

HOUSE BILL No. 2465

By Committee on Taxation

3-16

1 AN ACT concerning income taxation; relating to the salt parity act;
2 clarifying the determination of taxable income of an electing pass-
3 through entity; providing for the passing through of tax credits to
4 electing pass-through entity owners; *relating to Kansas adjusted gross*
5 *income; providing subtraction modifications for certain federal credit*
6 *disallowances and the employee retention credit disallowance and to*
7 *permit the carryforward of certain net operating losses; clarifying the*
8 *disallowed business interest expense deduction*; amending K.S.A.
9 2022 2023 Supp. 79-32,117, 79-32,284 and 79-32,287 and repealing
10 the existing ~~section~~ sections.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 *Section 1. K.S.A. 2023 Supp. 79-32,117 is hereby amended to read*
14 *as follows: 79-32,117. (a) The Kansas adjusted gross income of an*
15 *individual means such individual's federal adjusted gross income for the*
16 *taxable year, with the modifications specified in this section.*

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

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

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

1 *thereafter.*

2 (iii) *The federal net operating loss deduction, except that the*
3 *federal net operating loss deduction shall not be added to an individual's*
4 *federal adjusted gross income for tax years beginning after December*
5 *31, 2016.*

6 (iv) *Federal income tax refunds received by the taxpayer if the*
7 *deduction of the taxes being refunded resulted in a tax benefit for*
8 *Kansas income tax purposes during a prior taxable year. Such refunds*
9 *shall be included in income in the year actually received regardless of*
10 *the method of accounting used by the taxpayer. For purposes hereof, a*
11 *tax benefit shall be deemed to have resulted if the amount of the tax had*
12 *been deducted in determining income subject to a Kansas income tax for*
13 *a prior year regardless of the rate of taxation applied in such prior year*
14 *to the Kansas taxable income, but only that portion of the refund shall*
15 *be included as bears the same proportion to the total refund received as*
16 *the federal taxes deducted in the year to which such refund is*
17 *attributable bears to the total federal income taxes paid for such year.*
18 *For purposes of the foregoing sentence, federal taxes shall be*
19 *considered to have been deducted only to the extent such deduction does*
20 *not reduce Kansas taxable income below zero.*

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

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

29 (vii) *The amount of any charitable contribution made to the extent*
30 *the same is claimed as the basis for the credit allowed pursuant to K.S.A.*
31 *79-32,196, and amendments thereto.*

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

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

42 (x) *Amounts received as nonqualified withdrawals, as defined by*
43 *K.S.A. 75-643, and amendments thereto, if, at the time of contribution to*

1 *a family postsecondary education savings account, such amounts were*
2 *subtracted from the federal adjusted gross income pursuant to*
3 *subsection (c)(xv) or if such amounts are not already included in the*
4 *federal adjusted gross income.*

5 *(xi) The amount of any contribution made to the same extent the*
6 *same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-*
7 *50,154, and amendments thereto.*

8 *(xii) For taxable years commencing after December 31, 2004,*
9 *amounts received as withdrawals not in accordance with the provisions*
10 *of K.S.A. 74-50,204, and amendments thereto, if, at the time of*
11 *contribution to an individual development account, such amounts were*
12 *subtracted from the federal adjusted gross income pursuant to*
13 *subsection (c)(xiii), or if such amounts are not already included in the*
14 *federal adjusted gross income.*

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

19 *(xiv) The amount of any amortization deduction claimed in*
20 *determining federal adjusted gross income to the extent the same is*
21 *claimed for deduction pursuant to K.S.A. 79-32,221, and amendments*
22 *thereto.*

23 *(xv) The amount of any expenditures claimed for deduction in*
24 *determining federal adjusted gross income, to the extent the same is*
25 *claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223*
26 *through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-*
27 *32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or*
28 *79-32,251 through 79-32,254, and amendments thereto.*

29 *(xvi) The amount of any amortization deduction claimed in*
30 *determining federal adjusted gross income to the extent the same is*
31 *claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-*
32 *32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.*

33 *(xvii) The amount of any amortization deduction claimed in*
34 *determining federal adjusted gross income to the extent the same is*
35 *claimed for deduction pursuant to K.S.A. 79-32,256, and amendments*
36 *thereto.*

37 *(xviii) For taxable years commencing after December 31, 2006, the*
38 *amount of any ad valorem or property taxes and assessments paid to a*
39 *state other than Kansas or local government located in a state other than*
40 *Kansas by a taxpayer who resides in a state other than Kansas, when the*
41 *law of such state does not allow a resident of Kansas who earns income*
42 *in such other state to claim a deduction for ad valorem or property taxes*
43 *or assessments paid to a political subdivision of the state of Kansas in*

1 *determining taxable income for income tax purposes in such other state,*
2 *to the extent that such taxes and assessments are claimed as an itemized*
3 *deduction for federal income tax purposes.*

4 *(xix) For taxable years beginning after December 31, 2012, and*
5 *ending before January 1, 2017, the amount of any: (1) Loss from*
6 *business as determined under the federal internal revenue code and*
7 *reported from schedule C and on line 12 of the taxpayer's form 1040*
8 *federal individual income tax return; (2) loss from rental real estate,*
9 *royalties, partnerships, S corporations, except those with wholly owned*
10 *subsidiaries subject to the Kansas privilege tax, estates, trusts, residual*
11 *interest in real estate mortgage investment conduits and net farm rental*
12 *as determined under the federal internal revenue code and reported*
13 *from schedule E and on line 17 of the taxpayer's form 1040 federal*
14 *individual income tax return; and (3) farm loss as determined under the*
15 *federal internal revenue code and reported from schedule F and on line*
16 *18 of the taxpayer's form 1040 federal income tax return; all to the*
17 *extent deducted or subtracted in determining the taxpayer's federal*
18 *adjusted gross income. For purposes of this subsection, references to the*
19 *federal form 1040 and federal schedule C, schedule E, and schedule F,*
20 *shall be to such form and schedules as they existed for tax year 2011,*
21 *and as revised thereafter by the internal revenue service.*

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

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

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

41 *(xxiii) For taxable years beginning after December 31, 2012, and*
42 *ending before January 1, 2017, the amount of any deduction for*
43 *domestic production activities under section 199 of the federal internal*

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

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

14 *(xxv) For taxable years commencing after December 31, 2013, that*
15 *portion of the amount of any expenditure deduction claimed in*
16 *determining federal adjusted gross income for expenses paid by a*
17 *taxpayer for health care when such expenses were paid or incurred for*
18 *abortion coverage, a health benefit plan, as defined in K.S.A. 65-6731,*
19 *and amendments thereto, when such expenses were paid or incurred for*
20 *abortion coverage or amounts contributed to health savings accounts for*
21 *such taxpayer's employees for the purchase of an optional rider for*
22 *coverage of abortion in accordance with K.S.A. 40-2,190, and*
23 *amendments thereto, to the extent that such taxes and assessments are*
24 *claimed as a deduction for federal income tax purposes.*

25 *(xxvi) For all taxable years beginning after December 31, 2016, the*
26 *amount of any charitable contribution made to the extent the same is*
27 *claimed as the basis for the credit allowed pursuant to K.S.A. 72-4357,*
28 *and amendments thereto, and is also claimed as an itemized deduction*
29 *for federal income tax purposes.*

30 *(xxvii) For all taxable years commencing after December 31, 2020,*
31 *the amount deducted by reason of a of any interest expense paid or*
32 *accrued in a previous taxable year but allowed as a deduction pursuant to*
33 *section 163 of the federal internal revenue code in the current taxable year*
34 *by reason of the carryforward of disallowed business interest pursuant to*
35 *section 163(j) of the federal internal revenue code of 1986, as in effect on*
36 *January 1, 2018. For purposes of this paragraph, an interest expense is*
37 *considered paid or accrued only in the first taxable year the deduction*
38 *would have been allowable pursuant to section 163 of the federal internal*
39 *revenue code if the limitation pursuant to section 163(j) of the federal*
40 *internal revenue code did not exist.*

41 *(xxviii) For all taxable years beginning after December 31, 2021,*
42 *the amount of any contributions to, or earnings from, a first-time home*
43 *buyer savings account if distributions from the account were not used to*

1 *pay for expenses or transactions authorized pursuant to K.S.A. 2023*
2 *Supp. 58-4904, and amendments thereto, or were not held for the*
3 *minimum length of time required pursuant to K.S.A. 2023 Supp. 58-*
4 *4904, and amendments thereto. Contributions to, or earnings from, such*
5 *account shall also include any amount resulting from the account*
6 *holder not designating a surviving payable on death beneficiary*
7 *pursuant to K.S.A. 2023 Supp. 58-4904(e), and amendments thereto.*

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

9 *(i) Interest or dividend income on obligations or securities of any*
10 *authority, commission or instrumentality of the United States and its*
11 *possessions less any related expenses directly incurred in the purchase*
12 *of such obligations or securities, to the extent included in federal*
13 *adjusted gross income but exempt from state income taxes under the*
14 *laws of the United States.*

15 *(ii) Any amounts received which are included in federal adjusted*
16 *gross income but which are specifically exempt from Kansas income*
17 *taxation under the laws of the state of Kansas.*

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

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

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

38 *(vi) Accumulation distributions received by a taxpayer as a*
39 *beneficiary of a trust to the extent that the same are included in federal*
40 *adjusted gross income.*

41 *(vii) Amounts received as annuities under the federal civil service*
42 *retirement system from the civil service retirement and disability fund*
43 *and other amounts received as retirement benefits in whatever form*

1 *which were earned for being employed by the federal government or for*
2 *service in the armed forces of the United States.*

3 *(viii) Amounts received by retired railroad employees as a*
4 *supplemental annuity under the provisions of 45 U.S.C. §§ 228b(a) and*
5 *228c(a)(1) et seq.*

6 *(ix) Amounts received by retired employees of a city and by retired*
7 *employees of any board of such city as retirement allowances pursuant*
8 *to K.S.A. 13-14,106, and amendments thereto, or pursuant to any*
9 *charter ordinance exempting a city from the provisions of K.S.A. 13-*
10 *14,106, and amendments thereto.*

11 *(x) (1) For taxable years beginning after December 31, 1976 2021,*
12 *the amount of the any federal tentative jobs tax credit disallowance*
13 *under the provisions of 26 U.S.C. § 280C(a). For taxable years ending*
14 *after December 31, 1978, the amount of the targeted jobs tax credit and*
15 *work incentive credit disallowances under 26 U.S.C. § 280C.*

16 *(2) For taxable years beginning after December 31, 2019, and*
17 *ending before January 1, 2022, the amount of the federal employee*
18 *retention credit disallowance under rules similar to the rules of 26 U.S.C.*
19 *§ 280C(a). The taxpayer shall be required to prove that such taxpayer*
20 *previously filed Kansas income tax returns and paid Kansas income tax on*
21 *the disallowed amount. Notwithstanding any other provision of law to the*
22 *contrary, any claim for refund or amended return relating to this*
23 *subparagraph shall be allowed to be filed on or before April 15, 2025, and*
24 *no claim for refund or amended return shall be allowed or filed after April*
25 *15, 2025.*

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

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

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

36 *(xiv) For all taxable years commencing after December 31, 1996,*
37 *that portion of any income of a bank organized under the laws of this*
38 *state or any other state, a national banking association organized under*
39 *the laws of the United States, an association organized under the savings*
40 *and loan code of this state or any other state, or a federal savings*
41 *association organized under the laws of the United States, for which an*
42 *election as an S corporation under subchapter S of the federal internal*
43 *revenue code is in effect, which accrues to the taxpayer who is a*

1 *stockholder of such corporation and which is not distributed to the*
2 *stockholders as dividends of the corporation. For taxable years*
3 *beginning after December 31, 2012, and ending before January 1, 2017,*
4 *the amount of modification under this subsection shall exclude the*
5 *portion of income or loss reported on schedule E and included on line*
6 *17 of the taxpayer's form 1040 federal individual income tax return.*

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

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

37 *(xvii) For all taxable years beginning after December 31, 2004,*
38 *amounts received by taxpayers who are eligible members of the Kansas*
39 *army and air national guard as a reimbursement pursuant to K.S.A. 48-*
40 *281, and amendments thereto, and amounts received for death benefits*
41 *pursuant to K.S.A. 48-282, and amendments thereto, to the extent that*
42 *such death benefits are included in federal adjusted gross income of the*
43 *taxpayer.*

1 (xviii) *For the taxable year beginning after December 31, 2006,*
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 \$50,000 or less, whether such taxpayer's filing*
5 *status is single, head of household, married filing separate or married*
6 *filing jointly; and for all taxable years beginning after December 31,*
7 *2007, amounts received as benefits under the federal social security act*
8 *which are included in federal adjusted gross income of a taxpayer with*
9 *federal adjusted gross income of \$75,000 or less, whether such*
10 *taxpayer's filing status is single, head of household, married filing*
11 *separate or married filing jointly.*

12 (xix) *Amounts received by retired employees of Washburn*
13 *university as retirement and pension benefits under the university's*
14 *retirement plan.*

15 (xx) *For taxable years beginning after December 31, 2012, and*
16 *ending before January 1, 2017, the amount of any: (1) Net profit from*
17 *business as determined under the federal internal revenue code and*
18 *reported from schedule C and on line 12 of the taxpayer's form 1040*
19 *federal individual income tax return; (2) net income, not including*
20 *guaranteed payments as defined in section 707(c) of the federal internal*
21 *revenue code and as reported to the taxpayer from federal schedule K-1,*
22 *(form 1065-B), in box 9, code F or as reported to the taxpayer from*
23 *federal schedule K-1, (form 1065) in box 4, from rental real estate,*
24 *royalties, partnerships, S corporations, estates, trusts, residual interest in*
25 *real estate mortgage investment conduits and net farm rental as*
26 *determined under the federal internal revenue code and reported from*
27 *schedule E and on line 17 of the taxpayer's form 1040 federal individual*
28 *income tax return; and (3) net farm profit as determined under the*
29 *federal internal revenue code and reported from schedule F and on line*
30 *18 of the taxpayer's form 1040 federal income tax return; all to the*
31 *extent included in the taxpayer's federal adjusted gross income. For*
32 *purposes of this subsection, references to the federal form 1040 and*
33 *federal schedule C, schedule E, and schedule F, shall be to such form*
34 *and schedules as they existed for tax year 2011 and as revised thereafter*
35 *by the internal revenue service.*

36 (xxi) *For all taxable years beginning after December 31, 2013,*
37 *amounts equal to the unreimbursed travel, lodging and medical*
38 *expenditures directly incurred by a taxpayer while living, or a dependent*
39 *of the taxpayer while living, for the donation of one or more human*
40 *organs of the taxpayer, or a dependent of the taxpayer, to another person*
41 *for human organ transplantation. The expenses may be claimed as a*
42 *subtraction modification provided for in this section to the extent the*
43 *expenses are not already subtracted from the taxpayer's federal adjusted*

1 *gross income. In no circumstances shall the subtraction modification*
2 *provided for in this section for any individual, or a dependent, exceed*
3 *\$5,000. As used in this section, "human organ" means all or part of a*
4 *liver, pancreas, kidney, intestine, lung or bone marrow. The provisions*
5 *of this paragraph shall take effect on the day the secretary of revenue*
6 *certifies to the director of the budget that the cost for the department of*
7 *revenue of modifications to the automated tax system for the purpose of*
8 *implementing this paragraph will not exceed \$20,000.*

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

21 *(xxiii) For all taxable years beginning after December 31, 2012,*
22 *amounts received under either the Overland Park, Kansas police*
23 *department retirement plan or the Overland Park, Kansas fire*
24 *department retirement plan, both as established by the city of Overland*
25 *Park, pursuant to the city's home rule authority.*

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

30 *(xxv) For all taxable years commencing after December 31, 2020,*
31 *100% of global intangible low-taxed income under section 951A of the*
32 *federal internal revenue code of 1986, before any deductions allowed*
33 *under section 250(a)(1)(B) of such code.*

34 *(xxvi) (1) For all taxable years commencing after December 31,*
35 *2020, the amount of any interest expense paid or accrued in the current*
36 *taxable year and disallowed as a deduction pursuant to section 163(j) of*
37 *the federal internal revenue code of 1986, as in effect on January 1, 2018.*

38 *(2) For purposes of this paragraph, an interest expense is considered*
39 *paid or accrued only in the first taxable year the deduction would have*
40 *been allowable pursuant to section 163 of the federal internal revenue*
41 *code if the limitation pursuant to section 163(j) of the federal internal*
42 *revenue code did not exist.*

43 *(3) For tax year 2021, an amount equal to the sum of any interest*

1 *expenses paid or accrued in tax years 2018, 2019 and 2020 less the sum of*
2 *amounts allowed as a deduction pursuant to section 163 of the federal*
3 *internal revenue code in tax years 2018, 2019 and 2020.*

4 ***(xxvii) For taxable years commencing after December 31, 2020, the***
5 ***amount disallowed as a deduction pursuant to section 274 of the federal***
6 ***internal revenue code of 1986 for meal expenditures shall be allowed to***
7 ***the extent such expense was deductible for determining federal income***
8 ***tax and was allowed and in effect on December 31, 2017.***

9 ***(xxviii) For all taxable years beginning after December 31, 2021:***
10 ***(1) The amount contributed to a first-time home buyer savings account***
11 ***pursuant to K.S.A. 2023 Supp. 58-4903, and amendments thereto, in an***
12 ***amount not to exceed \$3,000 for an individual or \$6,000 for a married***
13 ***couple filing a joint return; or (2) amounts received as income earned***
14 ***from assets in a first-time home buyer savings account.***

15 ***(xxix) For taxable years beginning after December 31, 2017, for an***
16 ***individual taxpayer who carried back federal net operating losses arising***
17 ***in a taxable year beginning after December 31, 2017, and before January***
18 ***1, 2021, pursuant to section 172(b)(1) of the federal internal revenue code***
19 ***as amended by the coronavirus aid, relief, and economic security act***
20 ***(CARES act), the amount of such federal net operating loss carryback for***
21 ***each applicable year. If the amount of such federal net operating loss***
22 ***carryback exceeds the taxpayer's Kansas adjusted gross income for such***
23 ***taxable year, the amount thereof that exceeds such Kansas adjusted gross***
24 ***income may be carried forward as a subtraction modification in the***
25 ***following taxable year or years until the total amount of such federal net***
26 ***operating loss carryback has been deducted, except that no such unused***
27 ***amount shall be carried forward for deduction as a subtraction***
28 ***modification after the 20th taxable year following the taxable year of the***
29 ***net operating loss. Notwithstanding any other provision of law to the***
30 ***contrary, an extension of time shall be allowed for a claim for refund or***
31 ***amended return for tax years 2018, 2019 or 2020 limited to the***
32 ***application of the provisions of this paragraph and such claim for refund***
33 ***or amended return must be filed on or before April 15, 2025.***

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

38 ***(e) The amount of modifications required to be made under this***
39 ***section by a partner which relates to items of income, gain, loss,***
40 ***deduction or credit of a partnership shall be determined under K.S.A.***
41 ***79-32,131, and amendments thereto, to the extent that such items affect***
42 ***federal adjusted gross income of the partner.***

43 ***Sec. 2. K.S.A. 2023 Supp. 79-32,284 is hereby amended to read as***

1 *follows: 79-32,284. (a) K.S.A. 2023 Supp. 79-32,284 through 79-32,289,*
2 *and amendments thereto, shall be known and may be cited as the salt*
3 *parity act.*

4 *(b) The legislature finds and declares that:*

5 *(1) The deductibility of state income taxes should be the same for C*
6 *corporations, S corporations and partnerships; and*

7 *(2) the purpose of the tax credit in K.S.A. 2023 Supp. 79-32,288, and*
8 *amendments thereto, is to avoid double taxation of income on electing*
9 *pass-through entity owners.*

10 *(c) The provisions of this act shall be a part of and supplemental to*
11 *the Kansas income tax act.*

12 ~~Section 1.~~ *Sec. 3.* K.S.A. ~~2022~~ 2023 Supp. 79-32,287 is hereby
13 amended to read as follows: 79-32,287. (a) With respect to any taxable
14 period for which it has made the election under K.S.A. ~~2022~~ 2023 Supp.
15 79-32,286, and amendments thereto, an electing pass-through entity shall
16 be subject to a tax in an amount equal to ~~5.7% of the highest rate of tax~~
17 *for the applicable income tax year under K.S.A. 79-32,110(a), and*
18 *amendments thereto, multiplied by* the sum of:

19 ~~(1) Each resident and nonresident~~ electing pass-through entity
20 owner's *pro rata or* distributive share of the electing pass-through entity's
21 income ~~and each nonresident electing pass-through entity owner's~~
22 ~~distributive share of income~~ attributable to the state, all as; *and*

23 *(2) each resident electing pass-through entity owner's pro rata or*
24 *distributive share of the electing pass-through entity's income not*
25 *calculated as either: (A) The sum of income attributable to the state and*
26 *income not attributable to the state; or (B) income attributable to the*
27 *state. The electing pass-through entity must use the same method of*
28 *calculation for all resident electing pass-through entity owners. The*
29 *provisions of paragraphs (1) and (2) shall be determined pursuant to*
30 *K.S.A. 79-32,130, 79-32,131, 79-32,133 and 79-32,139, and amendments*
31 *thereto.*

32 (b) An electing pass-through entity shall be treated as a corporation
33 under K.S.A. 79-32,101, and amendments thereto, with respect to the tax
34 imposed under this act, except that K.S.A. 79-32,107, and amendments
35 thereto, shall not apply during the first taxable period for which this act is
36 applicable.

37 (c) Any credit allowed pursuant to article 32 of chapter 79 of the
38 Kansas Statutes Annotated, and amendments thereto, ~~except K.S.A. 79-~~
39 ~~32,111(a), and amendments thereto,~~ that is attributable to the activities of
40 an electing pass-through entity in the taxable year shall be *passed through*
41 *to and* claimed by the entity ~~and not passed through to or claimed by the~~
42 ~~electing pass-through entity owner only for taxable periods when the~~
43 ~~election is allowed and made by an electing pass-through entity under~~

1 K.S.A. 2022 Supp. 79-32,286, and amendments thereto. Notwithstanding
2 any provision to the contrary in article 32 of chapter 79 of the Kansas
3 Statutes Annotated, and amendments thereto, any excess income tax credit,
4 net operating loss or other modification may be carried forward on the
5 electing pass-through entity's return but may only be utilized in a year in
6 which the electing pass-through entity has made the election allowed in
7 K.S.A. 2022 Supp. 79-32,286, and amendments thereto, except that any
8 limitation specified in the specific section for an income tax credit, the net
9 operating loss or any other modification shall apply to the electing pass-
10 through entity. If in a taxable period subsequent to a period in which an
11 election under K.S.A. 2022 Supp. 79-32,286, and amendments thereto,
12 was made, an election under K.S.A. 2022 Supp. 79-32,286, and
13 amendments thereto, is not allowed or not made by an electing pass-
14 through entity, any excess income tax credits may be transferred to the
15 electing pass-through entity owners. Any excess income tax credits shall
16 be available to each electing pass-through owner in the same proportion
17 and manner as would have applied without the election under K.S.A. 2022
18 Supp. 79-32,286, and amendments thereto, for the taxable period in which
19 each respective income tax credit was generated. All other rights and
20 obligations pertaining to the excess income tax credits shall be transferred
21 to the electing pass-through entity owners.

22 (d) *Any modification to federal taxable income pursuant to K.S.A.*
23 *79-32,117 or 79-32,138, and amendments thereto, and any expensing*
24 *deduction allowed pursuant to K.S.A. 79-32,143a, and amendments*
25 *thereto, that is attributable to the activities of an electing pass-through*
26 *entity in the taxable year shall be claimed on:*

27 (1) *The electing pass-through entity's return; and*

28 (2) *each electing pass-through entity owner's individual return, in*
29 *the same proportion and manner as would have applied without the*
30 *election under K.S.A. 2023 Supp. 79-32,286, and amendments thereto.*

31 (e) The provisions of article 32 of chapter 79 of the Kansas Statutes
32 Annotated, and amendments thereto, regarding the collection,
33 administration and enforcement of tax shall be applicable to the tax due
34 under this section, and notwithstanding the provisions of K.S.A. 79-32,129
35 and 79-32,139, and amendments thereto, an electing pass-through entity
36 shall be a taxpayer.

37 ~~(f)~~ *The provisions of this section shall apply to taxable years*
38 *commencing on or after January 1, 2022.*

39 Sec. ~~2~~ 4. K.S.A. ~~2022~~ 2023 Supp. 79-32,117, 79-32,284 and 79-
40 32,287 ~~is~~ **are** hereby repealed.

41 Sec. ~~3~~ 5. This act shall take effect and be in force from and after its
42 publication in the statute book.