

## HOUSE BILL No. 2560

By Committee on Taxation

1-26

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

17

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

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

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

1 expenses and one-time grants.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 partnership.

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (B) leaseholds;

35 (C) management or consultant service agreements;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 records of the enterprise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (A) *For tax year 2012:*

18 If the taxable income is:.....The tax is:

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

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

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.....	<del>\$820 plus 7.5% of excess over \$20,000</del>
31 Over \$30,000.....	<del>\$1,570 plus 7.75% of excess over \$30,000</del>

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

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 \$30,000

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

38 If the taxable income is:.....The tax is:

39 Not over \$15,000.....	3.0 % of Kansas taxable income
40 Over \$15,000.....	<del>\$450 plus 4.9% of excess over \$15,000</del>

41  
 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  
 46 source income to Kansas adjusted gross income.

47 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable  
 48 income of every corporation doing business within this state or deriving

1 income from sources within this state. Such tax shall consist of a normal  
2 tax and a surtax and shall be computed as follows:

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

5 (2) (A) for tax year 2008, the surtax shall be in an amount equal to  
6 3.1% of the Kansas taxable income of such corporation in excess of  
7 \$50,000;

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

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

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

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

40 (b) There shall be allowed as a credit against the tax computed under  
41 the provisions of the Kansas income tax act, and ~~acts amendatory thereof~~  
42 ~~and supplemental amendments~~ thereto, on the Kansas taxable income of an  
43 individual, corporation or fiduciary the amount determined under the

1 provisions of K.S.A. 79-32,153 to 79-32,158, and amendments thereto.

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

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

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

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

28 (iii) The federal net operating loss deduction.

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

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

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

9 (vii) The amount of any charitable contribution made to the extent the  
10 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
11 32,196, and amendments thereto.

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

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

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

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

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

40 (xiii) The amount of any expenditures claimed for deduction in  
41 determining federal adjusted gross income, to the extent the same is  
42 claimed as the basis for any credit allowed pursuant to K.S.A. 2011 Supp.  
43 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

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

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

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

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

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

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

1 *such form and schedules as they existed for tax year 2011, and as revised*  
2 *thereafter by the internal revenue service.*

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

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

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

18 *(xxiii) For all taxable years beginning after December 31, 2012, the*  
19 *amount of any deduction for domestic production activities under section*  
20 *199 of the federal internal revenue code as in effect on January 1, 2012,*  
21 *and amendments thereto, in determining the federal adjusted gross income*  
22 *of an individual taxpayer.*

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

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

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

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

41 (iv) The amount necessary to prevent the taxation under this act of  
42 any annuity or other amount of income or gain which was properly  
43 included in income or gain and was taxed under the laws of this state for a

1 taxable year prior to the effective date of this act, as amended, to the  
2 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
3 the right to receive the income or gain, or to a trust or estate from which  
4 the taxpayer received the income or gain.

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

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

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

17 (viii) Amounts received by retired railroad employees as a  
18 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
19 228c (a)(1) *et seq.*

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

25 (x) For taxable years beginning after December 31, 1976, the amount  
26 of the federal tentative jobs tax credit disallowance under the provisions of  
27 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
28 amount of the targeted jobs tax credit and work incentive credit  
29 disallowances under 26 U.S.C. § 280 C.

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

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

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

40 (xiv) For all taxable years commencing after December 31, 1996, that  
41 portion of any income of a bank organized under the laws of this state or  
42 any other state, a national banking association organized under the laws of  
43 the United States, an association organized under the savings and loan

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

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

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

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

43 ~~(xviii) (xvi) For all taxable years beginning after December 31, 2004,~~

1 amounts received by taxpayers who are eligible members of the Kansas  
2 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
3 281, and amendments thereto, and amounts received for death benefits  
4 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
5 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and  
6 amendments thereto, to the extent that such death benefits are included in  
7 federal adjusted gross income of the taxpayer.

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

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

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

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

42 (e) The amount of modifications required to be made under this  
43 section by a partner which relates to items of income, gain, loss, deduction

1 or credit of a partnership shall be determined under K.S.A. 79-32,131, and  
2 amendments thereto, to the extent that such items affect federal adjusted  
3 gross income of the partner.

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

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

34 Sec. 15. On and after January 1, 2013, K.S.A. 79-32,128 is hereby  
35 amended to read as follows: 79-32,128. An individual who is a resident of  
36 Kansas for part of a year shall have the election to:

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

41 (b) report and compute ~~his or her~~ *such individual's* Kansas tax as if ~~he~~  
42 ~~or she were~~ *such individual* was a nonresident for the entire year, except,  
43 however, that for purposes of this computation the following modifications

1 shall be made: (i) Modified Kansas source income for that period during  
2 which such individual was a resident shall include all items of income,  
3 gain, loss or deductions *as set forth in K.S.A. 79-32,117, and amendments*  
4 *thereto*, whether or not derived from sources within Kansas; and (ii) the  
5 credit provided by K.S.A. 79-32,111, *and amendments thereto*, shall be  
6 allowed. For purposes of computing such credit, the amount of income  
7 taxes paid to another state shall be deemed to be limited by an amount  
8 which bears the same proportion to the total taxes paid to such other state  
9 for such year as the amount of *Kansas* adjusted gross income derived from  
10 sources within that state while such individual was a resident bears to the  
11 total *Kansas* adjusted gross income derived from sources within such state  
12 for such year.

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

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

22 (ii) The amount of all depreciation deductions claimed for any  
23 property upon which the deduction allowed by K.S.A. 2011 Supp. 79-  
24 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-  
25 32,255 or 79-32,256, and amendments thereto, is claimed.

26 (iii) The amount of any charitable contribution deduction claimed for  
27 any contribution or gift to or for the use of any racially segregated  
28 educational institution.

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

33 (ii) The federal income tax liability for any taxable year commencing  
34 prior to December 31, 1971, for which a Kansas return was filed after  
35 reduction for all credits thereon, except credits for payments on estimates  
36 of federal income tax, credits for gasoline and lubricating oil tax, and for  
37 foreign tax credits if, on the Kansas income tax return for such prior year,  
38 the federal income tax deduction was computed on the basis of the federal  
39 income tax paid in such prior year, rather than as accrued. Notwithstanding  
40 the foregoing, the deduction for federal income tax liability for any year  
41 shall not exceed that portion of the total federal income tax liability for  
42 such year which bears the same ratio to the total federal income tax  
43 liability for such year as the Kansas taxable income, as computed before

1 any deductions for federal income taxes and after application of  
2 subsections (d) and (e) of this section as existing for such year, bears to the  
3 federal taxable income for the same year.

4 (iii) An amount for the amortization deduction allowed pursuant to  
5 K.S.A. 2011 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-  
6 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto.

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

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

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

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

32 Sec. 17. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,143  
33 is hereby amended to read as follows: 79-32,143. (a) For net operating  
34 losses incurred in taxable years beginning after December 31, 1987, a net  
35 operating loss deduction shall be allowed in the same manner that it is  
36 allowed under the federal internal revenue code except that such net  
37 operating loss may only be carried forward to each of the 10 taxable years  
38 following the taxable year of the net operating loss. For net operating farm  
39 losses, as defined by subsection (i) of section 172 of the federal internal  
40 revenue code, incurred in taxable years beginning after December 31,  
41 1999, a net operating loss deduction shall be allowed in the same manner  
42 that it is allowed under the federal internal revenue code except that such  
43 net operating loss may be carried forward to each of the 10 taxable years

1 following the taxable year of the net operating loss. The amount of the net  
2 operating loss that may be carried back or forward for Kansas income tax  
3 purposes shall be that portion of the federal net operating loss allocated to  
4 Kansas under this act in the taxable year that the net operating loss is  
5 sustained.

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

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

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

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

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

42 (g) *For tax year 2013, and all tax years thereafter, a net operating*  
43 *loss allowed by this section shall only be available to taxpayers subject to*

1 *the income tax on corporations imposed pursuant to subsection (c) of*  
2 *K.S.A. 79-32,110, and amendments thereto, and used only to determine*  
3 *such taxpayer's corporate income tax liability.*

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

38 (b) If the amount of expense deduction calculated pursuant to  
39 subsection (a) exceeds the taxpayer's Kansas net income before expensing  
40 or recapture allocated or apportioned to this state, such excess amount  
41 shall be treated as a Kansas net operating loss as provided in K.S.A. 79-  
42 32,143, and amendments thereto.

43 (c) If the property for which an expense deduction is taken pursuant

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

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

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

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

	Factors			
IRC§168 Recover Period (year)	IRC§168(b)(1) Depreciation Method	IRC§168(b)(2) Depreciation Method	IRC§168(b)(3) or (g) Depreciation Method	
2.5	*	.077	.092	
3	.075	.091	.106	
3.5	*	.102	.116	
4	*	.114	.129	
5	.116	.135	.150	

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

28 \*Not Applicable

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

37 (h) For tax 2013, and all tax years thereafter, the deduction allowed  
 38 by this section shall only be available to taxpayers subject to the income  
 39 tax on corporations imposed pursuant to subsection (c) of K.S.A. 79-  
 40 32,110, and amendments thereto, and used only to determine such  
 41 taxpayer's corporate income tax liability.

42 New Sec. 19. (a) For Kansas income tax purposes: (1) The basis of a  
 43 partner's interest shall be the same as that determined pursuant to section  
 44 705 of the federal internal revenue code as in effect on January 1, 2013,  
 45 and amendments thereto; and

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

49 (b) The provisions of this section shall be effective for tax year 2013,

1 and all tax years thereafter.

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

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

28 Sec. 21. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,182b  
29 is hereby amended to read as follows: 79-32,182b. (a) For all taxable years  
30 commencing after December 31, 2000, a credit shall be allowed against  
31 the tax imposed by the Kansas income tax act on the Kansas taxable  
32 income of a taxpayer for expenditures in research and development  
33 activities conducted within this state in an amount equal to 6½% of the  
34 amount by which the amount expended for such activities in the taxable  
35 year of the taxpayer exceeds the taxpayer's average of the actual  
36 expenditures for such purposes made in such taxable year and the next  
37 preceding two taxable years.

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

1 credit is used.

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

8 (d) *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. 22. On and after January 1, 2013, K.S.A. 79-32,190 is hereby  
14 amended to read as follows: 79-32,190. (a) Any taxpayer that pays for or  
15 provides child day care services, including the provision of the service of  
16 locating such services, to its employees or that provides facilities and  
17 necessary equipment for child day care services shall be allowed a credit  
18 against the privilege or income tax imposed by articles 11 and 32 of  
19 chapter 79 of the Kansas Statutes Annotated as follows:

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

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

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

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

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

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

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

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

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

22 Sec. 23. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,196  
23 is hereby amended to read as follows: 79-32,196. (a) For taxable years  
24 commencing after December 31, 1997, any business firm which  
25 contributes to a community service organization or governmental entity  
26 which engages in the activities of providing community services, shall be  
27 allowed a credit, as provided in K.S.A. 79-32,197, *and amendments*  
28 *thereto*, against the tax imposed by the Kansas income tax act, the tax on  
29 net income of national banking associations, state banks, trust companies  
30 or savings and loan associations imposed under article 11 of chapter 79 of  
31 the Kansas Statutes Annotated, or the premium tax or privilege fees  
32 imposed pursuant to K.S.A. 40-252, and amendments thereto, if the  
33 proposal of the provider of community services is approved pursuant to  
34 K.S.A. 79-32,198, *and amendments thereto*. Any business firm which  
35 makes such a contribution after the effective date of this act and prior to  
36 July 1, 1998, shall be allowed a credit in accordance with this act, as if the  
37 contribution had been made in calendar year 1997, for the firm's tax  
38 liability for taxable years commencing after December 31, 1996.  
39 Notwithstanding any other provisions of this section, no business firm  
40 shall claim more than one credit for the same contribution.

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

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

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

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

24 Sec. 25. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,197a  
25 is hereby amended to read as follows: 79-32,197a. (a) Any business firm  
26 or business entity not subject to Kansas income, privilege or premiums tax,  
27 hereinafter designated the assignor, may sell, assign, convey or otherwise  
28 transfer tax credits allowed and earned pursuant to K.S.A. 79-32,196, and  
29 amendments thereto, for an amount not less than 50% of the value of any  
30 such credit. Such credits shall be deemed to be allowed and earned by any  
31 such business entity which is only disqualified therefrom by reason of not  
32 being subject to such Kansas taxes. The business firm acquiring earned  
33 credits, hereinafter designated the assignee, may use the amount of the  
34 acquired credits to offset up to 100% of its income, privilege or premiums  
35 tax liability for the taxable year in which such acquisition was made. Only  
36 the full credit amount for any one contribution may be transferred and  
37 such credit may be transferred one time. Unused credit amounts claimed  
38 by the assignee may be carried forward for up to five years, except that all  
39 such amounts shall be claimed within 10 years following the tax year in  
40 which the contribution was made. The assignor shall enter into a written  
41 agreement with the assignee establishing the terms and conditions of the  
42 agreement and shall perfect such transfer by notifying the director of  
43 community development of the department of commerce in writing within

1 30 calendar days following the effective date of the transfer and shall  
2 provide any information as may be required by the director of community  
3 development of the department of commerce to administer and carry out  
4 the provisions of this section. The amount received by the assignor of such  
5 tax credit shall be taxable as income of the assignor, and the excess of the  
6 value of such credit over the amount paid by the assignee for such credit  
7 shall be taxable as income of the assignee.

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

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

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

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

33 (d) The provisions of this section shall be applicable to all taxable  
34 years commencing after December 31, 1993.

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. 27. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,201  
41 is hereby amended to read as follows: 79-32,201. (a) Any taxpayer who  
42 makes expenditures for a qualified alternative-fueled motor vehicle or  
43 alternative-fuel fueling station shall be allowed a credit against the income

1 tax imposed by article 32 of chapter 79 of the Kansas Statutes Annotated,  
2 as follows:

3 (1) For any qualified alternative-fueled motor vehicle placed in  
4 service on or after January 1, 1996, and before January 1, 2005, an amount  
5 equal to 50% of the incremental cost or conversion cost for each qualified  
6 alternative-fueled motor vehicle but not to exceed \$3,000 for each such  
7 motor vehicle with a gross vehicle weight of less than 10,000 lbs.; \$5,000  
8 for a heavy duty motor vehicle with a gross vehicle weight of greater than  
9 10,000 lbs. but less than 26,000 lbs.; and \$50,000 for motor vehicles  
10 having a gross vehicle weight of greater than 26,000 lbs.;

11 (2) for any qualified alternative-fueled motor vehicle placed in  
12 service on or after January 1, 2005, an amount equal to 40% of the  
13 incremental cost or conversion cost for each qualified alternative-fueled  
14 motor vehicle, but not to exceed \$2,400 for each such motor vehicle with a  
15 gross vehicle weight of less than 10,000 lbs.; \$4,000 for a heavy duty  
16 motor vehicle with a gross vehicle weight of greater than 10,000 lbs. but  
17 less than 26,000 lbs.; and \$40,000 for motor vehicles having a gross  
18 vehicle weight of greater than 26,000 lbs.;

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

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

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

31 (b) If no credit has been claimed pursuant to subsection (a), a credit in  
32 an amount not exceeding the lesser of 5% of the cost of the vehicle or  
33 \$750 shall be allowed to a taxpayer who purchases a motor vehicle  
34 equipped by the vehicle manufacturer with an alternative fuel system and  
35 who is unable or elects not to determine the exact basis attributable to such  
36 property. The credit under this subsection shall be allowed only to the first  
37 individual to take title to such motor vehicle, other than for resale. The  
38 credit under this subsection for motor vehicles which are capable of  
39 operating on a blend of 85% ethanol and 15% gasoline shall be allowed for  
40 taxable years commencing after December 31, 1999, only if the individual  
41 claiming the credit furnishes evidence of the purchase, during the period of  
42 time beginning with the date of purchase of such vehicle and ending on  
43 December 31 of the next succeeding calendar year, of 500 gallons of such

1 ethanol and gasoline blend as may be required or is satisfactory to the  
2 secretary of revenue.

3 (c) The tax credit under subsection (a)(1) through (a)(4) or (b) shall  
4 be deducted from the taxpayer's income tax liability for the taxable year in  
5 which the expenditures are made by the taxpayer. If the amount of the tax  
6 credit exceeds the taxpayer's income tax liability for the taxable year, the  
7 amount which exceeds the tax liability may be carried over for deduction  
8 from the taxpayer's income tax liability in the next succeeding taxable year  
9 or years until the total amount of the tax credit has been deducted from tax  
10 liability, except that no such tax credit shall be carried over for deduction  
11 after the third taxable year succeeding the taxable year in which the  
12 expenditures are made.

13 (d) The tax credit under subsection (a)(5) shall be deducted from the  
14 taxpayer's income tax liability for the taxable year in which the  
15 expenditures are made by the taxpayer. If the amount of the tax credit  
16 exceeds the taxpayer's income tax liability for the taxable year, the amount  
17 which exceeds the tax liability may be carried over for deduction from the  
18 taxpayer's income tax liability in the next succeeding taxable year or years  
19 until the total amount of the tax credit has been deducted from tax liability,  
20 except that no such tax credit shall be carried over for deduction after the  
21 fourth taxable year in which the expenditures are made.

22 (e) As used in this section:

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

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

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

33 (B) dedicated motor vehicle: A motor vehicle with an engine designed  
34 to operate on a single alternative fuel only; or

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

40 (3) "Qualified alternative-fuel fueling station" means the property  
41 which is directly related to the delivery of alternative fuel into the fuel tank  
42 of a motor vehicle propelled by such fuel, including the compression  
43 equipment, storage vessels and dispensers for such fuel at the point where

1 such fuel is delivered but only if such property is primarily used to deliver  
2 such fuel for use in a qualified alternative-fueled motor vehicle.

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

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

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

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

15 (f) Except as otherwise more specifically provided, the provisions of  
16 this section shall apply to all taxable years commencing after December  
17 31, 1995.

18 (g) *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. 28. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,204  
24 is hereby amended to read as follows: 79-32,204. (a) As used in this  
25 section:

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

28 (2) "qualified swine facility" means a swine facility that: (A) Is  
29 owned and operated by a sole proprietorship or partnership or by a family  
30 farm corporation, authorized farm corporation, limited liability agricultural  
31 company, family farm limited liability agricultural company, limited  
32 agricultural partnership, family trust, authorized trust or testamentary trust,  
33 as defined by K.S.A. 17-5903, and amendments thereto; and (B) is  
34 utilizing its swine waste management system on January 1, 1998-; *and*

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

43 (b) There shall be allowed as a credit against the tax liability of a

1 taxpayer imposed under the Kansas income tax act an amount equal to not  
2 more than 50% of the costs incurred by the taxpayer for required  
3 improvements to a qualified swine facility. The tax credit allowed by this  
4 subsection shall be deducted from the taxpayer's income tax liability for  
5 the taxable year in which the expenditures are made by the taxpayer. If the  
6 amount of such tax credit exceeds the taxpayer's income tax liability for  
7 such taxable year, the taxpayer may carry over the amount thereof that  
8 exceeds such tax liability for deduction from the taxpayer's income tax  
9 liability in the next succeeding taxable year or years until the total amount  
10 of the tax credit has been deducted from tax liability, except that no such  
11 tax credit shall be carried over for deduction after the fourth taxable year  
12 succeeding the year in which the costs are incurred.

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

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

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

31 (1) The drilling of which was commenced before January 1, 1970;  
32 and

33 (2) which is located on land owned by the taxpayer claiming the tax  
34 credit allowed by this section.

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

42 (c) If the amount of the tax credit allowed by this section exceeds the  
43 taxpayer's income tax liability for such taxable year, the amount thereof

1 which exceeds such tax liability may be carried over for deduction from  
2 the taxpayer's income tax liability in the next succeeding taxable year or  
3 years until the total amount of the tax credit has been deducted from tax  
4 liability.

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

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

10 (f) *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. 30. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,210  
16 is hereby amended to read as follows: 79-32,210. (a) For all taxable years  
17 commencing after December 31, 2000, and with respect to property  
18 initially acquired and first placed into service in this state on and after  
19 January 1, 2001, there shall be allowed as a credit against the tax liability  
20 imposed by the Kansas income tax act of a telecommunications company,  
21 as defined in K.S.A. 79-3271, and amendments thereto, an amount equal  
22 to the difference between the property tax levied for property tax year  
23 2001, and all such years thereafter, and actually and timely paid during the  
24 appropriate income taxable year upon property assessed at the 33%  
25 assessment rate and the property tax which would be levied and paid on  
26 such property if assessed at a 25% assessment rate.

27 (b) If the amount of the tax credit determined under subsection (a)  
28 exceeds the tax liability for the telecommunications company for any  
29 taxable year, the amount thereof which exceeds such tax liability shall be  
30 refunded to the telecommunications company. If the telecommunications  
31 company is a corporation having an election in effect under subchapter S  
32 of the federal internal revenue code, a partnership or a limited liability  
33 company, the credit provided by this section shall be claimed by the  
34 shareholders of such corporation, the partners of such partnership or the  
35 members of such limited liability company in the same manner as such  
36 shareholders, partners or members account for their proportionate shares  
37 of income or loss of the corporation, partnership or limited liability  
38 company.

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

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

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

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

42 (2) "qualified historic structure" means any building, whether or not  
43 income producing, which is defined as a certified historic structure by

1 section 47(c)(3) of the federal internal revenue code, is individually listed  
2 on the register of Kansas historic places, or is located and contributes to a  
3 district listed on the register of Kansas historic places;

4 (3) "qualified rehabilitation plan" means a project which is approved  
5 by the cultural resources division of the state historical society, or by a  
6 local government certified by the division to so approve, as being  
7 consistent with the standards for rehabilitation and guidelines for  
8 rehabilitation of historic buildings as adopted by the federal secretary of  
9 interior and in effect on the effective date of this act. The society shall  
10 adopt rules and regulations providing application and approval procedures  
11 necessary to effectively and efficiently provide compliance with this act,  
12 and may collect fees in order to defray its approval costs in accordance  
13 with rules and regulations adopted therefor; and

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

17 If the taxpayer is a corporation having an election in effect under  
18 subchapter S of the federal internal revenue code, a partnership or a  
19 limited liability company, the credit provided by this section shall be  
20 claimed by the shareholders of such corporation, the partners of such  
21 partnership or the members of such limited liability company in the same  
22 manner as such shareholders, partners or members account for their  
23 proportionate shares of the income or loss of the corporation, partnership  
24 or limited liability company, or as the corporation, partnership or limited  
25 liability company mutually agree as provided in the bylaws or other  
26 executed agreement. Credits granted to a partnership, a limited liability  
27 company taxed as a partnership or other multiple owners of property shall  
28 be passed through to the partners, members or owners respectively pro rata  
29 or pursuant to an executed agreement among the partners, members or  
30 owners documenting any alternate distribution method.

31 (c) Any person, hereinafter designated the assignor, may sell, assign,  
32 convey or otherwise transfer tax credits allowed and earned pursuant to  
33 subsection (a). The taxpayer acquiring credits, hereinafter designated the  
34 assignee, may use the amount of the acquired credits to offset up to 100%  
35 of its income, privilege or premiums tax liability for either the taxable year  
36 in which the qualified rehabilitation plan was first placed into service or  
37 the taxable year in which such acquisition was made. Unused credit  
38 amounts claimed by the assignee may be carried forward for up to five  
39 years, except that all such amounts shall be claimed within 10 years  
40 following the tax year in which the qualified rehabilitation plan was first  
41 placed into service. The assignor shall enter into a written agreement with  
42 the assignee establishing the terms and conditions of the agreement and  
43 shall perfect such transfer by notifying the cultural resources division of

1 the state historical society in writing within 90 calendar days following the  
2 effective date of the transfer and shall provide any information as may be  
3 required by such division to administer and carry out the provisions of this  
4 section. The amount received by the assignor of such tax credit shall be  
5 taxable as income of the assignor, and the excess of the value of such  
6 credit over the amount paid by the assignee for such credit shall be taxable  
7 as income of the assignee.

8 *(d) 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. 32. On and after January 1, 2013, K.S.A. 2011 Supp. 79-32,212  
14 is hereby amended to read as follows: 79-32,212. (a) For taxable years  
15 2002 through 2021, there shall be allowed as a credit against the tax  
16 liability of a taxpayer imposed under the Kansas income tax act, an  
17 amount equal to 100% of the amount attributable to the retirement of  
18 indebtedness authorized by a single city port authority established before  
19 January 1, 2002. In no event shall the total amount of the credits allowed  
20 under this section exceed \$500,000 for any one fiscal year.

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

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

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

33 (1) "Refinery" has the meaning provided by K.S.A. 2011 Supp. 79-  
34 32,217, and amendments thereto.

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

40 (b) There shall be allowed as a credit against the tax liability of a  
41 taxpayer imposed under the Kansas income tax act an amount equal to the  
42 taxpayer's qualified expenditures. The tax credit allowed by this subsection  
43 shall be deducted from the taxpayer's income tax liability for the taxable

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

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

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

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

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

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

38 Sec. 34. K.S.A. 2011 Supp. 79-3603 is hereby amended to read as  
39 follows: 79-3603. For the privilege of engaging in the business of selling  
40 tangible personal property at retail in this state or rendering or furnishing  
41 any of the services taxable under this act, there is hereby levied and there  
42 shall be collected and paid a tax at the rate of 5.3%, and commencing July  
43 1, 2010, at the rate of 6.3%, and commencing July 1, 2013, at the rate of

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

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

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

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

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

41 (e) the gross receipts from the sale of admissions to any place  
42 providing amusement, entertainment or recreation services including  
43 admissions to state, county, district and local fairs, but such tax shall not

1 be levied and collected upon the gross receipts received from sales of  
2 admissions to any cultural and historical event which occurs triennially;

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

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

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

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

26 (j) the gross receipts from the rendering of the services of washing  
27 and washing and waxing of vehicles;

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

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

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

42 (m) the gross receipts received from fees and charges by public and  
43 private clubs, drinking establishments, organizations and businesses for

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

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

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

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

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

25 For the purposes of this subsection:

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

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

40 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water  
41 well, feedlot or any conveyance, transmission or distribution line of any  
42 cooperative, nonprofit, membership corporation organized under or subject  
43 to the provisions of K.S.A. 17-4601 *et seq.*, and amendments thereto, or

1 municipal or quasi-municipal corporation, including the land  
2 improvements immediately surrounding such facility;

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

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

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

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

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

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

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

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

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

41 Sec. 35. K.S.A. 2011 Supp. 79-3620 is hereby amended to read as  
42 follows: 79-3620. (a) All revenue collected or received by the director of  
43 taxation from the taxes imposed by this act shall be remitted to the state

1 treasurer in accordance with the provisions of K.S.A. 75-4215, and  
2 amendments thereto. Upon receipt of each such remittance, the state  
3 treasurer shall deposit the entire amount in the state treasury, less amounts  
4 withheld as provided in subsection (b) and amounts credited as provided in  
5 subsection (c), (d) and (e), to the credit of the state general fund.

6 (b) A refund fund, designated as "sales tax refund fund" not to exceed  
7 \$100,000 shall be set apart and maintained by the director from sales tax  
8 collections and estimated tax collections and held by the state treasurer for  
9 prompt payment of all sales tax refunds including refunds authorized  
10 under the provisions of K.S.A. 79-3635, and amendments thereto. Such  
11 fund shall be in such amount, within the limit set by this section, as the  
12 director shall determine is necessary to meet current refunding  
13 requirements under this act. In the event such fund as established by this  
14 section is, at any time, insufficient to provide for the payment of refunds  
15 due claimants thereof, the director shall certify the amount of additional  
16 funds required to the director of accounts and reports who shall promptly  
17 transfer the required amount from the state general fund to the sales tax  
18 refund fund, and notify the state treasurer, who shall make proper entry in  
19 the records.

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

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

30 (3) On July 1, 2006, the state treasurer shall credit  $\frac{19}{265}$  of the revenue  
31 collected and received from the tax imposed by K.S.A. 79-3603, 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 (4) On July 1, 2007, the state treasurer shall credit  $\frac{13}{106}$  of the revenue  
36 collected and received from the tax imposed by K.S.A. 79-3603, and  
37 amendments thereto, at the rate of 5.3%, and deposited as provided by  
38 subsection (a), exclusive of amounts credited pursuant to subsection (d), in  
39 the state highway fund.

40 (5) On July 1, 2010, the state treasurer shall credit 11.427% of the  
41 revenue collected and received from the tax imposed by K.S.A. 79-3603,  
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 (6) On July 1, 2011, the state treasurer shall credit 11.26% of the  
3 revenue collected and received from the tax imposed by K.S.A. 79-3603,  
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.

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

13 (8) On July 1, 2013, and thereafter, the state treasurer shall credit  
14 ~~18.421%~~ 17.05% of the revenue collected and received from the tax  
15 imposed by K.S.A. 79-3603, and amendments thereto, at the rate of ~~5.7%~~  
16 6.3%, and deposited as provided by subsection (a), exclusive of amounts  
17 credited pursuant to subsection (d), in the state highway fund.

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

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

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

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

41 Sec. 37. K.S.A. 2011 Supp. 79-3710 is hereby amended to read as  
42 follows: 79-3710. (a) All revenue collected or received by the director  
43 under the provisions of this act shall be remitted to the state treasurer in

1 accordance with the provisions of K.S.A. 75-4215, and amendments  
2 thereto. Upon receipt of each such remittance, the state treasurer shall  
3 deposit the entire amount in the state treasury, less amounts set apart as  
4 provided in subsection (b) and amounts credited as provided in subsection  
5 (c), (d) and (e), to the credit of the state general fund.

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

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

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

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

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

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

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

43 (7) On July 1, 2012, the state treasurer shall credit 11.233% of the

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

6 (8) On July 1, 2013, and thereafter, the state treasurer shall credit  
7 ~~18.421%~~ 17.05%

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

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

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

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

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

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

1 the gas is sold and purchased, or if not so specified, according to the test  
2 made by the balance method.

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

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

23 (2) the severance and production of oil which is: (A) From a lease or  
24 production unit whose average daily production is five barrels or less per  
25 producing well, which well or wells have not been significantly curtailed  
26 by reason of mechanical failure or other disruption of production; (B) from  
27 a lease or production unit, the producing well or wells upon which have a  
28 completion depth of 2,000 feet or more, and whose average daily  
29 production is six barrels or less per producing well or, if the price of oil as  
30 determined pursuant to subsection (d) is \$16 or less, whose average daily  
31 production is seven barrels or less per producing well, or, if the price of oil  
32 as determined pursuant to subsection (d) is \$15 or less, whose average  
33 daily production is eight barrels or less per producing well, or, if the price  
34 of oil as determined pursuant to subsection (d) is \$14 or less, whose  
35 average daily production is nine barrels or less per producing well, or, if  
36 the price of oil as determined pursuant to subsection (d) is \$13 or less,  
37 whose average daily production is 10 barrels or less per producing well,  
38 which well or wells have not been significantly curtailed by reason of  
39 mechanical failure or other disruption of production; (C) from a lease or  
40 production unit, whose production results from a tertiary recovery process.  
41 "Tertiary recovery process" means the process or processes described in  
42 subparagraphs (1) through (9) of 10 C.F.R. § 212.78(c) as in effect on June  
43 1, 1979; (D) from a lease or production unit, the producing well or wells

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

19 (3) (A) any taxpayer applying for an exemption pursuant to  
20 subsection (b)(2)(A) and (B) shall make application biennially to the  
21 director of taxation therefor. Exemptions granted pursuant to subsection  
22 (b)(2)(A) and (B) shall be valid for a period of two years following the  
23 date of certification thereof by the director of taxation; (B) any taxpayer  
24 applying for an exemption pursuant to subsection (b)(2)(D) or (E) shall  
25 make application biennially to the director of taxation therefor. Such  
26 application shall be accompanied by proof of the approval of an  
27 application for the utilization of a water flood process therefor by the  
28 corporation commission pursuant to rules and regulations adopted under  
29 the authority of K.S.A. 55-152, and amendments thereto, and proof that  
30 the oil produced therefrom is kept in a separate tank battery and that  
31 separate books and records are maintained therefor. Such exemption shall  
32 be valid for a period of two years following the date of certification thereof  
33 by the director of taxation; (C) any exemption granted pursuant to  
34 subsections (b)(2)(A), (B), (D) or (E) with an odd lease number and an  
35 exemption termination date between June 1, 2004, and May 31, 2005,  
36 inclusive, shall be valid for a period of one year following the date of  
37 certification; and (D) notwithstanding the provisions of paragraph (A) or  
38 (B), any exemption in effect on the effective date of this act affected by the  
39 amendments to subsection (b)(2) by this act shall be redetermined in  
40 accordance with such amendments. Any such exemption, and any new  
41 exemption established by such amendments and applied for after the  
42 effective date of this shall be valid for a period commencing with May 1,  
43 1998, and ending on April 30, 1999.

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

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

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

43 ~~(6)~~ (7) (A) The incremental severance and production of oil or gas

1 which results from a production enhancement project begun on or after  
2 July 1, 1998, shall be exempt for a period of seven years from the startup  
3 date of such project. As used in this paragraph (6):

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

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

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

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

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

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

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

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

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

42 (7) for the calendar year 1988, and any year thereafter, the severance  
43 or production of the first 350,000 tons of coal from any mine as certified

1 by the state geological survey.

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

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

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

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

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

1 by a governmental agency, nor shall net operating losses and net capital  
2 losses be considered in the determination of income. Income does not  
3 include veterans disability pensions. Income does not include disability  
4 payments received under the federal social security act.

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

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

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

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

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

38 (f) "Property taxes accrued" means property taxes, exclusive of  
39 special assessments, delinquent interest and charges for service, levied on  
40 a claimant's homestead in 1979 or any calendar year thereafter by the state  
41 of Kansas and the political and taxing subdivisions of the state. When a  
42 homestead is owned by two or more persons or entities as joint tenants or  
43 tenants in common and one or more of the persons or entities is not a

1 member of claimant's household, "property taxes accrued" is that part of  
2 property taxes levied on the homestead that reflects the ownership  
3 percentage of the claimant's household. For purposes of this act, property  
4 taxes are "levied" when the tax roll is delivered to the local treasurer with  
5 the treasurer's warrant for collection. When a claimant and household own  
6 their homestead part of a calendar year, "property taxes accrued" means  
7 only taxes levied on the homestead when both owned and occupied as a  
8 homestead by the claimant's household at the time of the levy, multiplied  
9 by the percentage of 12 months that the property was owned and occupied  
10 by the household as its homestead in the year. When a household owns and  
11 occupies two or more different homesteads in the same calendar year,  
12 property taxes accrued shall be the sum of the taxes allocable to those  
13 several properties while occupied by the household as its homestead  
14 during the year. Whenever a homestead is an integral part of a larger unit  
15 such as a multi-purpose or multi-dwelling building, property taxes accrued  
16 shall be that percentage of the total property taxes accrued as the value of  
17 the homestead is of the total value. For the purpose of this act, the word  
18 "unit" refers to that parcel of property covered by a single tax statement of  
19 which the homestead is a part.

20 (g) "Disability" means:

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

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

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

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

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

32 Sec. 41. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4508 is  
 33 hereby amended to read as follows: 79-4508. (a) Commencing in the tax  
 34 year beginning after December 31, 2005, the amount of any claim pursuant  
 35 to this act shall be computed by deducting the amount computed under  
 36 column (2) from the amount of claimant's property tax accrued ~~and/or rent~~  
 37 ~~constituting property tax accrued.~~

	(1)		(2)
	Claimants household		Deduction from property tax
	income		accrued <del>and/or rent</del>
		But not	constituting
	At least	more than	property tax accrued
42	\$0	\$6,000	\$0
44	6,001	7,000	4%
45	7,001	16,000	4% plus 4% of every \$1,000, or

1			fraction thereof, of income in
2			excess of \$7,001
3	16,001	27,000	40% plus 5% of every \$1,000,
4			or fraction thereof, of income in
5			excess of \$16,001
6	27,001	27,600	95%
7			

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

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

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

21 Sec. 42. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4509 is  
 22 hereby amended to read as follows: 79-4509. In the event property taxes  
 23 accrued, ~~rent constituting property taxes accrued or their sum~~ exceeds  
 24 \$700 for a household in any one year, the amount thereof shall, for  
 25 purposes of this act, be deemed to have been \$700.

26 Sec. 43. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4511 is  
 27 hereby amended to read as follows: 79-4511. (a) Every claimant under this  
 28 act shall supply to the division, in support of a claim, reasonable proof of  
 29 age or disability, and changes of homestead, household membership,  
 30 household income, and size and nature of property claimed as the  
 31 homestead. A claim alleging disability shall be supported by a report of the  
 32 examining physician of the claimant with a statement or certificate that the  
 33 applicant has a disability within the meaning of subsection (g) of K.S.A.  
 34 79-4502, and amendments thereto.

35 (b) Every claimant who is a homestead owner, or whose claim is  
 36 based wholly or partly upon homestead ownership at some time during the  
 37 calendar year, shall supply to the division, in support of a claim, the  
 38 amount of property taxes levied upon the property claimed as a homestead  
 39 and a statement that the property taxes accrued used for purposes of this  
 40 act have been or will be paid by the claimant. Upon request by the  
 41 division, such claimant shall provide a copy of the statement of property  
 42 taxes levied upon the property claimed as a homestead. The amount of  
 43 personal property taxes levied on a manufactured home or mobile home  
 44 shall be set out on the personal property tax statement showing the amount  
 45 of such tax as a separate item.

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

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

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

22       New Sec. 45. (a) (1) Except as provided in subsection (a)(2),  
23 commencing with fiscal year 2015, in any fiscal year in which the amount  
24 of actual state general fund receipts from such fiscal year exceeds the  
25 actual state general fund receipts for the immediately preceding fiscal year  
26 by more than 2% and the actual ending state general fund balance exceeds  
27 the amount of 7.5% of the total amount authorized to be expended or  
28 transferred by demand transfer from the state general fund in such fiscal  
29 year, as determined under subsection (b) of K.S.A. 75-6702, and  
30 amendments thereto, the director of budget and the director of legislative  
31 research shall jointly certify such excess amount to the secretary of  
32 revenue. Upon receipt of such certified amount, the secretary shall  
33 estimate the individual income tax and corporate income tax rate  
34 reductions to go into effect for the next tax year that would decrease by  
35 such certified amount the estimated individual income tax and corporate  
36 income tax receipts during the fiscal year after the next fiscal year. Such  
37 rate reductions shall be estimated so that the revenue reductions for  
38 individual income tax receipts and corporate income tax receipts will be in  
39 the same proportion as individual income tax receipts and corporate  
40 income tax receipts are to the total of individual and corporate income tax  
41 receipts. Rate reductions for individual and corporate income tax shall be  
42 applied to reduce the highest marginal rate applicable. Based on such  
43 determination, the secretary shall reduce individual and corporate income

1 tax rates prescribed by K.S.A. 79-32,110, and amendments thereto.

2 (2) In any fiscal year in which the amount of actual state general fund  
3 receipts for such fiscal year are less than 102% of the actual state general  
4 fund receipts from any prior fiscal year or the actual ending state general  
5 fund balance is equal to or less than the amount equal to 7.5% of the total  
6 amount authorized to be expended or transferred by demand transfer from  
7 the state general fund in such fiscal year, as determined under subsection  
8 (b) of K.S.A. 75-6702, and amendments thereto, the director of budget and  
9 the director of legislative research shall jointly certify such amount and  
10 fact to the secretary of revenue. Upon receipt of such amount and fact, the  
11 secretary shall not make any adjustment to the individual and corporate  
12 income tax rates.

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

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

19 New Sec. 46. Any nonrefundable credits applicable to the Kansas  
20 income tax imposed on individuals that are no longer available  
21 commencing in tax year 2013 pursuant to this act and earned in any tax  
22 year prior to 2013 which are unused may continue to be claimed, subject  
23 to the limitations applicable to any such credit pursuant to law at the time  
24 such credit was earned.

25 Sec. 47. K.S.A. 2011 Supp. 79-3603, 79-3620, 79-3703, 79-3710 and  
26 79-4217 are hereby repealed.

27 Sec. 48. On and after January 1, 2013, K.S.A. 39-7,132, 65-7107,  
28 74-8206, 74-8304, 79-32,118, 79-32,128, 79-32,176, 79-32,177, 79-  
29 32,182, 79-32,190, 79-32,200, 79-3634, 79-3636 and 79-3638 and K.S.A.  
30 2011 Supp. 40-2246, 74-50,173, 74-50,208, 74-8131, 74-8132, 74-8133,  
31 74-8134, 74-8135, 74-8136, 74-8137, 74-8316, 74-8401, 79-32,110, 79-  
32 32,111, 79-32,111a, 79-32,117, 79-32,119, 79-32,120, 79-32,138, 79-  
33 32,143, 79-32,143a, 79-32,182b, 79-32,196, 79-32,197, 79-32,197a, 79-  
34 32,201, 79-32,202, 79-32,204, 79-32,205, 79-32,207, 79-32,210, 79-  
35 32,211, 79-32,212, 79-32,213, 79-32,222, 79-32,242, 79-3633, 79-3635,  
36 79-3637, 79-3639, 79-4501, 79-4502, 79-4508, 79-4509, 79-4511 and 79-  
37 4522 are hereby repealed.

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