

Senate Substitute for HOUSE BILL No. 2117

By Committee on Assessment and Taxation

3-16

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, 79-32,201, 79-32,204, 79-
9 32,207, 79-32,210, 79-32,212, 79-32,222, 79-32,266, 79-3603, 79-
10 3620, 79-3703, 79-3710, 79-4217, 79-4501, 79-4502, 79-4508, 79-
11 4509, 79-4511 and 79-4522 and repealing the existing sections; also
12 repealing K.S.A. 79-32,176 and 79-32,182 and K.S.A. 2011 Supp. 79-
13 32,111a, 79-32,120, 79-32,202, 79-32,213, 79-32,242, 79-3633, 79-
14 3634, 79-3635, 79-3636, 79-3637, 79-3638 and 79-3639.

15

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

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

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

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

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

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

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

42 (d) Any amount of expenses paid by an employer under this act shall
43 not be included as income to the employee for purposes of the Kansas

1 income tax act. If such expenses have been included in federal taxable
2 income of the employee, the amount included shall be subtracted in
3 arriving at state taxable income under the Kansas income tax act.

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

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

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

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

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

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

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

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

41 Sec. 4. On and after January 1, 2013, K.S.A. 2011 Supp. 74-50,173 is
42 hereby amended to read as follows: 74-50,173. (a) For taxable years
43 commencing on and after December 31, 2003, December 31, 2004,

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

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

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

32 (d) On or before the 15th day of the regular legislative session in
33 2006, the secretary of commerce shall submit to the senate standing
34 committee on commerce and the house standing committee on tourism and
35 parks a report on the implementation and use of the tax credit provided by
36 this section.

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

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

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

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

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

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

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

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

43 (b) No taxpayer claiming a credit under this section for cash

1 investment in stock issued by Kansas Venture Capital, Inc. shall be eligible
2 to claim a credit for the same investment under the provisions of K.S.A.
3 74-8301 to 74-8311, inclusive, and amendments thereto.

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

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

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

30 (b) The secretary of revenue shall allow credits that are attributable to
31 not more than \$50,000,000 of cash investments in certified Kansas venture
32 capital companies and certified local seed capital pools allowable pursuant
33 to K.S.A. 74-8401, and amendments thereto, which shall include not more
34 than \$10,000,000 for Kansas Venture Capital, Inc. The credits shall be
35 allocated by the secretary for cash investments in certified Kansas venture
36 capital companies in the order that completed applications for designation
37 as Kansas venture capital companies are received by the secretary. Any
38 certified Kansas venture capital company may apply to the secretary at any
39 time for additional allocation of such credit based upon then committed
40 cash investments, but priority as to such additional allocation shall be
41 determined at the time of such subsequent application. Notwithstanding
42 the provisions of subsection (c), investors in Kansas venture capital
43 companies established after July 1, 1984, which otherwise meet the

1 requirements specified in this act, shall be, upon certification of the Kansas
2 venture capital company, entitled to the tax credit provided in subsection
3 (a) in the calendar year in which the investment was made.

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

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

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

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

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

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

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

32 (B) leaseholds;

33 (C) management or consultant service agreements;

34 (D) loans with warrants attached that are beneficially owned by the
35 fund;

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

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

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

42 (c) Distributions received by the corporation may be reinvested in any
43 fund consistent with the purposes of this act.

1 (d) The secretary may invest only in a fund whose investment
2 guidelines permit the fund's purchase of qualified securities issued by an
3 enterprise as a part of a resource and technology project subject to the
4 following:

5 (1) Receipt of an application from the enterprise which contains:

6 (A) A business plan including a description of the enterprise and its
7 management, product and market;

8 (B) a statement of the amount, timing and projected use of the capital
9 required;

10 (C) a statement of the potential economic impact of the enterprise,
11 including the number, location and types of jobs expected to be created;
12 and

13 (D) such other information as the fund manager or the fund's board of
14 directors shall request.

15 (2) Approval of the investment by the fund may be made after the
16 fund manager or the fund's board of directors finds, based upon the
17 application submitted by the enterprise and such additional investigation as
18 the fund manager or the fund's board of directors shall make and
19 incorporate in its minutes, that:

20 (A) The proceeds of the investment will be used only to cover the
21 venture-capital needs of the enterprise except as authorized by this section;

22 (B) the enterprise has a reasonable possibility of success;

23 (C) the fund's participation is instrumental to the success of the
24 enterprise because funding otherwise available for the enterprise is not
25 available on commercially feasible terms;

26 (D) the enterprise has the reasonable potential to create a substantial
27 amount of employment within the state;

28 (E) the entrepreneur and other founders of the enterprise have already
29 made or are contractually committed to make a substantial financial and
30 time commitment to the enterprise;

31 (F) the securities to be purchased are qualified securities;

32 (G) there is a reasonable possibility that the fund will recoup at least
33 its initial investment; and

34 (H) binding commitments have been made to the fund by the
35 enterprise for adequate reporting of financial data to the fund, which shall
36 include a requirement for an annual report, or if required by the fund
37 manager, an annual audit of the financial and operational records of the
38 enterprise, and for such control on the part of the fund as the fund manager
39 shall consider prudent over the management of the enterprise, so as to
40 protect the investment of the fund, including in the discretion of the fund
41 manager and without limitation, the right of access to financial and other
42 records of the enterprise.

43 (e) All investments made pursuant to this section shall be evaluated

1 by the fund's investment committee and the fund shall be audited annually
2 by an independent auditing firm.

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

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

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

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

36 (b) The total amount of credits allowable pursuant to this section and
37 credits allowable pursuant to K.S.A. 74-8205, 74-8206 and 74-8304, and
38 amendments thereto, shall be attributable to not more than \$50,000,000 of
39 cash investments in Kansas venture capital companies, Kansas Venture
40 Capital, Inc. and local seed capital pools. With respect to the additional
41 amount of cash investments made eligible for tax credits by this act,
42 \$10,000,000 of such amount shall be dedicated and reserved until
43 December 31, 1990, for cash investments in a seed capital fund or funds in

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

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

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

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

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

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

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

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

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

15 (A) For tax year 2012:

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

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

23 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:

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

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

33 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:

39 If the taxable income is:	The tax is:
40 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
25 state other than Kansas or local government located in a state other than
26 Kansas by a taxpayer who resides in a state other than Kansas, when the
27 law of such state does not allow a resident of Kansas who earns income in
28 such 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) ~~(xvi)~~ 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)~~ (xvii) 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)~~ (xviii) 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)~~ (xix) Amounts received by retired employees of Washburn
23 university as retirement and pension benefits under the university's
24 retirement plan.

25 (xx) *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)(xx)*.

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)
26 of 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 IRC§168 Recover Period (year)	40 41 42 43 44 Factors		
	41 42 43 44 IRC§168(b)(1) Depreciation Method	41 42 43 44 IRC§168(b)(2) Depreciation Method	41 42 43 44 IRC§168(b)(3) or (g) Depreciation Method
41 42 43 44 2.5	41 42 43 44 *	41 42 43 44 .077	41 42 43 44 .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 Sec. 19. On and after January 1, 2013, K.S.A. 79-32,177 is hereby
4 amended to read as follows: 79-32,177. (a) Any taxpayer who makes
5 expenditures for the purpose of making all or any portion of an existing
6 facility accessible to individuals with a disability, or who makes
7 expenditures for the purpose of making all or any portion of a facility or of
8 equipment usable for the employment of individuals with a disability,
9 which facility or equipment is on real property located in this state and
10 used in a trade or business or held for the production of income, shall be
11 entitled to claim an income tax credit in an amount equal to 50% of such
12 expenditures or, the amount of \$10,000, whichever is less, against the
13 income tax liability imposed against such taxpayer pursuant to article 32 of
14 chapter 79 of the Kansas Statutes Annotated. Such tax credit shall be
15 deducted from the taxpayer's income tax liability for the taxable year in
16 which the expenditures are made by the taxpayer. If the amount of such tax
17 credit exceeds the taxpayer's income tax liability for such taxable year, the
18 amount thereof which exceeds such tax liability may be carried over for
19 deduction from the taxpayer's income tax liability in the next succeeding
20 taxable year or years until the total amount of the tax credit has been
21 deducted from tax liability, except that no such tax credit shall be carried
22 over for deduction after the fourth taxable year succeeding the taxable year
23 in which the expenditures are made.

24 (b) 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. 20. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,182b
30 is hereby amended to read as follows: 79-32,182b. (a) For all taxable years
31 commencing after December 31, 2000, a credit shall be allowed against
32 the tax imposed by the Kansas income tax act on the Kansas taxable
33 income of a taxpayer for expenditures in research and development
34 activities conducted within this state in an amount equal to 6½% of the
35 amount by which the amount expended for such activities in the taxable
36 year of the taxpayer exceeds the taxpayer's average of the actual
37 expenditures for such purposes made in such taxable year and the next
38 preceding two taxable years.

39 (b) In any one taxable year, the amount of such credit allowable for
40 deduction from the taxpayer's tax liability shall not exceed 25% of the total
41 amount of such credit plus any applicable carry forward amount. The
42 amount by which that portion of the credit allowed by subsections (a) and
43 (b) to be claimed in any one taxable year exceeds the taxpayer's tax

1 liability in such year may be carried forward until the total amount of the
2 credit is used.

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

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

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

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

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

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

40 (B) in the taxable years other than the taxable year to which
41 paragraph (3)(A) applies, 30% of the amount equal to the total amount
42 expended during the taxable year by a taxpayer for the operation of a
43 facility described in paragraph (3)(A) less the amount of moneys received

1 by the taxpayer for use of such facility for child day care services.

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

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

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

18 (e) *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. 79-32,200 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. 23. 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. 24. 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. 25. 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. 26. 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. 27. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,212
16 is hereby amended to read as follows: 79-32,212. (a) For taxable years
17 2002 through 2021, there shall be allowed as a credit against the tax
18 liability of a taxpayer imposed under the Kansas income tax act, an
19 amount equal to 100% of the amount attributable to the retirement of
20 indebtedness authorized by a single city port authority established before
21 January 1, 2002. In no event shall the total amount of the credits allowed
22 under this section exceed \$500,000 for any one fiscal year.

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

27 (c) *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. 28. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,222
33 is hereby amended to read as follows: 79-32,222. (a) As used in this
34 section:

35 (1) "Refinery" has the meaning provided by K.S.A. 2011 Supp. 79-
36 32,217, and amendments thereto.

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

42 (b) There shall be allowed as a credit against the tax liability of a
43 taxpayer imposed under the Kansas income tax act an amount equal to the

1 taxpayer's qualified expenditures. The tax credit allowed by this subsection
2 shall be deducted from the taxpayer's income tax liability for the taxable
3 year in which the expenditures are made by the taxpayer. If the amount of
4 such tax credit exceeds the taxpayer's income tax liability for such taxable
5 year, the taxpayer may carry over the amount thereof that exceeds such tax
6 liability for deduction from the taxpayer's income tax liability in the next
7 succeeding taxable year or years until the total amount of the tax credit has
8 been deducted from tax liability, except that no such tax credit shall be
9 carried over for deduction after the fourth taxable year succeeding the year
10 in which the costs are incurred.

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

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

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

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

35 (e) *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. 29. K.S.A. 2011 Supp. 79-3603 is hereby amended to read as
41 follows: 79-3603. For the privilege of engaging in the business of selling
42 tangible personal property at retail in this state or rendering or furnishing
43 any of the services taxable under this act, there is hereby levied and there

1 shall be collected and paid a tax at the rate of ~~5.3%, and commencing July~~
2 ~~1, 2010, at the rate of 6.3%, and commencing July 1, 2013, at the rate of~~
3 ~~5.7%~~. Within a redevelopment district established pursuant to K.S.A. 74-
4 8921, and amendments thereto, there is hereby levied and there shall be
5 collected and paid an additional tax at the rate of 2% until the earlier of the
6 date the bonds issued to finance or refinance the redevelopment project
7 have been paid in full or the final scheduled maturity of the first series of
8 bonds issued to finance any part of the project upon:

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

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

24 (c) the gross receipts from the sale or furnishing of gas, water,
25 electricity and heat, which sale is not otherwise exempt from taxation
26 under the provisions of this act, and whether furnished by municipally or
27 privately owned utilities, except that, on and after January 1, 2006, for
28 sales of gas, electricity and heat delivered through mains, lines or pipes to
29 residential premises for noncommercial use by the occupant of such
30 premises, and for agricultural use and also, for such use, all sales of
31 propane gas, the state rate shall be 0%; and for all sales of propane gas, LP
32 gas, coal, wood and other fuel sources for the production of heat or
33 lighting for noncommercial use of an occupant of residential premises, the
34 state rate shall be 0%, but such tax shall not be levied and collected upon
35 the gross receipts from: (1) The sale of a rural water district benefit unit;
36 (2) a water system impact fee, system enhancement fee or similar fee
37 collected by a water supplier as a condition for establishing service; or (3)
38 connection or reconnection fees collected by a water supplier;

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

43 (e) the gross receipts from the sale of admissions to any place

1 providing amusement, entertainment or recreation services including
2 admissions to state, county, district and local fairs, but such tax shall not
3 be levied and collected upon the gross receipts received from sales of
4 admissions to any cultural and historical event which occurs triennially;

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

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

15 (h) the gross receipts from the service of renting or leasing of tangible
16 personal property except such tax shall not apply to the renting or leasing
17 of machinery, equipment or other personal property owned by a city and
18 purchased from the proceeds of industrial revenue bonds issued prior to
19 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through
20 12-1749, and amendments thereto, and any city or lessee renting or leasing
21 such machinery, equipment or other personal property purchased with the
22 proceeds of such bonds who shall have paid a tax under the provisions of
23 this section upon sales made prior to July 1, 1973, shall be entitled to a
24 refund from the sales tax refund fund of all taxes paid thereon;

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

28 (j) the gross receipts from the rendering of the services of washing
29 and washing and waxing of vehicles;

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

32 (l) (1) except as otherwise provided by paragraph (2), the gross
33 receipts received from the sales of tangible personal property to all
34 contractors, subcontractors or repairmen for use by them in erecting
35 structures, or building on, or otherwise improving, altering, or repairing
36 real or personal property.

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

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

15 (n) the gross receipts received from dues charged by public and
16 private clubs, drinking establishments, organizations and businesses,
17 payment of which entitles a member to the use of facilities for recreation
18 or entertainment, but such tax shall not be levied and collected upon the
19 gross receipts received from: (1) Dues charged by any organization exempt
20 from property taxation pursuant to paragraphs *Eighth* and *Ninth* of K.S.A.
21 79-201, and amendments thereto; and (2) sales of memberships in a
22 nonprofit organization which is exempt from federal income taxation
23 pursuant to section 501 (c)(3) of the federal internal revenue code of 1986,
24 and whose purpose is to support the operation of a nonprofit zoo;

25 (o) the gross receipts received from the isolated or occasional sale of
26 motor vehicles or trailers but not including: (1) The transfer of motor
27 vehicles or trailers by a person to a corporation or limited liability
28 company solely in exchange for stock securities or membership interest in
29 such corporation or limited liability company; or (2) the transfer of motor
30 vehicles or trailers by one corporation or limited liability company to
31 another when all of the assets of such corporation or limited liability
32 company are transferred to such other corporation or limited liability
33 company; or (3) the sale of motor vehicles or trailers which are subject to
34 taxation pursuant to the provisions of K.S.A. 79-5101 *et seq.*, and
35 amendments thereto, by an immediate family member to another
36 immediate family member. For the purposes of clause (3), immediate
37 family member means lineal ascendants or descendants, and their spouses.
38 Any amount of sales tax paid pursuant to the Kansas retailers sales tax act
39 on the isolated or occasional sale of motor vehicles or trailers on and after
40 July 1, 2004, which the base for computing the tax was the value pursuant
41 to subsections (a), (b)(1) and (b)(2) of K.S.A. 79-5105, and amendments
42 thereto, when such amount was higher than the amount of sales tax which
43 would have been paid under the law as it existed on June 30, 2004, shall be

1 refunded to the taxpayer pursuant to the procedure prescribed by this
2 section. Such refund shall be in an amount equal to the difference between
3 the amount of sales tax paid by the taxpayer and the amount of sales tax
4 which would have been paid by the taxpayer under the law as it existed on
5 June 30, 2004. Each claim for a sales tax refund shall be verified and
6 submitted not later than six months from the effective date of this act to the
7 director of taxation upon forms furnished by the director and shall be
8 accompanied by any additional documentation required by the director.
9 The director shall review each claim and shall refund that amount of tax
10 paid as provided by this act. All such refunds shall be paid from the sales
11 tax refund fund, upon warrants of the director of accounts and reports
12 pursuant to vouchers approved by the director of taxation or the director's
13 designee. No refund for an amount less than \$10 shall be paid pursuant to
14 this act. In determining the base for computing the tax on such isolated or
15 occasional sale, the fair market value of any motor vehicle or trailer traded
16 in by the purchaser to the seller may be deducted from the selling price;

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

27 For the purposes of this subsection:

28 (1) "Original construction" shall mean the first or initial construction
29 of a new building or facility. The term "original construction" shall include
30 the addition of an entire room or floor to any existing building or facility,
31 the completion of any unfinished portion of any existing building or
32 facility and the restoration, reconstruction or replacement of a building,
33 facility or utility structure damaged or destroyed by fire, flood, tornado,
34 lightning, explosion, windstorm, ice loading and attendant winds,
35 terrorism or earthquake, but such term, except with regard to a residence,
36 shall not include replacement, remodeling, restoration, renovation or
37 reconstruction under any other circumstances;

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

42 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water
43 well, feedlot or any conveyance, transmission or distribution line of any

1 cooperative, nonprofit, membership corporation organized under or subject
2 to the provisions of K.S.A. 17-4601 *et seq.*, and amendments thereto, or
3 municipal or quasi-municipal corporation, including the land
4 improvements immediately surrounding such facility;

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

7 (5) "utility structure" shall mean transmission and distribution lines
8 owned by an independent transmission company or cooperative, the
9 Kansas electric transmission authority or natural gas or electric public
10 utility; and

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

14 (q) the gross receipts received for the service of repairing, servicing,
15 altering or maintaining tangible personal property which when such
16 services are rendered is not being held for sale in the regular course of
17 business, and whether or not any tangible personal property is transferred
18 in connection therewith. The tax imposed by this subsection shall be
19 applicable to the services of repairing, servicing, altering or maintaining an
20 item of tangible personal property which has been and is fastened to,
21 connected with or built into real property;

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

25 (s) on and after January 1, 2005, the gross receipts received from the
26 sale of prewritten computer software and the sale of the services of
27 modifying, altering, updating or maintaining prewritten computer
28 software, whether the prewritten computer software is installed or
29 delivered electronically by tangible storage media physically transferred to
30 the purchaser or by load and leave;

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

32 (u) the gross receipts received from the sale of prepaid calling service
33 and prepaid wireless calling service as defined in K.S.A. 2011 Supp. 79-
34 3673, and amendments thereto; and

35 (v) the gross receipts received from the sales of bingo cards, bingo
36 faces and instant bingo tickets by licensees under K.S.A. 79-4701, *et seq.*,
37 and amendments thereto, shall be taxed at a rate of: (1) 4.9% on July 1,
38 2000, and before July 1, 2001; and (2) 2.5% on July 1, 2001, and before
39 July 1, 2002. From and after July 1, 2002, all sales of bingo cards, bingo
40 faces and instant bingo tickets by licensees under K.S.A. 79-4701 *et seq.*,
41 and amendments thereto, shall be exempt from taxes imposed pursuant to
42 this section.

43 Sec. 30. K.S.A. 2011 Supp. 79-3620 is hereby amended to read as

1 follows: 79-3620. (a) All revenue collected or received by the director of
2 taxation from the taxes imposed by this act shall be remitted to the state
3 treasurer in accordance with the provisions of K.S.A. 75-4215, and
4 amendments thereto. Upon receipt of each such remittance, the state
5 treasurer shall deposit the entire amount in the state treasury, less amounts
6 withheld as provided in subsection (b) and amounts credited as provided in
7 subsection (c), (d) and (e), to the credit of the state general fund.

8 (b) A refund fund, designated as "sales tax refund fund" not to exceed
9 \$100,000 shall be set apart and maintained by the director from sales tax
10 collections and estimated tax collections and held by the state treasurer for
11 prompt payment of all sales tax refunds including refunds authorized
12 under the provisions of K.S.A. 79-3635, and amendments thereto. Such
13 fund shall be in such amount, within the limit set by this section, as the
14 director shall determine is necessary to meet current refunding
15 requirements under this act. In the event such fund as established by this
16 section is, at any time, insufficient to provide for the payment of refunds
17 due claimants thereof, the director shall certify the amount of additional
18 funds required to the director of accounts and reports who shall promptly
19 transfer the required amount from the state general fund to the sales tax
20 refund fund, and notify the state treasurer, who shall make proper entry in
21 the records.

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

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

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

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

42 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the
43 revenue collected and received from the tax imposed by K.S.A. 79-3603,

1 and amendments thereto, at the rate of 6.3%, and deposited as provided by
2 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
3 the state highway fund.

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

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

15 (8) On July 1, 2013, and thereafter, the state treasurer shall credit
16 ~~18.421%~~ 17.05% of the revenue collected and received from the tax
17 imposed by K.S.A. 79-3603, and amendments thereto, at the rate of ~~5.7%~~
18 6.3%, and deposited as provided by subsection (a), exclusive of amounts
19 credited pursuant to subsection (d), in the state highway fund.

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

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

1 by the secretary of transportation that a notice to proceed has been
2 received for the construction of the improvements within the intermodal
3 facility district, but not later than December 31, 2010, and shall expire
4 when the secretary of revenue determines that the total of all amounts
5 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3710, and
6 amendments thereto, is equal to \$53,300,000, but not later than December
7 31, 2045. Thereafter, all revenues shall be collected and distributed in
8 accordance with applicable law. For all tax reporting periods during which
9 the provisions of this subsection are in effect, none of the exemptions
10 contained in K.S.A. 79-3601 *et seq.*, and amendments thereto, shall apply
11 to the sale or furnishing of any gas, water, electricity and heat for use or
12 consumption within the intermodal facility district. As used in this
13 subsection, "intermodal facility district" shall consist of an intermodal
14 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and
15 amendments thereto, located in Johnson county within the polygonal-
16 shaped area having Waverly Road as the eastern boundary, 191st Street as
17 the southern boundary, Four Corners Road as the western boundary, and
18 Highway 56 as the northern boundary, and the polygonal-shaped area
19 having Poplar Road as the eastern boundary, 183rd Street as the southern
20 boundary, Waverly Road as the western boundary, and the BNSF mainline
21 track as the northern boundary, that includes capital investment in an
22 amount exceeding \$150 million for the construction of an intermodal
23 facility to handle the transfer, storage and distribution of freight through
24 railway and trucking operations.

25 Sec. 31. K.S.A. 2011 Supp. 79-3703 is hereby amended to read as
26 follows: 79-3703. There is hereby levied and there shall be collected from
27 every person in this state a tax or excise for the privilege of using, storing,
28 or consuming within this state any article of tangible personal property.
29 Such tax shall be levied and collected in an amount equal to the
30 consideration paid by the taxpayer multiplied by the rate of ~~5.3%, and~~
31 ~~commencing July 1, 2010, at the rate of 6.3%; and commencing July 1,~~
32 ~~2013, at the rate of 5.7%.~~ Within a redevelopment district established
33 pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby
34 levied and there shall be collected and paid an additional tax of 2% until
35 the earlier of: (1) The date the bonds issued to finance or refinance the
36 redevelopment project undertaken in the district have been paid in full; or
37 (2) the final scheduled maturity of the first series of bonds issued to
38 finance the redevelopment project. All property purchased or leased within
39 or without this state and subsequently used, stored or consumed in this
40 state shall be subject to the compensating tax if the same property or
41 transaction would have been subject to the Kansas retailers' sales tax had
42 the transaction been wholly within this state.

43 Sec. 32. K.S.A. 2011 Supp. 79-3710 is hereby amended to read as

1 follows: 79-3710. (a) All revenue collected or received by the director
2 under the provisions of this act shall be remitted to the state treasurer in
3 accordance with the provisions of K.S.A. 75-4215, and amendments
4 thereto. Upon receipt of each such remittance, the state treasurer shall
5 deposit the entire amount in the state treasury, less amounts set apart as
6 provided in subsection (b) and amounts credited as provided in subsection
7 (c), (d) and (e), to the credit of the state general fund.

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

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

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

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

30 (4) On July 1, 2007, the state treasurer shall credit $\frac{13}{106}$ of the revenue
31 collected or received from the tax imposed by K.S.A. 79-3703, and
32 amendments thereto, at the rate of 5.3%, and deposited as provided by
33 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
34 the state highway fund.

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

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

1 the state highway fund.

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

8 (8) On July 1, 2013, and thereafter, the state treasurer shall credit
9 ~~18.421%~~ 17.05% of the revenue collected and received from the tax
10 imposed by K.S.A. 79-3703, and amendments thereto, at the rate of ~~5.7%~~
11 6.3%, and deposited as provided by subsection (a), exclusive of amounts
12 credited pursuant to subsection (d), in the state highway fund.

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

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

29 (e) All revenue certified by the director of taxation as having been
30 collected or received from the tax imposed by subsection (c) of K.S.A. 79-
31 3603, and amendments thereto, on the sale or furnishing of gas, water,
32 electricity and heat for use or consumption within the intermodal facility
33 district described in this subsection, shall be credited by the state treasurer
34 to the state highway fund. Such revenue may be transferred by the
35 secretary of transportation to the rail service improvement fund pursuant to
36 law. The provisions of this subsection shall take effect upon certification
37 by the secretary of transportation that a notice to proceed has been
38 received for the construction of the improvements within the intermodal
39 facility district, but not later than December 31, 2010, and shall expire
40 when the secretary of revenue determines that the total of all amounts
41 credited hereunder and pursuant to subsection (e) of K.S.A. 79-3620, and
42 amendments thereto, is equal to \$53,300,000, but not later than December
43 31, 2045. Thereafter, all revenues shall be collected and distributed in

1 accordance with applicable law. For all tax reporting periods during which
2 the provisions of this subsection are in effect, none of the exemptions
3 contained in K.S.A. 79-3601 *et seq.*, and amendments thereto, shall apply
4 to the sale or furnishing of any gas, water, electricity and heat for use or
5 consumption within the intermodal facility district. As used in this
6 subsection, "intermodal facility district" shall consist of an intermodal
7 transportation area as defined by subsection (oo) of K.S.A. 12-1770a, and
8 amendments thereto, located in Johnson county within the polygonal-
9 shaped area having Waverly Road as the eastern boundary, 191st Street as
10 the southern boundary, Four Corners Road as the western boundary, and
11 Highway 56 as the northern boundary, and the polygonal-shaped area
12 having Poplar Road as the eastern boundary, 183rd Street as the southern
13 boundary, Waverly Road as the western boundary, and the BNSF mainline
14 track as the northern boundary, that includes capital investment in an
15 amount exceeding \$150 million for the construction of an intermodal
16 facility to handle the transfer, storage and distribution of freight through
17 railway and trucking operations.

18 Sec. 33. K.S.A. 2011 Supp. 79-4217 is hereby amended to read as
19 follows: 79-4217. (a) There is hereby imposed an excise tax upon the
20 severance and production of coal, oil or gas from the earth or water in this
21 state for sale, transport, storage, profit or commercial use, subject to the
22 following provisions of this section. Such tax shall be borne ratably by all
23 persons within the term "producer" as such term is defined in K.S.A. 79-
24 4216, and amendments thereto, in proportion to their respective beneficial
25 interest in the coal, oil or gas severed. Such tax shall be applied equally to
26 all portions of the gross value of each barrel of oil severed and subject to
27 such tax and to the gross value of the gas severed and subject to such tax.
28 The rate of such tax shall be 8% of the gross value of all oil or gas severed
29 from the earth or water in this state and subject to the tax imposed under
30 this act. The rate of such tax with respect to coal shall be \$1 per ton. For
31 the purposes of the tax imposed hereunder the amount of oil or gas
32 produced shall be measured or determined: (1) In the case of oil, by tank
33 tables compiled to show 100% of the full capacity of tanks without
34 deduction for overage or losses in handling; allowance for any reasonable
35 and bona fide deduction for basic sediment and water, and for correction of
36 temperature to 60 degrees Fahrenheit will be allowed; and if the amount of
37 oil severed has been measured or determined by tank tables compiled to
38 show less than 100% of the full capacity of tanks, such amount shall be
39 raised to a basis of 100% for the purpose of the tax imposed by this act;
40 and (2) in the case of gas, by meter readings showing 100% of the full
41 volume expressed in cubic feet at a standard base and flowing temperature
42 of 60 degrees Fahrenheit, and at the absolute pressure at which the gas is
43 sold and purchased; correction to be made for pressure according to

1 Boyle's law, and used for specific gravity according to the gravity at which
2 the gas is sold and purchased, or if not so specified, according to the test
3 made by the balance method.

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

6 (1) The severance and production of gas which is: (A) Injected into
7 the earth for the purpose of lifting oil, recycling or repressuring; (B) used
8 for fuel in connection with the operation and development for, or
9 production of, oil or gas in the lease or production unit where severed; (C)
10 lawfully vented or flared; (D) severed from a well having an average daily
11 production during a calendar month having a gross value of not more than
12 \$87 per day, which well has not been significantly curtailed by reason of
13 mechanical failure or other disruption of production; in the event that the
14 production of gas from more than one well is gauged by a common meter,
15 eligibility for exemption hereunder shall be determined by computing the
16 gross value of the average daily combined production from all such wells
17 and dividing the same by the number of wells gauged by such meter; (E)
18 inadvertently lost on the lease or production unit by reason of leaks,
19 blowouts or other accidental losses; (F) used or consumed for domestic or
20 agricultural purposes on the lease or production unit from which it is
21 severed; or (G) placed in underground storage for recovery at a later date
22 and which was either originally severed outside of the state of Kansas, or
23 as to which the tax levied pursuant to this act has been paid;

24 (2) the severance and production of oil which is: (A) From a lease or
25 production unit whose average daily production is five barrels or less per
26 producing well, which well or wells have not been significantly curtailed
27 by reason of mechanical failure or other disruption of production; (B) from
28 a lease or production unit, the producing well or wells upon which have a
29 completion depth of 2,000 feet or more, and whose average daily
30 production is six barrels or less per producing well or, if the price of oil as
31 determined pursuant to subsection (d) is \$16 or less, whose average daily
32 production is seven barrels or less per producing well, or, if the price of oil
33 as determined pursuant to subsection (d) is \$15 or less, whose average
34 daily production is eight barrels or less per producing well, or, if the price
35 of oil as determined pursuant to subsection (d) is \$14 or less, whose
36 average daily production is nine barrels or less per producing well, or, if
37 the price of oil as determined pursuant to subsection (d) is \$13 or less,
38 whose average daily production is 10 barrels or less per producing well,
39 which well or wells have not been significantly curtailed by reason of
40 mechanical failure or other disruption of production; (C) from a lease or
41 production unit, whose production results from a tertiary recovery process.
42 "Tertiary recovery process" means the process or processes described in
43 subparagraphs (1) through (9) of 10 C.F.R. § 212.78(c) as in effect on June

1 1, 1979; (D) from a lease or production unit, the producing well or wells
2 upon which have a completion depth of less than 2,000 feet and whose
3 average daily production resulting from a water flood process, is six
4 barrels or less per producing well, which well or wells have not been
5 significantly curtailed by reason of mechanical failure or other disruption
6 of production; (E) from a lease or production unit, the producing well or
7 wells upon which have a completion depth of 2,000 feet or more, and
8 whose average daily production resulting from a water flood process, is
9 seven barrels or less per producing well or, if the price of oil as determined
10 pursuant to subsection (d) is \$16 or less, whose average daily production is
11 eight barrels or less per producing well, or, if the price of oil as determined
12 pursuant to subsection (d) is \$15 or less, whose average daily production is
13 nine barrels or less per producing well, or, if the price of oil as determined
14 pursuant to subsection (d) is \$14 or less, whose average daily production is
15 10 barrels or less per producing well, which well or wells have not been
16 significantly curtailed by reason of mechanical failure or other disruption
17 of production; (F) test, frac or swab oil which is sold or exchanged for
18 value; or (G) inadvertently lost on the lease or production unit by reason of
19 leaks or other accidental means;

20 (3) (A) any taxpayer applying for an exemption pursuant to
21 subsection (b)(2)(A) and (B) shall make application biennially to the
22 director of taxation therefor. Exemptions granted pursuant to subsection
23 (b)(2)(A) and (B) shall be valid for a period of two years following the
24 date of certification thereof by the director of taxation; (B) any taxpayer
25 applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall
26 make application biennially to the director of taxation therefor. Such
27 application shall be accompanied by proof of the approval of an
28 application for the utilization of a water flood process therefor by the
29 corporation commission pursuant to rules and regulations adopted under
30 the authority of K.S.A. 55-152, and amendments thereto, and proof that
31 the oil produced therefrom is kept in a separate tank battery and that
32 separate books and records are maintained therefor. Such exemption shall
33 be valid for a period of two years following the date of certification thereof
34 by the director of taxation; (C) any exemption granted pursuant to
35 subsections (b)(2)(A), (B), (D) or (E) with an odd lease number and an
36 exemption termination date between June 1, 2004, and May 31, 2005,
37 inclusive, shall be valid for a period of one year following the date of
38 certification; and (D) notwithstanding the provisions of paragraph (A) or
39 (B), any exemption in effect on the effective date of this act affected by the
40 amendments to subsection (b)(2) by this act shall be redetermined in
41 accordance with such amendments. Any such exemption, and any new
42 exemption established by such amendments and applied for after the
43 effective date of this shall be valid for a period commencing with May 1,

1 1998, and ending on April 30, 1999.

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

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

30 (6) the severance and production of oil or gas from a three-year
31 inactive well, as determined by the state corporation commission and
32 certified to the director of taxation, for a period of 10 years after the date
33 of receipt of such certification. As used in this paragraph, "three-year
34 inactive well" means any well that has not produced oil or gas in more
35 than one month in the three years prior to the date of application to the
36 state corporation commission for certification as a three-year inactive well.
37 An application for certification as a three-year inactive well shall be in
38 such form and contain such information as required by the state
39 corporation commission, and shall be made prior to July 1, 1996. The
40 commission may revoke a certification if information indicates that a
41 certified well was not a three-year inactive well or if other lease
42 production is credited to the certified well. Upon notice to the operator that
43 the certification for a well has been revoked, the exemption shall not be

1 applied to the production from that well from the date of revocation;

2 ~~(6)~~ (7) (A) The incremental severance and production of oil or gas
3 which results from a production enhancement project begun on or after
4 July 1, 1998, shall be exempt for a period of seven years from the startup
5 date of such project. As used in this paragraph ~~(6)~~:

6 (1) "Incremental severance and production" means the amount of oil
7 or natural gas which is produced as the result of a production enhancement
8 project which is in excess of the base production of oil or natural gas, and
9 is determined by subtracting the base production from the total monthly
10 production after the production enhancement project is completed.

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

30 (3) "Workover" means any downhole operation in an existing oil or
31 gas well that is designed to sustain, restore or increase the production rate
32 or ultimate recovery of oil or gas, including but not limited to acidizing,
33 reperforation, fracture treatment, sand/paraffin/scale removal or other
34 wellbore cleanouts, casing repair, squeeze cementing, initial installation, or
35 enhancement of artificial lifts including plunger lifts, rods, pumps,
36 submersible pumps and coiled tubing velocity strings, downsizing existing
37 tubing to reduce well loading, downhole commingling, bacteria treatments,
38 polymer treatments, upgrading the size of pumping unit equipment, setting
39 bridge plugs to isolate water production zones, or any combination of the
40 aforementioned operations; "workover" shall not mean the routine
41 maintenance, routine repair, or like for-like replacement of downhole
42 equipment such as rods, pumps, tubing packers or other mechanical
43 device.

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

3 (i) Workover;

4 (ii) recompletion to a different producing zone in the same well bore,
5 except recompletions in formations and zones subject to a state
6 corporation commission proration order;

7 (iii) secondary recovery projects;

8 (iv) addition of mechanical devices to dewater a gas or oil well;

9 (v) replacement or enhancement of surface equipment;

10 (vi) installation or enhancement of compression equipment, line
11 looping or other techniques or equipment which increases production from
12 a well or a group of wells in a project;

13 (vii) new discoveries of oil or gas which are discovered as a result of
14 the use of new technology, including, but not limited to, three dimensional
15 seismic studies.

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

26 (C) Any taxpayer applying for an exemption pursuant to this
27 paragraph~~(6)~~ shall make application to the director of taxation. Such
28 application shall be accompanied by a state corporation commission
29 certification that the production for which an exemption is sought results
30 from a qualified production enhancement project and certification of the
31 base production for the enhanced wells or group of wells, and the rate of
32 decline to be applied to that base production. The secretary of revenue
33 shall provide credit for any taxes paid between the project startup date and
34 the certification of qualifications by the commission.

35 (D) The exemptions provided for in this paragraph~~(6)~~ shall not apply
36 for 12 months beginning July 1 of the year subsequent to any calendar year
37 during which: (1) In the case of oil, the secretary of revenue determines
38 that the weighted average price of Kansas oil at the wellhead has exceeded
39 \$20.00 per barrel; or (2) in the case of natural gas the secretary of revenue
40 determines that the weighted average price of Kansas gas at the wellhead
41 has exceeded \$2.50 per Mcf.

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

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

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

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

18 Sec. 34. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4501 is
19 hereby amended to read as follows: 79-4501. The title of this act shall be
20 the homestead property tax refund act. The purpose of this act shall be to
21 provide ad valorem tax refunds to: (a) Certain persons who are of
22 qualifying age who own ~~or rent~~ their homestead; (b) certain persons who
23 have a disability, who own ~~or rent~~ their homestead; and (c) certain persons
24 other than persons included under the provisions of (a) or (b) who have
25 low incomes and dependent children and own ~~or rent~~ their homestead.

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

29 (a) "Income" means the sum of adjusted gross income under the
30 Kansas income tax act, maintenance, support money, cash public
31 assistance and relief, not including any refund granted under this act, the
32 gross amount of any pension or annuity, including all monetary retirement
33 benefits from whatever source derived, including but not limited to, all
34 payments received under the railroad retirement act, except disability
35 payments, payments received under the federal social security act, except
36 that for determination of what constitutes income such amount shall not
37 exceed 50% of any such social security payments and shall not include any
38 social security payments to a claimant who prior to attaining full
39 retirement age had been receiving disability payments under the federal
40 social security act in an amount not to exceed the amount of such disability
41 payments or 50% of any such social security payments, whichever is
42 greater, all dividends and interest from whatever source derived not
43 included in adjusted gross income, workers compensation and the gross

1 amount of "loss of time" insurance. Income does not include gifts from
2 nongovernmental sources or surplus food or other relief in kind supplied
3 by a governmental agency, nor shall net operating losses and net capital
4 losses be considered in the determination of income. Income does not
5 include veterans disability pensions. Income does not include disability
6 payments received under the federal social security act.

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

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

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

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

35 When a homestead is occupied by two or more individuals and more
36 than one of the individuals is able to qualify as a claimant, the individuals
37 may determine between them as to whom the claimant will be. If they are
38 unable to agree, the matter shall be referred to the secretary of revenue
39 whose decision shall be final.

40 (f) "Property taxes accrued" means property taxes, exclusive of
41 special assessments, delinquent interest and charges for service, levied on
42 a claimant's homestead in 1979 or any calendar year thereafter by the state
43 of Kansas and the political and taxing subdivisions of the state. When a

1 homestead is owned by two or more persons or entities as joint tenants or
2 tenants in common and one or more of the persons or entities is not a
3 member of claimant's household, "property taxes accrued" is that part of
4 property taxes levied on the homestead that reflects the ownership
5 percentage of the claimant's household. For purposes of this act, property
6 taxes are "levied" when the tax roll is delivered to the local treasurer with
7 the treasurer's warrant for collection. When a claimant and household own
8 their homestead part of a calendar year, "property taxes accrued" means
9 only taxes levied on the homestead when both owned and occupied as a
10 homestead by the claimant's household at the time of the levy, multiplied
11 by the percentage of 12 months that the property was owned and occupied
12 by the household as its homestead in the year. When a household owns and
13 occupies two or more different homesteads in the same calendar year,
14 property taxes accrued shall be the sum of the taxes allocable to those
15 several properties while occupied by the household as its homestead
16 during the year. Whenever a homestead is an integral part of a larger unit
17 such as a multi-purpose or multi-dwelling building, property taxes accrued
18 shall be that percentage of the total property taxes accrued as the value of
19 the homestead is of the total value. For the purpose of this act, the word
20 "unit" refers to that parcel of property covered by a single tax statement of
21 which the homestead is a part.

22 (g) "Disability" means:

- 23 (1) Inability to engage in any substantial gainful activity by reason of
24 any medically determinable physical or mental impairment which can be
25 expected to result in death or has lasted or can be expected to last for a
26 continuous period of not less than 12 months, and an individual shall be
27 determined to be under a disability only if the physical or mental
28 impairment or impairments are of such severity that the individual is not
29 only unable to do the individual's previous work but cannot, considering
30 age, education and work experience, engage in any other kind of
31 substantial gainful work which exists in the national economy, regardless
32 of whether such work exists in the immediate area in which the individual
33 lives or whether a specific job vacancy exists for the individual, or whether
34 the individual would be hired if application was made for work. For
35 purposes of the preceding sentence (with respect to any individual), "work
36 which exists in the national economy" means work which exists in
37 significant numbers either in the region where the individual lives or in
38 several regions of the country; for purposes of this subsection, a "physical
39 or mental impairment" is an impairment that results from anatomical,
40 physiological or psychological abnormalities which are demonstrable by
41 medically acceptable clinical and laboratory diagnostic techniques; or
42 (2) blindness and inability by reason of blindness to engage in
43 substantial gainful activity requiring skills or abilities comparable to those

1 of any gainful activity in which the individual has previously engaged with
2 some regularity and over a substantial period of time.

3 (h) "Blindness" means central visual acuity of $\frac{20}{200}$ or less in the
4 better eye with the use of a correcting lens. An eye which is accompanied
5 by a limitation in the fields of vision such that the widest diameter of the
6 visual field subtends an angle no greater than 20 degrees shall be
7 considered for the purpose of this paragraph as having a central visual
8 acuity of $\frac{20}{200}$ or less.

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

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

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

34 Sec. 36. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4508 is
35 hereby amended to read as follows: 79-4508. (a) Commencing in the tax
36 year beginning after December 31, 2005, the amount of any claim pursuant
37 to this act shall be computed by deducting the amount computed under
38 column (2) from the amount of claimant's property tax accrued ~~and/or rent~~
39 ~~constituting property tax accrued.~~

40	(1)	(2)
41	Claimants household	Deduction from property tax
42	income	accrued and/or rent
43	But not	constituting

	At least	more than	property tax accrued
1	\$0	\$6,000	\$0
2	6,001	7,000	4%
3	7,001	16,000	4% plus 4% of every \$1,000, or fraction thereof, of income in excess of \$7,001
4	16,001	27,000	40% plus 5% of every \$1,000, or fraction thereof, of income in excess of \$16,001
5	27,001	27,600	95%

6
7
8
9
10
11 (b) The director of taxation shall prepare a table under which claims
12 under this act shall be determined. The amount of claim for each bracket
13 shall be computed only to the nearest \$1.

14 (c) The claimant may elect not to record the amount claimed on the
15 claim. The claim allowable to persons making this election shall be
16 computed by the department which shall notify the claimant by mail of the
17 amount of the allowable claim.

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

24 Sec. 37. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4509 is
25 hereby amended to read as follows: 79-4509. In the event property taxes
26 accrued, ~~rent constituting property taxes accrued or their sum~~ exceeds
27 \$700 for a household in any one year, the amount thereof shall, for
28 purposes of this act, be deemed to have been \$700.

29 Sec. 38. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4511 is
30 hereby amended to read as follows: 79-4511. (a) Every claimant under this
31 act shall supply to the division, in support of a claim, reasonable proof of
32 age or disability, and changes of homestead, household membership,
33 household income, and size and nature of property claimed as the
34 homestead. A claim alleging disability shall be supported by a report of the
35 examining physician of the claimant with a statement or certificate that the
36 applicant has a disability within the meaning of subsection (g) of K.S.A.
37 79-4502, and amendments thereto.

38 (b) Every claimant who is a homestead owner, or whose claim is
39 based wholly or partly upon homestead ownership at some time during the
40 calendar year, shall supply to the division, in support of a claim, the
41 amount of property taxes levied upon the property claimed as a homestead
42 and a statement that the property taxes accrued used for purposes of this
43 act have been or will be paid by the claimant. Upon request by the

1 division, such claimant shall provide a copy of the statement of property
2 taxes levied upon the property claimed as a homestead. The amount of
3 personal property taxes levied on a manufactured home or mobile home
4 shall be set out on the personal property tax statement showing the amount
5 of such tax as a separate item.

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

17 ~~(d)~~ The information required to be furnished under subsections ~~(b) or~~
18 ~~(c)~~ subsection (b) shall be in addition to that required under subsection (a).

19 Sec. 39. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4522 is
20 hereby amended to read as follows: 79-4522. A person owning or
21 occupying a homestead ~~that is not rental property and~~ for which the
22 appraised valuation for property tax purposes exceeds \$350,000 in any
23 year shall not be entitled to claim a refund of property taxes under the
24 homestead property tax refund act for any such year. The provisions of this
25 section shall be part of and supplemental to the homestead property tax
26 refund act.

27 New Sec. 40. Any nonrefundable credits applicable to the Kansas
28 income tax imposed on individuals that are no longer available
29 commencing in tax year 2013 pursuant to this act and earned in any tax
30 year prior to 2013 which are unused may continue to be claimed, subject
31 to the limitations applicable to any such credit pursuant to law at the time
32 such credit was earned.

33 New Sec. 41. (a) For Kansas income tax purposes: (1) The basis of a
34 partner's interest in a partnership formed prior to January 1, 2013, shall be
35 determined by computing the basis as of January 1, 2013, in accordance
36 with section 705 of the federal internal revenue code as in effect on
37 January 1, 2013, and amendments thereto, and making any subsequent
38 adjustments to the partner's interest as provided in section 733 of the
39 federal internal revenue code as in effect on January 1, 2013, and
40 amendments thereto.

41 (2) The basis of a partner's interest in a partnership formed on or after
42 January 1, 2013, shall be determined by computing the basis as of the date
43 of formation of the partnership in accordance with section 705 of the

1 federal internal revenue code as in effect on January 1, 2013, and
2 amendments thereto, and making any subsequent adjustments to the
3 partners' interest as provided in section 733 of the federal internal revenue
4 code as in effect on January 1, 2013, and amendments thereto.

5 (b) (1) The basis of each shareholder's stock and indebtedness in an S
6 corporation formed prior to January 1, 2013, shall be determined by
7 computing the basis as of January 1, 2013, in accordance with section
8 1367 of the federal internal revenue code as in effect on January 1, 2013,
9 and amendments thereto, and making any subsequent adjustments to the
10 shareholder's stock and indebtedness as provided in section 1367(a)(2)(A)
11 of the federal internal revenue code as in effect on January 1, 2013, and
12 amendments thereto.

13 (2) The basis of each shareholder's stock and indebtedness in an S
14 corporation formed on or after January 1, 2013 shall be determined by
15 computing the basis as of the date of formation of the S corporation in
16 accordance with section 1367 of the federal internal revenue code as in
17 effect on January 1, 2013, and amendments thereto, and making any
18 subsequent adjustments to the shareholders stock and indebtedness as
19 provided in section 1367(a)(2)(A) of the federal internal revenue code as
20 in effect on January 1, 2013, and amendments thereto.

21 (c) The provisions of this section shall be effective for tax year 2013,
22 and all tax years thereafter.

23 Sec. 42. On or after January 1, 2013, K.S.A. 2011 Supp. 79-32,266 is
24 hereby amended to read as follows: 79-32,266. (a) For taxable years
25 commencing after December 31, 2010, there shall be allowed as a credit
26 against the tax liability of a resident individual taxpayer an amount equal
27 to 95% of the resident individual's income tax liability under the
28 provisions of the Kansas income tax act for Kansas source income
29 received from a qualified company that is business income attributable to
30 business activities conducted at the business facility, office, department or
31 other operation relocated to Kansas when the taxpayer owns such qualified
32 company and materially participates in such business activities conducted
33 at such relocated business facility, office, department or other operation of
34 such qualified company which qualified for benefits under the provisions
35 of subsection (a)(1) of K.S.A. 74-50,212, and amendments thereto. A
36 taxpayer shall be treated as materially participating in such qualified
37 company's business activities conducted at such business facility, office,
38 department or other operation relocated to Kansas only if the taxpayer is
39 involved in such business activities of such qualified company on a basis
40 which is regular, continuous and substantial. A taxpayer may claim the
41 credit authorized by this section during any tax year in which the qualified
42 company owned by the taxpayer qualifies for benefits under provisions of
43 K.S.A. 74-50,212, and amendments thereto.

1 (b) Business income attributable to the business activities conducted
2 at the business facility, office, department or other operation relocated to
3 Kansas of a qualified company which qualified for benefits under the
4 provisions of subsection (a)(1) of K.S.A. 74-50,212, and amendments
5 thereto, shall be determined by multiplying the business income of the
6 company apportioned to this state by a fraction, the numerator of which is
7 the property factor plus the payroll factor plus the sales factor, and the
8 denominator of which is three. For purposes of this subsection, the
9 property factor is a fraction, the numerator of which is the average value of
10 the company's real and tangible personal property owned or rented and
11 used during the tax period at such relocated facility, office, department or
12 other relocated operation in Kansas, and the denominator of which is the
13 average value of the company's real and tangible personal property owned
14 or rented and used within this state during the tax period. The payroll
15 factor is a fraction, the numerator of which is the total amount paid during
16 the tax period by the company for compensation at such relocated facility,
17 office, department or other relocated operation in Kansas, and the
18 denominator of which is the total compensation paid by the company in
19 this state during the tax period. The sales factor is a fraction, the numerator
20 of which is the total sales of the relocated facility, office, department or
21 other relocated operation in this state during the tax period, and the
22 denominator of which is the total sales of the company in this state during
23 the tax period.

24 (c) *This credit shall not be available to any taxpayer making a*
25 *modification under (b)(xix) or (c)(xxi) of K.S.A. 79-32,117, and*
26 *amendments thereto.*

27 ~~(e)~~(d) The secretary of revenue shall adopt rules and regulations
28 regarding the filing of documents that support the qualifications of the
29 taxpayer for the credit claimed pursuant to this section.

30 Sec. 43. K.S.A. 2011 Supp. 79-3603, 79-3620, 79-3703, 79-3710 and
31 79-4217 are hereby repealed.

32 Sec. 44. On and after January 1, 2013, K.S.A. 39-7,132, 65,1707, 74-
33 8206, 74-8304, 79-32,118, 79-32,128, 79-32,176, 79-32,177, 79-32,182,
34 79-32,190 and 79-32,200 and K.S.A. 2011 Supp. 40-2246, 74-50,173, 74-
35 50,208, 74-8316, 74-8401, 79-32,110, 79-32,111, 79-32,111a, 79-32,117,
36 79-32,119, 79-32,120, 79-32,138, 79-32,143, 79-32,143a, 79-32,182b, 79-
37 32,201, 79-32,202, 79-32,204, 79-32,207, 79-32,210, 79-32,212, 79-
38 32,213, 79-32,222, 79-32-242, 79-32,266, 79-3633, 79-3634, 79-3635, 79-
39 3636, 79-3637, 79-3638, 79-3639, 79-4501, 79-4502, 79-4508, 79-4509,
40 79-4511 and 79-4522 are hereby repealed.

41 Sec. 45. This act shall take effect and be in force from and after its
42 publication in the statute book.