

**SENATE BILL No. 449**

By Committee on Assessment and Taxation

3-19

1 AN ACT concerning ~~savings programs~~ **{taxation}**; relating to  
2 ~~beneficiaries of~~ ABLÉ accounts, transfers, **{beneficiaries,}** qualified  
3 higher education expenses; income taxation, deduction for  
4 contributions; **{credits, certain purchases of goods and services from**  
5 **qualified vendors that provide employment to disabled persons;}**  
6 amending K.S.A. 2017 Supp. 75-655 and 79-32,117 and repealing the  
7 existing sections.  
8

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

10 Section 1. K.S.A. 2017 Supp. 75-655 is hereby amended to read as  
11 follows: 75-655. (a) Any ABLÉ savings accounts established pursuant to  
12 the provisions of this act shall be opened by a designated beneficiary or a  
13 conservator or guardian of a designated beneficiary who lacks capacity to  
14 enter into a contract and each beneficiary may have only one account. The  
15 treasurer may establish a nonrefundable application fee. An application for  
16 such account shall be in the form prescribed by the treasurer and contain  
17 the:

18 (1) Name, address and social security number of the account owner;  
19 (2) name, address and social security number of the designated  
20 beneficiary, if the account owner is the beneficiary's conservator or  
21 guardian;

22 (3) certification relating to no excess contributions; and  
23 (4) additional information as the treasurer may require.

24 (b) Any person may make contributions to an ABLÉ savings account  
25 after the account is opened, subject to the limitations imposed by section  
26 529A of the federal internal revenue code of 1986, as amended, or any  
27 rules and regulations promulgated by the secretary pursuant to this act.

28 (c) Contributions to ABLÉ savings accounts only may be made in  
29 cash. The treasurer or program manager shall reject or promptly withdraw  
30 contributions:

31 (1) In excess of the limits established pursuant to subsection (b); or  
32 (2) the total contributions if the:

33 (A) Value of the account is equal to or greater than the account  
34 maximum established by the treasurer. Such account maximum must be

1 equal to the account maximum for postsecondary education savings  
2 accounts established pursuant to K.S.A. 75-640 et seq., and amendments  
3 thereto; or

4 (B) designated beneficiary is not an eligible individual in the current  
5 calendar year.

6 (d) (1) An account owner may:

7 (A) Change the designated beneficiary of an account to an individual  
8 who is a member of the family of the prior designated beneficiary in  
9 accordance with procedures established by the treasurer; and

10 (B) transfer all or a portion of an account to another ABLÉ savings  
11 account, the designated beneficiary of which is a member of the family as  
12 defined in section 529A of the federal internal revenue code of 1986, as  
13 amended.

14 (2) No account owner may use an interest in an account as security  
15 for a loan. Any pledge of an interest in an account shall be of no force and  
16 effect.

17 (e) (1) If there is any distribution from an account to any individual or  
18 for the benefit of any individual during a calendar year, such distribution  
19 shall be reported to the federal internal revenue service and each account  
20 owner, the designated beneficiary or the distributee to the extent required  
21 by state or federal law.

22 (2) Statements shall be provided to each account owner at least four  
23 times each year within 30 days after the end of the three-month period to  
24 which a statement relates. The statement shall identify the contributions  
25 made during the preceding three-month period, the total contributions  
26 made to the account through the end of the period, the value of the account  
27 at the end of such period, distributions made during such period and any  
28 other information that the treasurer shall require to be reported to the  
29 account owner.

30 (3) Statements and information relating to accounts shall be prepared  
31 and filed to the extent required by this act and any other state or federal  
32 law.

33 (f) (1) The program shall provide separate accounting for each  
34 designated beneficiary. An annual fee may be imposed upon the account  
35 owner for the maintenance of an account.

36 (2) Moneys in an ABLÉ savings account:

37 ~~(A) shall be exempt from attachment, execution or garnishment as~~  
38 ~~provided by K.S.A. 60-2308, and amendments thereto; and~~

39 ~~(B) may be claimed by the Kansas medicaid plan only after the death~~  
40 ~~of the designated beneficiary subject to limitations imposed by the~~  
41 ~~secretary.~~

42 (g) *Except as otherwise provided by federal law, the proceeds from*  
43 *an account may be transferred upon the death of a designated beneficiary*

1 to: (1) The estate of a designated beneficiary; or (2) an account for  
2 another eligible individual specified by the designated beneficiary or the  
3 estate of the designated beneficiary. The state of Kansas, or any agency or  
4 instrumentality thereof, shall not seek payment under section 529A of the  
5 internal revenue code of 1986, as amended, from the account, or its  
6 proceeds, for benefits provided to a designated beneficiary, **unless**  
7 **otherwise required by section 1917(b) of the federal social security act,**  
8 **42 U.S.C. § 1396p(b).**

9 Sec. 2. K.S.A. 2017 Supp. 79-32,117 is hereby amended to read as  
10 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
11 means such individual's federal adjusted gross income for the taxable year,  
12 with the modifications specified in this section.

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

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

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

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

37 (iv) Federal income tax refunds received by the taxpayer if the  
38 deduction of the taxes being refunded resulted in a tax benefit for Kansas  
39 income tax purposes during a prior taxable year. Such refunds shall be  
40 included in income in the year actually received regardless of the method  
41 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall  
42 be deemed to have resulted if the amount of the tax had been deducted in  
43 determining income subject to a Kansas income tax for a prior year

1 regardless of the rate of taxation applied in such prior year to the Kansas  
2 taxable income, but only that portion of the refund shall be included as  
3 bears the same proportion to the total refund received as the federal taxes  
4 deducted in the year to which such refund is attributable bears to the total  
5 federal income taxes paid for such year. For purposes of the foregoing  
6 sentence, federal taxes shall be considered to have been deducted only to  
7 the extent such deduction does not reduce Kansas taxable income below  
8 zero.

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

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

17 (vii) The amount of any charitable contribution made to the extent the  
18 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-  
19 32,196, and amendments thereto.

20 (viii) The amount of any costs incurred for improvements to a swine  
21 facility, claimed for deduction in determining federal adjusted gross  
22 income, to the extent the same is claimed as the basis for any credit  
23 allowed pursuant to K.S.A. 2017 Supp. 79-32,204, and amendments  
24 thereto.

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

31 (x) Amounts received as nonqualified withdrawals, as defined by  
32 K.S.A. 2017 Supp. 75-643, and amendments thereto, if, at the time of  
33 contribution to a family postsecondary education savings account, such  
34 amounts were subtracted from the federal adjusted gross income pursuant  
35 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts  
36 are not already included in the federal adjusted gross income.

37 (xi) The amount of any contribution made to the same extent the  
38 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2017  
39 Supp. 74-50,154, and amendments thereto.

40 (xii) For taxable years commencing after December 31, 2004,  
41 amounts received as withdrawals not in accordance with the provisions of  
42 K.S.A. 2017 Supp. 74-50,204, and amendments thereto, if, at the time of  
43 contribution to an individual development account, such amounts were

1 subtracted from the federal adjusted gross income pursuant to subsection  
2 (c)(xiii), or if such amounts are not already included in the federal adjusted  
3 gross income.

4 (xiii) The amount of any expenditures claimed for deduction in  
5 determining federal adjusted gross income, to the extent the same is  
6 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.  
7 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

8 (xiv) The amount of any amortization deduction claimed in  
9 determining federal adjusted gross income to the extent the same is  
10 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,221, and  
11 amendments thereto.

12 (xv) The amount of any expenditures claimed for deduction in  
13 determining federal adjusted gross income, to the extent the same is  
14 claimed as the basis for any credit allowed pursuant to K.S.A. 2017 Supp.  
15 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233  
16 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-  
17 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

18 (xvi) The amount of any amortization deduction claimed in  
19 determining federal adjusted gross income to the extent the same is  
20 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,227, 79-  
21 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments  
22 thereto.

23 (xvii) The amount of any amortization deduction claimed in  
24 determining federal adjusted gross income to the extent the same is  
25 claimed for deduction pursuant to K.S.A. 2017 Supp. 79-32,256, and  
26 amendments thereto.

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

37 (xix) For taxable years beginning after December 31, 2012, and  
38 ending before January 1, 2017, the amount of any: (1) Loss from business  
39 as determined under the federal internal revenue code and reported from  
40 schedule C and on line 12 of the taxpayer's form 1040 federal individual  
41 income tax return; (2) loss from rental real estate, royalties, partnerships, S  
42 corporations, except those with wholly owned subsidiaries subject to the  
43 Kansas privilege tax, estates, trusts, residual interest in real estate

1 mortgage investment conduits and net farm rental as determined under the  
2 federal internal revenue code and reported from schedule E and on line 17  
3 of the taxpayer's form 1040 federal individual income tax return; and (3)  
4 farm loss as determined under the federal internal revenue code and  
5 reported from schedule F and on line 18 of the taxpayer's form 1040  
6 federal income tax return; all to the extent deducted or subtracted in  
7 determining the taxpayer's federal adjusted gross income. For purposes of  
8 this subsection, references to the federal form 1040 and federal schedule  
9 C, schedule E, and schedule F, shall be to such form and schedules as they  
10 existed for tax year 2011, and as revised thereafter by the internal revenue  
11 service.

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

20 (xxi) For taxable years beginning after December 31, 2012, and  
21 ending before January 1, 2017, the amount of any deduction for pension,  
22 profit sharing, and annuity plans of self-employed individuals under  
23 section 62(a)(6) of the federal internal revenue code as in effect on January  
24 1, 2012, and amendments thereto, in determining the federal adjusted gross  
25 income of an individual taxpayer.

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

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

36 (xxiv) For taxable years commencing after December 31, 2013, that  
37 portion of the amount of any expenditure deduction claimed in  
38 determining federal adjusted gross income for expenses paid for medical  
39 care of the taxpayer or the taxpayer's spouse or dependents when such  
40 expenses were paid or incurred for an abortion, or for a health benefit plan,  
41 as defined in K.S.A. 2017 Supp. 65-6731, and amendments thereto, for the  
42 purchase of an optional rider for coverage of abortion in accordance with  
43 K.S.A. 2017 Supp. 40-2,190, and amendments thereto, to the extent that

1 such taxes and assessments are claimed as an itemized deduction for  
2 federal income tax purposes.

3 (xxv) For taxable years commencing after December 31, 2013, that  
4 portion of the amount of any expenditure deduction claimed in  
5 determining federal adjusted gross income for expenses paid by a taxpayer  
6 for health care when such expenses were paid or incurred for abortion  
7 coverage, a health benefit plan, as defined in K.S.A. 2017 Supp. 65-6731,  
8 and amendments thereto, when such expenses were paid or incurred for  
9 abortion coverage or amounts contributed to health savings accounts for  
10 such taxpayer's employees for the purchase of an optional rider for  
11 coverage of abortion in accordance with K.S.A. 2017 Supp. 40-2,190, and  
12 amendments thereto, to the extent that such taxes and assessments are  
13 claimed as a deduction for federal income tax purposes.

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

15 (i) Interest or dividend income on obligations or securities of any  
16 authority, commission or instrumentality of the United States and its  
17 possessions less any related expenses directly incurred in the purchase of  
18 such obligations or securities, to the extent included in federal adjusted  
19 gross income but exempt from state income taxes under the laws of the  
20 United States.

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

24 (iii) The portion of any gain or loss from the sale or other disposition  
25 of property having a higher adjusted basis for Kansas income tax purposes  
26 than for federal income tax purposes on the date such property was sold or  
27 disposed of in a transaction in which gain or loss was recognized for  
28 purposes of federal income tax that does not exceed such difference in  
29 basis, but if a gain is considered a long-term capital gain for federal  
30 income tax purposes, the modification shall be limited to that portion of  
31 such gain which is included in federal adjusted gross income.

32 (iv) The amount necessary to prevent the taxation under this act of  
33 any annuity or other amount of income or gain which was properly  
34 included in income or gain and was taxed under the laws of this state for a  
35 taxable year prior to the effective date of this act, as amended, to the  
36 taxpayer, or to a decedent by reason of whose death the taxpayer acquired  
37 the right to receive the income or gain, or to a trust or estate from which  
38 the taxpayer received the income or gain.

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

43 (vi) Accumulation distributions received by a taxpayer as a

1 beneficiary of a trust to the extent that the same are included in federal  
2 adjusted gross income.

3 (vii) Amounts received as annuities under the federal civil service  
4 retirement system from the civil service retirement and disability fund and  
5 other amounts received as retirement benefits in whatever form which  
6 were earned for being employed by the federal government or for service  
7 in the armed forces of the United States.

8 (viii) Amounts received by retired railroad employees as a  
9 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and  
10 228c (a)(1) et seq.

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

16 (x) For taxable years beginning after December 31, 1976, the amount  
17 of the federal tentative jobs tax credit disallowance under the provisions of  
18 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the  
19 amount of the targeted jobs tax credit and work incentive credit  
20 disallowances under 26 U.S.C. § 280 C.

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

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

27 (xiii) For taxable years beginning after December 31, 2004, amounts  
28 contributed to and the amount of income earned on contributions deposited  
29 to an individual development account under K.S.A. 2017 Supp. 74-50,201  
30 et seq., and amendments thereto.

31 (xiv) For all taxable years commencing after December 31, 1996, that  
32 portion of any income of a bank organized under the laws of this state or  
33 any other state, a national banking association organized under the laws of  
34 the United States, an association organized under the savings and loan  
35 code of this state or any other state, or a federal savings association  
36 organized under the laws of the United States, for which an election as an  
37 S corporation under subchapter S of the federal internal revenue code is in  
38 effect, which accrues to the taxpayer who is a stockholder of such  
39 corporation and which is not distributed to the stockholders as dividends of  
40 the corporation. For taxable years beginning after December 31, 2012, and  
41 ending before January 1, 2017, the amount of modification under this  
42 subsection shall exclude the portion of income or loss reported on schedule  
43 E and included on line 17 of the taxpayer's form 1040 federal individual



1 income tax return.

2 (xv) For all taxable years beginning after December 31, ~~2006~~ 2017,  
3 *the cumulative* amounts not exceeding \$3,000, or \$6,000 for a married  
4 couple filing a joint return, for each designated beneficiary ~~which~~ *that* are  
5 contributed to: (1) A family postsecondary education savings account  
6 established under the Kansas postsecondary education savings program or  
7 a qualified tuition program established and maintained by another state or  
8 agency or instrumentality thereof pursuant to section 529 of the internal  
9 revenue code of 1986, as amended, for the purpose of paying the qualified  
10 higher education expenses of a designated beneficiary ~~at an institution of~~  
11 ~~postsecondary education;~~ *or (2) an achieving a better life experience*  
12 *(ABLE) account established under the Kansas ABLE savings program or a*  
13 *qualified ABLE program established and maintained by another state or*  
14 *agency or instrumentality thereof pursuant to section 529A of the internal*  
15 *revenue code of 1986, as amended, for the purpose of saving private funds*  
16 *to support an individual with a disability.* The terms and phrases used in  
17 this paragraph shall have the meaning respectively ascribed thereto by the  
18 provisions of K.S.A. 2017 Supp. 75-643 *and 75-652*, and amendments  
19 thereto, and the provisions of such ~~section~~ *sections* are hereby incorporated  
20 by reference for all purposes thereof.

21 (xvi) For all taxable years beginning after December 31, 2004,  
22 amounts received by taxpayers who are or were members of the armed  
23 forces of the United States, including service in the Kansas army and air  
24 national guard, as a recruitment, sign up or retention bonus received by  
25 such taxpayer as an incentive to join, enlist or remain in the armed services  
26 of the United States, including service in the Kansas army and air national  
27 guard, and amounts received for repayment of educational or student loans  
28 incurred by or obligated to such taxpayer and received by such taxpayer as  
29 a result of such taxpayer's service in the armed forces of the United States,  
30 including service in the Kansas army and air national guard.

31 (xvii) For all taxable years beginning after December 31, 2004,  
32 amounts received by taxpayers who are eligible members of the Kansas  
33 army and air national guard as a reimbursement pursuant to K.S.A. 48-  
34 281, and amendments thereto, and amounts received for death benefits  
35 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section  
36 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and  
37 amendments thereto, to the extent that such death benefits are included in  
38 federal adjusted gross income of the taxpayer.

39 (xviii) For the taxable year beginning after December 31, 2006,  
40 amounts received as benefits under the federal social security act which  
41 are included in federal adjusted gross income of a taxpayer with federal  
42 adjusted gross income of \$50,000 or less, whether such taxpayer's filing  
43 status is single, head of household, married filing separate or married filing

1 jointly; and for all taxable years beginning after December 31, 2007,  
2 amounts received as benefits under the federal social security act which  
3 are included in federal adjusted gross income of a taxpayer with federal  
4 adjusted gross income of \$75,000 or less, whether such taxpayer's filing  
5 status is single, head of household, married filing separate or married filing  
6 jointly.

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

9 (xx) For taxable years beginning after December 31, 2012, and  
10 ending before January 1, 2017, the amount of any: (1) Net profit from  
11 business as determined under the federal internal revenue code and  
12 reported from schedule C and on line 12 of the taxpayer's form 1040  
13 federal individual income tax return; (2) net income, not including  
14 guaranteed payments as defined in section 707(c) of the federal internal  
15 revenue code and as reported to the taxpayer from federal schedule K-1,  
16 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal  
17 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,  
18 partnerships, S corporations, estates, trusts, residual interest in real estate  
19 mortgage investment conduits and net farm rental as determined under the  
20 federal internal revenue code and reported from schedule E and on line 17  
21 of the taxpayer's form 1040 federal individual income tax return; and (3)  
22 net farm profit as determined under the federal internal revenue code and  
23 reported from schedule F and on line 18 of the taxpayer's form 1040  
24 federal income tax return; all to the extent included in the taxpayer's  
25 federal adjusted gross income. For purposes of this subsection, references  
26 to the federal form 1040 and federal schedule C, schedule E, and schedule  
27 F, shall be to such form and schedules as they existed for tax year 2011  
28 and as revised thereafter by the internal revenue service.

29 (xxi) For all taxable years beginning after December 31, 2013,  
30 amounts equal to the unreimbursed travel, lodging and medical  
31 expenditures directly incurred by a taxpayer while living, or a dependent  
32 of the taxpayer while living, for the donation of one or more human organs  
33 of the taxpayer, or a dependent of the taxpayer, to another person for  
34 human organ transplantation. The expenses may be claimed as a  
35 subtraction modification provided for in this section to the extent the  
36 expenses are not already subtracted from the taxpayer's federal adjusted  
37 gross income. In no circumstances shall the subtraction modification  
38 provided for in this section for any individual, or a dependent, exceed  
39 \$5,000. As used in this section, "human organ" means all or part of a liver,  
40 pancreas, kidney, intestine, lung or bone marrow. The provisions of this  
41 paragraph shall take effect on the day the secretary of revenue certifies to  
42 the director of the budget that the cost for the department of revenue of  
43 modifications to the automated tax system for the purpose of

1 implementing this paragraph will not exceed \$20,000.

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

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

19 (xxiv) For taxable years beginning after December 31, 2013, and  
20 ending before January 1, 2017, the net gain from the sale from Christmas  
21 trees grown in Kansas and held by the taxpayer for six years or more.

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

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

31 (f) No taxpayer shall be assessed penalties and interest from the  
32 underpayment of taxes due to changes to this section that became law on  
33 July 1, 2017, so long as such underpayment is rectified on or before April  
34 17, 2018.

35 **{New Sec. 3. (a) For tax years 2018 through 2022, a credit shall be**  
36 **allowed against the tax imposed by the Kansas income tax act in an**  
37 **amount equal to 15% of the amount for expenditures of goods and**  
38 **services purchased by the taxpayer from a qualified vendor on and**  
39 **after January 1, 2018, and before January 1, 2023, as certified by the**  
40 **secretary of commerce as provided in subsection (c). The amount of**  
41 **such credit awarded for each taxpayer shall not exceed \$500,000 per**  
42 **qualified vendor per tax year. In no event shall the total amount of**  
43 **cumulative credits allowed under this section exceed \$5,000,000 for all**

1 tax years that the credit remains in effect.

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

12 (c) The secretary of commerce shall annually certify that  
13 expenditures for goods and services purchased by a taxpayer subject  
14 to the tax credit provided in this section were made from a qualified  
15 vendor, and provide such certification to the secretary of revenue. The  
16 secretary of commerce is hereby authorized to promulgate rules and  
17 regulations for establishing criteria based on the provisions of K.S.A.  
18 75-3317 et seq., and amendments thereto, for evaluating whether  
19 purchases by taxpayers from a qualified vendor should be certified as  
20 provided in this section, with the assistance and approval of the  
21 secretary of revenue.

22 (d) As used in this section:

23 (1) "Certified business" means any business certified by the  
24 department of administration that is a sole proprietorship,  
25 partnership, association or corporation domiciled in Kansas, or any  
26 corporation, even if a wholly owned subsidiary of a foreign  
27 corporation, that:

28 (A) Does business primarily in Kansas or substantially all of its  
29 production in Kansas;

30 (B) employs at least 30% of its employees who are individuals  
31 with disabilities and reside in Kansas;

32 (C) offers to contribute at least 75% of the premium cost for  
33 individual health insurance coverage for each employee. The  
34 department of administration shall require a certification of these  
35 facts; and

36 (D) does not employ individuals under a certificate issued by the  
37 United States secretary of labor under 29 U.S.C. § 214(c);

38 (2) "individuals with disabilities" or "individual with a  
39 disability" means any individual who:

40 (A) Is certified by the Kansas department for aging and disability  
41 services or by the Kansas department for children and families which  
42 administers the rehabilitation services program as having a physical  
43 or mental impairment which constitutes a substantial barrier to

1 employment;

2 (B) works a minimum number of hours per week for a certified  
3 business necessary to qualify for health insurance coverage offered  
4 pursuant to subsection (d)(1); and

5 (C) (i) is receiving services, has received services or is eligible to  
6 receive services under a home and community based services  
7 program, as defined by K.S.A. 39-7,100, and amendments thereto;

8 (ii) is employed by a charitable organization domiciled in the  
9 state of Kansas and exempt from federal income taxation pursuant to  
10 section 501(c)(3) of the federal internal revenue code of 1986, as  
11 amended; or

12 (iii) is an individual with a disability pursuant to the disability  
13 standards established by the social security administration as  
14 determined by the Kansas disability determination services under the  
15 Kansas department for children and families; and

16 (3) "qualified vendor" means an entity that:

17 (A) Is a "qualified vendor" pursuant to K.S.A. 75-3317, and  
18 amendments thereto, or is a "certified business" that is also a  
19 nonprofit organization pursuant to K.S.A. 75-3740, and amendments  
20 thereto;

21 (B) pays minimum wage or above to all their employees in a  
22 manner that meets the definition of "competitive employment"  
23 pursuant to K.S.A. 44-1136, and amendments thereto;

24 (C) meets the definition of employing all of their workers in an  
25 "integrated setting" pursuant to K.S.A. 44-1136, and amendments  
26 thereto; and

27 (D) offers a qualified company-sponsored insurance plan under  
28 the affordable care act or pays the required subsidy to the internal  
29 revenue service for employees who purchase insurance through the  
30 open market, if a company-sponsored plan is not offered. If any such  
31 company is not covered under the affordable care act, and does not  
32 offer a company-sponsored insurance plan, such company must offer  
33 assistance to the employee to cover at least 75% of their health  
34 insurance costs through a health savings account or other legal and  
35 appropriate methodology.

36 (e) The secretary of revenue shall report to the house committee  
37 on taxation and the senate committee on assessment and taxation on  
38 or before February 1, 2020, 2021 and 2022 concerning the  
39 implementation and effectiveness of the credit provided in this  
40 section.}

41 Sec. ~~3~~ {4} K.S.A. 2017 Supp. 75-655 and 79-32,117 are hereby  
42 repealed.

43 Sec. ~~4~~ {5} This act shall take effect and be in force from and after its

- 1 publication in the statute book.