
10 shall be deducted from the taxpayer's income tax liability for the taxable  
11 year in which the expenditures are made by the taxpayer. If the amount of  
12 such tax credit exceeds the taxpayer's income tax liability for such taxable  
13 year, the taxpayer may carry over the amount thereof that exceeds such tax  
14 liability for deduction from the taxpayer's income tax liability in the next  
15 succeeding taxable year or years until the total amount of the tax credit has  
16 been deducted from tax liability, except that no such tax credit shall be  
17 carried over for deduction after the fourth taxable year succeeding the year  
18 in which the costs are incurred.

19 (c) (1) To qualify the expenditures of the tax credit allowed by this  
20 section, a taxpayer shall apply to the secretary of health and environment  
21 for a certification that the costs were incurred to comply with  
22 environmental standards or requirements as specified in subsection (a).  
23 The secretary shall prescribe the form of the application, which shall  
24 include, but not be limited to, the following information: (A) A detailed  
25 description of the refinery project that is the subject of the expenditure; (B)  
26 a citation to the applicable federal or state statutes, regulations or rules and  
27 regulations which require the environmental compliance; (C) a detailed  
28 accounting of the costs incurred for the environmental compliance; and  
29 (D) a certification by a responsible official that, based on information and  
30 belief formed after reasonable inquiry, the statements and information in  
31 the application are true, accurate and complete.

32 (2) If the secretary of health and environment determines that the  
33 expenditures were incurred to comply with environmental standards or  
34 requirements as specified in subsection (a), the secretary shall issue a  
35 certificate of compliance to the director of taxation.

36 (3) The secretary of health and environment may adopt rules and  
37 regulations to administer the provisions of this subsection, including rules  
38 and regulations to fix, charge and collect an application fee to cover all or  
39 any part of the department of health and environment's cost of certifying  
40 the taxpayer's qualified expenditures under this subsection.

41 (d) The provisions of this section shall be applicable to all taxable  
42 years commencing after December 31, 2006.

43 (e) *For tax year 2013 and all tax years thereafter, the income tax*

1 *credit provided by this section shall only be available to taxpayers subject*  
2 *to the income tax on corporations imposed pursuant to subsection (c) of*  
3 *K.S.A. 79-32,110, and amendments thereto, and shall be applied only*  
4 *against such taxpayer's corporate income tax liability.*

5 Sec. 34. K.S.A. 2011 Supp. 79-3603 is hereby amended to read as  
6 follows: 79-3603. For the privilege of engaging in the business of selling  
7 tangible personal property at retail in this state or rendering or furnishing  
8 any of the services taxable under this act, there is hereby levied and there  
9 shall be collected and paid a tax at the rate of ~~5.3%, and commencing July~~  
10 ~~1, 2010, at the rate of 6.3%, and commencing July 1, 2013, at the rate of~~  
11 ~~5.7%~~. Within a redevelopment district established pursuant to K.S.A. 74-  
12 8921, and amendments thereto, there is hereby levied and there shall be  
13 collected and paid an additional tax at the rate of 2% until the earlier of the  
14 date the bonds issued to finance or refinance the redevelopment project  
15 have been paid in full or the final scheduled maturity of the first series of  
16 bonds issued to finance any part of the project upon:

17 (a) The gross receipts received from the sale of tangible personal  
18 property at retail within this state;

19 (b) the gross receipts from intrastate, interstate or international  
20 telecommunications services and any ancillary services sourced to this  
21 state in accordance with K.S.A. 2011 Supp. 79-3673, and amendments  
22 thereto, except that telecommunications service does not include: (1) Any  
23 interstate or international 800 or 900 service; (2) any interstate or  
24 international private communications service as defined in K.S.A. 2011  
25 Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice  
26 data service; (4) any telecommunication service to a provider of  
27 telecommunication services which will be used to render  
28 telecommunications services, including carrier access services; or (5) any  
29 service or transaction defined in this section among entities classified as  
30 members of an affiliated group as provided by section 1504 of the federal  
31 internal revenue code of 1986, as in effect on January 1, 2001;

32 (c) the gross receipts from the sale or furnishing of gas, water,  
33 electricity and heat, which sale is not otherwise exempt from taxation  
34 under the provisions of this act, and whether furnished by municipally or  
35 privately owned utilities, except that, on and after January 1, 2006, for  
36 sales of gas, electricity and heat delivered through mains, lines or pipes to  
37 residential premises for noncommercial use by the occupant of such  
38 premises, and for agricultural use and also, for such use, all sales of  
39 propane gas, the state rate shall be 0%; and for all sales of propane gas, LP  
40 gas, coal, wood and other fuel sources for the production of heat or  
41 lighting for noncommercial use of an occupant of residential premises, the  
42 state rate shall be 0%, but such tax shall not be levied and collected upon  
43 the gross receipts from: (1) The sale of a rural water district benefit unit;

1 (2) a water system impact fee, system enhancement fee or similar fee  
2 collected by a water supplier as a condition for establishing service; or (3)  
3 connection or reconnection fees collected by a water supplier;

4 (d) the gross receipts from the sale of meals or drinks furnished at any  
5 private club, drinking establishment, catered event, restaurant, eating  
6 house, dining car, hotel, drugstore or other place where meals or drinks are  
7 regularly sold to the public;

8 (e) the gross receipts from the sale of admissions to any place  
9 providing amusement, entertainment or recreation services including  
10 admissions to state, county, district and local fairs, but such tax shall not  
11 be levied and collected upon the gross receipts received from sales of  
12 admissions to any cultural and historical event which occurs triennially;

13 (f) the gross receipts from the operation of any coin-operated device  
14 dispensing or providing tangible personal property, amusement or other  
15 services except laundry services, whether automatic or manually operated;

16 (g) the gross receipts from the service of renting of rooms by hotels,  
17 as defined by K.S.A. 36-501, and amendments thereto, or by  
18 accommodation brokers, as defined by K.S.A. 12-1692, and amendments  
19 thereto, but such tax shall not be levied and collected upon the gross  
20 receipts received from sales of such service to the federal government and  
21 any agency, officer or employee thereof in association with the  
22 performance of official government duties;

23 (h) the gross receipts from the service of renting or leasing of tangible  
24 personal property except such tax shall not apply to the renting or leasing  
25 of machinery, equipment or other personal property owned by a city and  
26 purchased from the proceeds of industrial revenue bonds issued prior to  
27 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through  
28 12-1749, and amendments thereto, and any city or lessee renting or leasing  
29 such machinery, equipment or other personal property purchased with the  
30 proceeds of such bonds who shall have paid a tax under the provisions of  
31 this section upon sales made prior to July 1, 1973, shall be entitled to a  
32 refund from the sales tax refund fund of all taxes paid thereon;

33 (i) the gross receipts from the rendering of dry cleaning, pressing,  
34 dyeing and laundry services except laundry services rendered through a  
35 coin-operated device whether automatic or manually operated;

36 (j) the gross receipts from the rendering of the services of washing  
37 and washing and waxing of vehicles;

38 (k) the gross receipts from cable, community antennae and other  
39 subscriber radio and television services;

40 (l) (1) except as otherwise provided by paragraph (2), the gross  
41 receipts received from the sales of tangible personal property to all  
42 contractors, subcontractors or repairmen for use by them in erecting  
43 structures, or building on, or otherwise improving, altering, or repairing

1 real or personal property.

2 (2) Any such contractor, subcontractor or repairman who maintains  
3 an inventory of such property both for sale at retail and for use by them for  
4 the purposes described by paragraph (1) shall be deemed a retailer with  
5 respect to purchases for and sales from such inventory, except that the  
6 gross receipts received from any such sale, other than a sale at retail, shall  
7 be equal to the total purchase price paid for such property and the tax  
8 imposed thereon shall be paid by the deemed retailer;

9 (m) the gross receipts received from fees and charges by public and  
10 private clubs, drinking establishments, organizations and businesses for  
11 participation in sports, games and other recreational activities, but such tax  
12 shall not be levied and collected upon the gross receipts received from: (1)  
13 Fees and charges by any political subdivision, by any organization exempt  
14 from property taxation pursuant to paragraph *Ninth* of K.S.A. 79-201, and  
15 amendments thereto, or by any youth recreation organization exclusively  
16 providing services to persons 18 years of age or younger which is exempt  
17 from federal income taxation pursuant to section 501(c)(3) of the federal  
18 internal revenue code of 1986, for participation in sports, games and other  
19 recreational activities; and (2) entry fees and charges for participation in a  
20 special event or tournament sanctioned by a national sporting association  
21 to which spectators are charged an admission which is taxable pursuant to  
22 subsection (e);

23 (n) the gross receipts received from dues charged by public and  
24 private clubs, drinking establishments, organizations and businesses,  
25 payment of which entitles a member to the use of facilities for recreation  
26 or entertainment, but such tax shall not be levied and collected upon the  
27 gross receipts received from: (1) Dues charged by any organization exempt  
28 from property taxation pursuant to paragraphs *Eighth* and *Ninth* of K.S.A.  
29 79-201, and amendments thereto; and (2) sales of memberships in a  
30 nonprofit organization which is exempt from federal income taxation  
31 pursuant to section 501 (c)(3) of the federal internal revenue code of 1986,  
32 and whose purpose is to support the operation of a nonprofit zoo;

33 (o) the gross receipts received from the isolated or occasional sale of  
34 motor vehicles or trailers but not including: (1) The transfer of motor  
35 vehicles or trailers by a person to a corporation or limited liability  
36 company solely in exchange for stock securities or membership interest in  
37 such corporation or limited liability company; or (2) the transfer of motor  
38 vehicles or trailers by one corporation or limited liability company to  
39 another when all of the assets of such corporation or limited liability  
40 company are transferred to such other corporation or limited liability  
41 company; or (3) the sale of motor vehicles or trailers which are subject to  
42 taxation pursuant to the provisions of K.S.A. 79-5101 *et seq.*, and  
43 amendments thereto, by an immediate family member to another

1 immediate family member. For the purposes of clause (3), immediate  
2 family member means lineal ascendants or descendants, and their spouses.  
3 Any amount of sales tax paid pursuant to the Kansas retailers sales tax act  
4 on the isolated or occasional sale of motor vehicles or trailers on and after  
5 July 1, 2004, which the base for computing the tax was the value pursuant  
6 to subsections (a), (b)(1) and (b)(2) of K.S.A. 79-5105, and amendments  
7 thereto, when such amount was higher than the amount of sales tax which  
8 would have been paid under the law as it existed on June 30, 2004, shall be  
9 refunded to the taxpayer pursuant to the procedure prescribed by this  
10 section. Such refund shall be in an amount equal to the difference between  
11 the amount of sales tax paid by the taxpayer and the amount of sales tax  
12 which would have been paid by the taxpayer under the law as it existed on  
13 June 30, 2004. Each claim for a sales tax refund shall be verified and  
14 submitted not later than six months from the effective date of this act to the  
15 director of taxation upon forms furnished by the director and shall be  
16 accompanied by any additional documentation required by the director.  
17 The director shall review each claim and shall refund that amount of tax  
18 paid as provided by this act. All such refunds shall be paid from the sales  
19 tax refund fund, upon warrants of the director of accounts and reports  
20 pursuant to vouchers approved by the director of taxation or the director's  
21 designee. No refund for an amount less than \$10 shall be paid pursuant to  
22 this act. In determining the base for computing the tax on such isolated or  
23 occasional sale, the fair market value of any motor vehicle or trailer traded  
24 in by the purchaser to the seller may be deducted from the selling price;

25 (p) the gross receipts received for the service of installing or applying  
26 tangible personal property which when installed or applied is not being  
27 held for sale in the regular course of business, and whether or not such  
28 tangible personal property when installed or applied remains tangible  
29 personal property or becomes a part of real estate, except that no tax shall  
30 be imposed upon the service of installing or applying tangible personal  
31 property in connection with the original construction of a building or  
32 facility, the original construction, reconstruction, restoration, remodeling,  
33 renovation, repair or replacement of a residence or the construction,  
34 reconstruction, restoration, replacement or repair of a bridge or highway.

35 For the purposes of this subsection:

36 (1) "Original construction" shall mean the first or initial construction  
37 of a new building or facility. The term "original construction" shall include  
38 the addition of an entire room or floor to any existing building or facility,  
39 the completion of any unfinished portion of any existing building or  
40 facility and the restoration, reconstruction or replacement of a building,  
41 facility or utility structure damaged or destroyed by fire, flood, tornado,  
42 lightning, explosion, windstorm, ice loading and attendant winds,  
43 terrorism or earthquake, but such term, except with regard to a residence,

1 shall not include replacement, remodeling, restoration, renovation or  
2 reconstruction under any other circumstances;

3 (2) "building" shall mean only those enclosures within which  
4 individuals customarily are employed, or which are customarily used to  
5 house machinery, equipment or other property, and including the land  
6 improvements immediately surrounding such building;

7 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water  
8 well, feedlot or any conveyance, transmission or distribution line of any  
9 cooperative, nonprofit, membership corporation organized under or subject  
10 to the provisions of K.S.A. 17-4601 *et seq.*, and amendments thereto, or  
11 municipal or quasi-municipal corporation, including the land  
12 improvements immediately surrounding such facility;

13 (4) "residence" shall mean only those enclosures within which  
14 individuals customarily live;

15 (5) "utility structure" shall mean transmission and distribution lines  
16 owned by an independent transmission company or cooperative, the  
17 Kansas electric transmission authority or natural gas or electric public  
18 utility; and

19 (6) "windstorm" shall mean straight line winds of at least 80 miles per  
20 hour as determined by a recognized meteorological reporting agency or  
21 organization;

22 (q) the gross receipts received for the service of repairing, servicing,  
23 altering or maintaining tangible personal property which when such  
24 services are rendered is not being held for sale in the regular course of  
25 business, and whether or not any tangible personal property is transferred  
26 in connection therewith. The tax imposed by this subsection shall be  
27 applicable to the services of repairing, servicing, altering or maintaining an  
28 item of tangible personal property which has been and is fastened to,  
29 connected with or built into real property;

30 (r) the gross receipts from fees or charges made under service or  
31 maintenance agreement contracts for services, charges for the providing of  
32 which are taxable under the provisions of subsection (p) or (q);

33 (s) on and after January 1, 2005, the gross receipts received from the  
34 sale of prewritten computer software and the sale of the services of  
35 modifying, altering, updating or maintaining prewritten computer  
36 software, whether the prewritten computer software is installed or  
37 delivered electronically by tangible storage media physically transferred to  
38 the purchaser or by load and leave;

39 (t) the gross receipts received for telephone answering services;

40 (u) the gross receipts received from the sale of prepaid calling service  
41 and prepaid wireless calling service as defined in K.S.A. 2011 Supp. 79-  
42 3673, and amendments thereto; and

43 (v) the gross receipts received from the sales of bingo cards, bingo

1 faces and instant bingo tickets by licensees under K.S.A. 79-4701, *et seq.*,  
2 and amendments thereto, shall be taxed at a rate of: (1) 4.9% on July 1,  
3 2000, and before July 1, 2001; and (2) 2.5% on July 1, 2001, and before  
4 July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo  
5 faces and instant bingo tickets by licensees under K.S.A. 79-4701 *et seq.*,  
6 and amendments thereto, shall be exempt from taxes imposed pursuant to  
7 this section.

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

16 (b) A refund fund, designated as "sales tax refund fund" not to exceed  
17 \$100,000 shall be set apart and maintained by the director from sales tax  
18 collections and estimated tax collections and held by the state treasurer for  
19 prompt payment of all sales tax refunds including refunds authorized  
20 under the provisions of K.S.A. 79-3635, and amendments thereto. Such  
21 fund shall be in such amount, within the limit set by this section, as the  
22 director shall determine is necessary to meet current refunding  
23 requirements under this act. In the event such fund as established by this  
24 section is, at any time, insufficient to provide for the payment of refunds  
25 due claimants thereof, the director shall certify the amount of additional  
26 funds required to the director of accounts and reports who shall promptly  
27 transfer the required amount from the state general fund to the sales tax  
28 refund fund, and notify the state treasurer, who shall make proper entry in  
29 the records.

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

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

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

1 the state highway fund.

2 (4) On July 1, 2007, the state treasurer shall credit  $13/106$  of the revenue  
3 collected and received from the tax imposed by K.S.A. 79-3603, and  
4 amendments thereto, at the rate of 5.3%, and deposited as provided by  
5 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
6 the state highway fund.

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

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

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

23 (8) On July 1, 2013, and thereafter, the state treasurer shall credit  
24 ~~18.421%~~ 17.05% of the revenue collected and received from the tax  
25 imposed by K.S.A. 79-3603, and amendments thereto, at the rate of ~~5.7%~~  
26 6.3%, and deposited as provided by subsection (a), exclusive of amounts  
27 credited 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. 79-3603, and amendments thereto, as  
30 certified by the director, from taxpayers doing business within that portion  
31 of a STAR bond project district occupied by a STAR bond project or  
32 taxpayers doing business with such entity financed by a STAR bond  
33 project as defined in K.S.A. 2011 Supp. 12-17,162, and amendments  
34 thereto, that was determined by the secretary of commerce to be of  
35 statewide as well as local importance or will create a major tourism area  
36 for the state or the project was designated as a STAR bond project as  
37 defined in K.S.A. 2011 Supp. 12-17,162, and amendments thereto, to the  
38 city bond finance fund, which fund is hereby created. The provisions of  
39 this subsection shall expire when the total of all amounts credited  
40 hereunder and under subsection (d) of K.S.A. 79-3710, and amendments  
41 thereto, is sufficient to retire the special obligation bonds issued for the  
42 purpose of financing all or a portion of the costs of such STAR bond  
43 project.

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. 79-3710, 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, 191<sup>st</sup> 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, 183<sup>rd</sup> 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. 36. K.S.A. 2011 Supp. 79-3703 is hereby amended to read as  
34 follows: 79-3703. There is hereby levied and there shall be collected from  
35 every person in this state a tax or excise for the privilege of using, storing,  
36 or consuming within this state any article of tangible personal property.  
37 Such tax shall be levied and collected in an amount equal to the  
38 consideration paid by the taxpayer multiplied by the rate of 5.3%, and  
39 ~~commencing July 1, 2010, at the rate of 6.3%; and commencing July 1,~~  
40 ~~2013, at the rate of 5.7%.~~ Within a redevelopment district established  
41 pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby  
42 levied and there shall be collected and paid an additional tax of 2% until  
43 the earlier of: (1) The date the bonds issued to finance or refinance the

1 redevelopment project undertaken in the district have been paid in full; or  
2 (2) the final scheduled maturity of the first series of bonds issued to  
3 finance the redevelopment project. All property purchased or leased within  
4 or without this state and subsequently used, stored or consumed in this  
5 state shall be subject to the compensating tax if the same property or  
6 transaction would have been subject to the Kansas retailers' sales tax had  
7 the transaction been wholly within this state.

8 Sec. 37. K.S.A. 2011 Supp. 79-3710 is hereby amended to read as  
9 follows: 79-3710. (a) All revenue collected or received by the director  
10 under the provisions of this act shall be remitted to the state treasurer in  
11 accordance with the provisions of K.S.A. 75-4215, and amendments  
12 thereto. Upon receipt of each such remittance, the state treasurer shall  
13 deposit the entire amount in the state treasury, less amounts set apart as  
14 provided in subsection (b) and amounts credited as provided in subsection  
15 (c), (d) and (e), to the credit of the state general fund.

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

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

28 (2) The state treasurer shall credit  $\frac{5}{106}$  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 5.3%, and deposited as provided in subsection (a),  
31 exclusive of amounts credited pursuant to subsection (d), in the state  
32 highway fund.

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

38 (4) On July 1, 2007, the state treasurer shall credit  $\frac{13}{106}$  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 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the

1 revenue collected and received from the tax imposed by K.S.A. 79-3703,  
2 and amendments thereto, at the rate of 6.3%, and deposited as provided by  
3 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
4 the state highway fund.

5 (6) On July 1, 2011, the state treasurer shall credit 11.26% 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 (7) On July 1, 2012, the state treasurer shall credit 11.233% 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, ~~as well as such revenue collected and received at~~  
15 ~~the rate of 6.3%, after June 30, 2013.~~

16 (8) On July 1, 2013, and thereafter, the state treasurer shall credit  
17 ~~18.421%~~ 17.05%  
18 of the revenue collected and received from the tax imposed by K.S.A. 79-  
19 3703, and amendments thereto, at the rate of ~~5.7%~~ 6.3%, and deposited as  
20 provided by subsection (a), exclusive of amounts credited pursuant to  
21 subsection (d), in the state highway fund.

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

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

38 (e) All revenue certified by the director of taxation as having been  
39 collected or received from the tax imposed by subsection (c) of K.S.A. 79-  
40 3603, and amendments thereto, on the sale or furnishing of gas, water,  
41 electricity and heat for use or consumption within the intermodal facility  
42 district described in this subsection, shall be credited by the state treasurer  
43 to the state highway fund. Such revenue may be transferred by the

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

27 Sec. 38. K.S.A. 2011 Supp. 79-4217 is hereby amended to read as  
28 follows: 79-4217. (a) There is hereby imposed an excise tax upon the  
29 severance and production of coal, oil or gas from the earth or water in this  
30 state for sale, transport, storage, profit or commercial use, subject to the  
31 following provisions of this section. Such tax shall be borne ratably by all  
32 persons within the term "producer" as such term is defined in K.S.A. 79-  
33 4216, and amendments thereto, in proportion to their respective beneficial  
34 interest in the coal, oil or gas severed. Such tax shall be applied equally to  
35 all portions of the gross value of each barrel of oil severed and subject to  
36 such tax and to the gross value of the gas severed and subject to such tax.  
37 The rate of such tax shall be 8% of the gross value of all oil or gas severed  
38 from the earth or water in this state and subject to the tax imposed under  
39 this act. The rate of such tax with respect to coal shall be \$1 per ton. For  
40 the purposes of the tax imposed hereunder the amount of oil or gas  
41 produced shall be measured or determined: (1) In the case of oil, by tank  
42 tables compiled to show 100% of the full capacity of tanks without  
43 deduction for overage or losses in handling; allowance for any reasonable

1 and bona fide deduction for basic sediment and water, and for correction of  
2 temperature to 60 degrees Fahrenheit will be allowed; and if the amount of  
3 oil severed has been measured or determined by tank tables compiled to  
4 show less than 100% of the full capacity of tanks, such amount shall be  
5 raised to a basis of 100% for the purpose of the tax imposed by this act;  
6 and (2) in the case of gas, by meter readings showing 100% of the full  
7 volume expressed in cubic feet at a standard base and flowing temperature  
8 of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is  
9 sold and purchased; correction to be made for pressure according to  
10 Boyle's law, and used for specific gravity according to the gravity at which  
11 the gas is sold and purchased, or if not so specified, according to the test  
12 made by the balance method.

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

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

33 (2) the severance and production of oil which is: (A) From a lease or  
34 production unit whose average daily production is five barrels or less per  
35 producing well, which well or wells have not been significantly curtailed  
36 by reason of mechanical failure or other disruption of production; (B) from  
37 a lease or production unit, the producing well or wells upon which have a  
38 completion depth of 2,000 feet or more, and whose average daily  
39 production is six barrels or less per producing well or, if the price of oil as  
40 determined pursuant to subsection (d) is \$16 or less, whose average daily  
41 production is seven barrels or less per producing well, or, if the price of oil  
42 as determined pursuant to subsection (d) is \$15 or less, whose average  
43 daily production is eight barrels or less per producing well, or, if the price

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

29 (3) (A) any taxpayer applying for an exemption pursuant to  
30 subsection (b)(2)(A) and (B) shall make application biennially to the  
31 director of taxation therefor. Exemptions granted pursuant to subsection  
32 (b)(2)(A) and (B) shall be valid for a period of two years following the  
33 date of certification thereof by the director of taxation; (B) any taxpayer  
34 applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall  
35 make application biennially to the director of taxation therefor. Such  
36 application shall be accompanied by proof of the approval of an  
37 application for the utilization of a water flood process therefor by the  
38 corporation commission pursuant to rules and regulations adopted under  
39 the authority of K.S.A. 55-152, and amendments thereto, and proof that  
40 the oil produced therefrom is kept in a separate tank battery and that  
41 separate books and records are maintained therefor. Such exemption shall  
42 be valid for a period of two years following the date of certification thereof  
43 by the director of taxation; (C) any exemption granted pursuant to

1 subsections (b)(2)(A), (B), (D) or (E) with an odd lease number and an  
2 exemption termination date between June 1, 2004, and May 31, 2005,  
3 inclusive, shall be valid for a period of one year following the date of  
4 certification; and (D) notwithstanding the provisions of paragraph (A) or  
5 (B), any exemption in effect on the effective date of this act affected by the  
6 amendments to subsection (b)(2) by this act shall be redetermined in  
7 accordance with such amendments. Any such exemption, and any new  
8 exemption established by such amendments and applied for after the  
9 effective date of this shall be valid for a period commencing with May 1,  
10 1998, and ending on April 30, 1999.

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

25 (5) *the severance and production of oil of not more than 50 barrels*  
26 *per day from any pool from which oil was first produced on or after July 1,*  
27 *2012, as determined by the state corporation commission and certified to*  
28 *the director of taxation, and continuing for a period of 24 months from the*  
29 *month in which oil was first produced from such pool as evidenced by an*  
30 *affidavit of completion of a well, filed with the state corporation*  
31 *commission and certified to the director of taxation. Exemptions granted*  
32 *for production from any well pursuant to this subsection shall be valid for*  
33 *a period of 24 months following the month in which oil was first produced*  
34 *from such pool. The term "pool" means an underground accumulation of*  
35 *oil in a single and separate natural reservoir characterized by a single*  
36 *pressure system so that production from one part of the pool affects the*  
37 *reservoir pressure throughout its extent;*

38 (6) the severance and production of oil or gas from a three-year  
39 inactive well, as determined by the state corporation commission and  
40 certified to the director of taxation, for a period of 10 years after the date  
41 of receipt of such certification. As used in this paragraph, "three-year  
42 inactive well" means any well that has not produced oil or gas in more  
43 than one month in the three years prior to the date of application to the

1 state corporation commission for certification as a three-year inactive well.  
2 An application for certification as a three-year inactive well shall be in  
3 such form and contain such information as required by the state  
4 corporation commission, and shall be made prior to July 1, 1996. The  
5 commission may revoke a certification if information indicates that a  
6 certified well was not a three-year inactive well or if other lease  
7 production is credited to the certified well. Upon notice to the operator that  
8 the certification for a well has been revoked, the exemption shall not be  
9 applied to the production from that well from the date of revocation;

10 ~~(6)~~ (7) (A) The incremental severance and production of oil or gas  
11 which results from a production enhancement project begun on or after  
12 July 1, 1998, shall be exempt for a period of seven years from the startup  
13 date of such project. As used in this paragraph ~~(6)~~:

14 (1) "Incremental severance and production" means the amount of oil  
15 or natural gas which is produced as the result of a production enhancement  
16 project which is in excess of the base production of oil or natural gas, and  
17 is determined by subtracting the base production from the total monthly  
18 production after the production enhancement project is completed.

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

38 (3) "Workover" means any downhole operation in an existing oil or  
39 gas well that is designed to sustain, restore or increase the production rate  
40 or ultimate recovery of oil or gas, including but not limited to acidizing,  
41 reperforation, fracture treatment, sand/paraffin/scale removal or other  
42 wellbore cleanouts, casing repair, squeeze cementing, initial installation, or  
43 enhancement of artificial lifts including plunger lifts, rods, pumps,

1 submersible pumps and coiled tubing velocity strings, downsizing existing  
2 tubing to reduce well loading, downhole commingling, bacteria treatments,  
3 polymer treatments, upgrading the size of pumping unit equipment, setting  
4 bridge plugs to isolate water production zones, or any combination of the  
5 aforementioned operations; "workover" shall not mean the routine  
6 maintenance, routine repair, or like for-like replacement of downhole  
7 equipment such as rods, pumps, tubing packers or other mechanical  
8 device.

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

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

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

34 (C) Any taxpayer applying for an exemption pursuant to this  
35 paragraph-~~(6)~~ shall make application to the director of taxation. Such  
36 application shall be accompanied by a state corporation commission  
37 certification that the production for which an exemption is sought results  
38 from a qualified production enhancement project and certification of the  
39 base production for the enhanced wells or group of wells, and the rate of  
40 decline to be applied to that base production. The secretary of revenue  
41 shall provide credit for any taxes paid between the project startup date and  
42 the certification of qualifications by the commission.

43 (D) The exemptions provided for in this paragraph-~~(6)~~ shall not apply

1 for 12 months beginning July 1 of the year subsequent to any calendar year  
2 during which: (1) In the case of oil, the secretary of revenue determines  
3 that the weighted average price of Kansas oil at the wellhead has exceeded  
4 \$20.00 per barrel; or (2) in the case of natural gas the secretary of revenue  
5 determines that the weighted average price of Kansas gas at the wellhead  
6 has exceeded \$2.50 per Mcf.

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

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

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

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

26 Sec. 39. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4501 is  
27 hereby amended to read as follows: 79-4501. The title of this act shall be  
28 the homestead property tax refund act. The purpose of this act shall be to  
29 provide ad valorem tax refunds to: (a) Certain persons who are of  
30 qualifying age who own ~~or rent~~ their homestead; (b) certain persons who  
31 have a disability, who own ~~or rent~~ their homestead; and (c) certain persons  
32 other than persons included under the provisions of (a) or (b) who have  
33 low incomes and dependent children and own ~~or rent~~ their homestead.

34 Sec. 40. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4502 is  
35 hereby amended to read as follows: 79-4502. As used in this act, unless the  
36 context clearly indicates otherwise:

37 (a) "Income" means the sum of adjusted gross income under the  
38 Kansas income tax act, maintenance, support money, cash public  
39 assistance and relief, not including any refund granted under this act, the  
40 gross amount of any pension or annuity, including all monetary retirement  
41 benefits from whatever source derived, including but not limited to, all  
42 payments received under the railroad retirement act, except disability  
43 payments, payments received under the federal social security act, except

1 that for determination of what constitutes income such amount shall not  
2 exceed 50% of any such social security payments and shall not include any  
3 social security payments to a claimant who prior to attaining full  
4 retirement age had been receiving disability payments under the federal  
5 social security act in an amount not to exceed the amount of such disability  
6 payments or 50% of any such social security payments, whichever is  
7 greater, all dividends and interest from whatever source derived not  
8 included in adjusted gross income, workers compensation and the gross  
9 amount of "loss of time" insurance. Income does not include gifts from  
10 nongovernmental sources or surplus food or other relief in kind supplied  
11 by a governmental agency, nor shall net operating losses and net capital  
12 losses be considered in the determination of income. Income does not  
13 include veterans disability pensions. Income does not include disability  
14 payments received under the federal social security act.

15 (b) "Household" means a claimant, a claimant and spouse who  
16 occupy the homestead or a claimant and one or more individuals not  
17 related as husband and wife who together occupy a homestead.

18 (c) "Household income" means all income received by all persons of  
19 a household in a calendar year while members of such household.

20 (d) "Homestead" means the dwelling, or any part thereof, ~~whether~~  
21 ~~owned or rented, which is~~ and occupied as a residence by the household  
22 and so much of the land surrounding it, as defined as a home site for ad  
23 valorem tax purposes, and may consist of a part of a multi-dwelling or  
24 multi-purpose building and a part of the land upon which it is built or a  
25 manufactured home or mobile home and the land upon which it is situated.  
26 "Owned" includes a vendee in possession under a land contract, a life  
27 tenant, a beneficiary under a trust and one or more joint tenants or tenants  
28 in common.

29 (e) "Claimant" means a person who has filed a claim under the  
30 provisions of this act and was, during the entire calendar year preceding  
31 the year in which such claim was filed for refund under this act, except as  
32 provided in K.S.A. 79-4503, and amendments thereto, both domiciled in  
33 this state and was: (1) A person having a disability; (2) a person who is 55  
34 years of age or older; (3) a disabled veteran; (4) the surviving spouse of  
35 active duty military personnel who died in the line of duty; or (5) a person  
36 other than a person included under (1), (2), (3) or (4) having one or more  
37 dependent children under 18 years of age residing at the person's  
38 homestead during the calendar year immediately preceding the year in  
39 which a claim is filed under this act. The surviving spouse of a disabled  
40 veteran who was receiving benefits pursuant to subsection (e)(3) of this  
41 section at the time of the veterans' death, shall be eligible to continue to  
42 receive benefits until such time the surviving spouse remarries.

43 When a homestead is occupied by two or more individuals and more

1 than one of the individuals is able to qualify as a claimant, the individuals  
2 may determine between them as to whom the claimant will be. If they are  
3 unable to agree, the matter shall be referred to the secretary of revenue  
4 whose decision shall be final.

5 (f) "Property taxes accrued" means property taxes, exclusive of  
6 special assessments, delinquent interest and charges for service, levied on  
7 a claimant's homestead in 1979 or any calendar year thereafter by the state  
8 of Kansas and the political and taxing subdivisions of the state. When a  
9 homestead is owned by two or more persons or entities as joint tenants or  
10 tenants in common and one or more of the persons or entities is not a  
11 member of claimant's household, "property taxes accrued" is that part of  
12 property taxes levied on the homestead that reflects the ownership  
13 percentage of the claimant's household. For purposes of this act, property  
14 taxes are "levied" when the tax roll is delivered to the local treasurer with  
15 the treasurer's warrant for collection. When a claimant and household own  
16 their homestead part of a calendar year, "property taxes accrued" means  
17 only taxes levied on the homestead when both owned and occupied as a  
18 homestead by the claimant's household at the time of the levy, multiplied  
19 by the percentage of 12 months that the property was owned and occupied  
20 by the household as its homestead in the year. When a household owns and  
21 occupies two or more different homesteads in the same calendar year,  
22 property taxes accrued shall be the sum of the taxes allocable to those  
23 several properties while occupied by the household as its homestead  
24 during the year. Whenever a homestead is an integral part of a larger unit  
25 such as a multi-purpose or multi-dwelling building, property taxes accrued  
26 shall be that percentage of the total property taxes accrued as the value of  
27 the homestead is of the total value. For the purpose of this act, the word  
28 "unit" refers to that parcel of property covered by a single tax statement of  
29 which the homestead is a part.

30 (g) "Disability" means:

31 (1) Inability to engage in any substantial gainful activity by reason of  
32 any medically determinable physical or mental impairment which can be  
33 expected to result in death or has lasted or can be expected to last for a  
34 continuous period of not less than 12 months, and an individual shall be  
35 determined to be under a disability only if the physical or mental  
36 impairment or impairments are of such severity that the individual is not  
37 only unable to do the individual's previous work but cannot, considering  
38 age, education and work experience, engage in any other kind of  
39 substantial gainful work which exists in the national economy, regardless  
40 of whether such work exists in the immediate area in which the individual  
41 lives or whether a specific job vacancy exists for the individual, or whether  
42 the individual would be hired if application was made for work. For  
43 purposes of the preceding sentence (with respect to any individual), "work

1 which exists in the national economy" means work which exists in  
2 significant numbers either in the region where the individual lives or in  
3 several regions of the country; for purposes of this subsection, a "physical  
4 or mental impairment" is an impairment that results from anatomical,  
5 physiological or psychological abnormalities which are demonstrable by  
6 medically acceptable clinical and laboratory diagnostic techniques; or

7 (2) blindness and inability by reason of blindness to engage in  
8 substantial gainful activity requiring skills or abilities comparable to those  
9 of any gainful activity in which the individual has previously engaged with  
10 some regularity and over a substantial period of time.

11 (h) "Blindness" means central visual acuity of  $20/200$  or less in the  
12 better eye with the use of a correcting lens. An eye which is accompanied  
13 by a limitation in the fields of vision such that the widest diameter of the  
14 visual field subtends an angle no greater than 20 degrees shall be  
15 considered for the purpose of this paragraph as having a central visual  
16 acuity of  $20/200$  or less.

17 (i) ~~"Rent constituting property taxes accrued" means 15% of the gross~~  
18 ~~rent actually paid in cash or its equivalent in 2007 or any taxable year~~  
19 ~~thereafter by a claimant and claimant's household solely for the right of~~  
20 ~~occupancy of a Kansas homestead on which ad valorem property taxes~~  
21 ~~were levied in full for that year. When a household occupies two or more~~  
22 ~~different homesteads in the same calendar year, rent constituting property~~  
23 ~~taxes accrued shall be computed by adding the rent constituting property~~  
24 ~~taxes accrued for each property rented by the household while occupied by~~  
25 ~~the household as its homestead during the year.~~

26 (j) ~~"Gross rent" means the rental paid at arm's length solely for the~~  
27 ~~right of occupancy of a homestead or space rental paid to a landlord for the~~  
28 ~~parking of a mobile home, exclusive of charges for any utilities, services,~~  
29 ~~furniture and furnishings or personal property appliances furnished by the~~  
30 ~~landlord as a part of the rental agreement, whether or not expressly set out~~  
31 ~~in the rental agreement. Whenever the director of taxation finds that the~~  
32 ~~landlord and tenant have not dealt with each other at arms length and that~~  
33 ~~the gross rent charge was excessive, the director may adjust the gross rent~~  
34 ~~to a reasonable amount for the purposes of the claim.~~

35 (k) "Disabled veteran" means a person who is a resident of Kansas  
36 and has been honorably discharged from active service in any branch of  
37 the armed forces of the United States or Kansas national guard and who  
38 has been certified by the United States department of veterans affairs or its  
39 successor to have a 50% permanent disability sustained through military  
40 action or accident or resulting from disease contracted while in such active  
41 service.

42 Sec. 41. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4508 is  
43 hereby amended to read as follows: 79-4508. (a) Commencing in the tax

1 year beginning after December 31, 2005, the amount of any claim pursuant  
 2 to this act shall be computed by deducting the amount computed under  
 3 column (2) from the amount of claimant's property tax accrued ~~and/or rent~~  
 4 ~~constituting property tax accrued.~~

(1)		(2)
Claimants household income		Deduction from property tax accrued <del>and/or rent</del> <del>constituting</del> <del>property tax accrued</del>
At least	But not more than	
\$0	\$6,000	\$0
6,001	7,000	4%
7,001	16,000	4% plus 4% of every \$1,000, or fraction thereof, of income in excess of \$7,001
16,001	27,000	40% plus 5% of every \$1,000, or fraction thereof, of income in excess of \$16,001
27,001	27,600	95%

19 (b) The director of taxation shall prepare a table under which claims  
 20 under this act shall be determined. The amount of claim for each bracket  
 21 shall be computed only to the nearest \$1.

22 (c) The claimant may elect not to record the amount claimed on the  
 23 claim. The claim allowable to persons making this election shall be  
 24 computed by the department which shall notify the claimant by mail of the  
 25 amount of the allowable claim.

26 (d) In the case of all tax years commencing after December 31, 2004,  
 27 the upper limit threshold amount prescribed in this section, shall be  
 28 increased by an amount equal to such threshold amount multiplied by the  
 29 cost-of-living adjustment determined under section 1(f)(3) of the federal  
 30 internal revenue code for the calendar year in which the taxable year  
 31 commences.

32 Sec. 42. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4509 is  
 33 hereby amended to read as follows: 79-4509. In the event property taxes  
 34 accrued, ~~rent constituting property taxes accrued or their sum~~ exceeds  
 35 \$700 for a household in any one year, the amount thereof shall, for  
 36 purposes of this act, be deemed to have been \$700.

37 Sec. 43. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4511 is  
 38 hereby amended to read as follows: 79-4511. (a) Every claimant under this  
 39 act shall supply to the division, in support of a claim, reasonable proof of  
 40 age or disability, and changes of homestead, household membership,  
 41 household income, and size and nature of property claimed as the  
 42 homestead. A claim alleging disability shall be supported by a report of the  
 43 examining physician of the claimant with a statement or certificate that the

1 applicant has a disability within the meaning of subsection (g) of K.S.A.  
2 79-4502, and amendments thereto.

3 (b) Every claimant who is a homestead owner, or whose claim is  
4 based wholly or partly upon homestead ownership at some time during the  
5 calendar year, shall supply to the division, in support of a claim, the  
6 amount of property taxes levied upon the property claimed as a homestead  
7 and a statement that the property taxes accrued used for purposes of this  
8 act have been or will be paid by the claimant. Upon request by the  
9 division, such claimant shall provide a copy of the statement of property  
10 taxes levied upon the property claimed as a homestead. The amount of  
11 personal property taxes levied on a manufactured home or mobile home  
12 shall be set out on the personal property tax statement showing the amount  
13 of such tax as a separate item.

14 ~~(c) Every claimant who is a homestead renter, or whose claim is~~  
15 ~~based wholly or partly upon homestead rental at some time during the~~  
16 ~~calendar year, shall supply to the division, in support of a claim, a~~  
17 ~~statement prescribed by the director certifying the amount of gross rent~~  
18 ~~paid and that ad valorem property taxes were levied in full for that year on~~  
19 ~~the property, all or a part of which was rented by the claimant. When such~~  
20 ~~claimant reports household income that is 150% or less of the homestead~~  
21 ~~rental amount and such claimant has failed to provide any documentation~~  
22 ~~or information requested by the division to verify such household income~~  
23 ~~in support of a claim as required pursuant to subsection (a), within 30 days~~  
24 ~~of such request, such homestead property tax refund claim shall be denied.~~

25 ~~(d)~~ The information required to be furnished under subsections ~~(b) or~~  
26 ~~(e)~~ subsection (b) shall be in addition to that required under subsection (a).

27 Sec. 44. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4522 is  
28 hereby amended to read as follows: 79-4522. A person owning or  
29 occupying a homestead ~~that is not rental property~~ and for which the  
30 appraised valuation for property tax purposes exceeds \$350,000 in any  
31 year shall not be entitled to claim a refund of property taxes under the  
32 homestead property tax refund act for any such year. The provisions of this  
33 section shall be part of and supplemental to the homestead property tax  
34 refund act.

35 New Sec. 45. (a) (1) Except as provided in subsection (a)(2),  
36 commencing with fiscal year 2015, in any fiscal year in which the amount  
37 of actual state general fund receipts from such fiscal year exceeds the  
38 actual state general fund receipts for the immediately preceding fiscal year  
39 by more than 2% and the actual ending state general fund balance exceeds  
40 the amount of 7.5% of the total amount authorized to be expended or  
41 transferred by demand transfer from the state general fund in such fiscal  
42 year, as determined under subsection (b) of K.S.A. 75-6702, and  
43 amendments thereto, the director of budget and the director of legislative

1 research shall jointly certify such excess amount to the secretary of  
2 revenue. Upon receipt of such certified amount, the secretary shall  
3 estimate the individual income tax and corporate income tax rate  
4 reductions to go into effect for the next tax year that would decrease by  
5 such certified amount the estimated individual income tax and corporate  
6 income tax receipts during the fiscal year after the next fiscal year. Such  
7 rate reductions shall be estimated so that the revenue reductions for  
8 individual income tax receipts and corporate income tax receipts will be in  
9 the same proportion as individual income tax receipts and corporate  
10 income tax receipts are to the total of individual and corporate income tax  
11 receipts. Rate reductions for individual and corporate income tax shall be  
12 applied to reduce the highest marginal rate applicable. Based on such  
13 determination, the secretary shall reduce individual and corporate income  
14 tax rates prescribed by K.S.A. 79-32,110, and amendments thereto.

15 (2) In any fiscal year in which the amount of actual state general fund  
16 receipts for such fiscal year are less than 102% of the actual state general  
17 fund receipts from any prior fiscal year or the actual ending state general  
18 fund balance is equal to or less than the amount equal to 7.5% of the total  
19 amount authorized to be expended or transferred by demand transfer from  
20 the state general fund in such fiscal year, as determined under subsection  
21 (b) of K.S.A. 75-6702, and amendments thereto, the director of budget and  
22 the director of legislative research shall jointly certify such amount and  
23 fact to the secretary of revenue. Upon receipt of such amount and fact, the  
24 secretary shall not make any adjustment to the individual and corporate  
25 income tax rates.

26 (b) Any reduction in individual and corporate income tax rates  
27 prescribed by this section shall be published in the Kansas register prior to  
28 October 15 of the calendar year immediately preceding the tax year in  
29 which such reduction takes effect.

30 (c) The provisions of this section shall be effective on and after  
31 January 1, 2013.

32 New Sec. 46. Any nonrefundable credits applicable to the Kansas  
33 income tax imposed on individuals that are no longer available  
34 commencing in tax year 2013 pursuant to this act and earned in any tax  
35 year prior to 2013 which are unused may continue to be claimed, subject  
36 to the limitations applicable to any such credit pursuant to law at the time  
37 such credit was earned.

38 Sec. 47. K.S.A. 2011 Supp. 79-3603, 79-3620, 79-3703, 79-3710 and  
39 79-4217 are hereby repealed.

40 Sec. 48. On and after January 1, 2013, K.S.A. 39-7,132, 65-7107,  
41 74-8206, 74-8304, 79-32,118, 79-32,128, 79-32,176, 79-32,177, 79-  
42 32,182, 79-32,190 and 79-32,200 and K.S.A. 2011 Supp. 40-2246, 74-  
43 50,173, 74-50,208, 74-8131, 74-8132, 74-8133, 74-8134, 74-8135, 74-

1 8136, 74-8137, 74-8316, 74-8401, 79-32,110, 79-32,111, 79-32,111a, 79-  
2 32,117, 79-32,119, 79-32,120, 79-32,138, 79-32,143, 79-32,143a, 79-  
3 32,182b, 79-32,196, 79-32,197, 79-32,197a, 79-32,201, 79-32,202, 79-  
4 32,204, 79-32,205, 79-32,207, 79-32,210, 79-32,211, 79-32,212, 79-  
5 32,213, 79-32,222, 79-32,242, 79-3633, 79-3634, 79-3635, 79-3636, 79-  
6 3637, 79-3638, 79-3639, 79-4501, 79-4502, 79-4508, 79-4509, 79-4511  
7 and 79-4522 are hereby repealed.

8 Sec. 49. This act shall take effect and be in force from and after its  
9 publication in the statute book.