

As Amended by House Committee

Session of 2006

HOUSE BILL No. 2900

By Committee on Utilities

2-14

10 AN ACT concerning oil refineries; providing for certain income tax cred-  
11 its, income tax deductions and property tax exemptions relating  
12 thereto; providing for issuance of bonds and other financing for certain  
13 purposes; relating to certain permits; amending K.S.A. 79-32,120 and  
14 79-32,138 and K.S.A. 2005 Supp. 79-32,117 and repealing the existing  
15 sections.

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

18 New Section 1. As used in sections 1 through 5, and amendments  
19 thereto:

20 (a) "Pass-through entity" means any: (1) Corporation which is exempt  
21 from income tax under section 1363 of the ~~Internal Revenue Code~~ **fede-**  
22 **eral internal revenue code** and which complies with the requirements  
23 of K.S.A. 79-32,100e, and amendments thereto; (2) limited liability com-  
24 pany; (3) partnership; or (4) limited liability partnership.

25 (b) "Qualified investment" means expenditures made in construction  
26 of a new refinery, or in expansion of the capacity of an existing refinery  
27 by at least 10% of such capacity, ~~for: (1) Real or restoration of pro-~~  
28 **duction of a refinery which has been out of production for five or**  
29 **more years, for real** and tangible personal property incorporated in and  
30 used as part of such refinery ~~and (2) other real and personal property~~  
31 ~~which are located at the site of such refinery and which are employed~~  
32 ~~specifically to serve such refinery.~~

33 (c) "Refinery" means an industrial process plant, located in this state,  
34 where crude oil is processed and refined into petroleum products.

35 New Sec. 2. (a) For taxable years commencing after December 31,  
36 2005, any taxpayer who is awarded a tax credit under this act by the  
37 secretary of commerce and complies with the conditions set forth in this  
38 act and the agreement entered into by the secretary and the taxpayer  
39 under this act shall be allowed a credit against the taxpayer's tax liability  
40 under the Kansas income tax act as provided in subsection ~~(e)~~ **(b). Ex-**  
41 **penditures used to qualify for this credit shall not be used to qual-**  
42 **ify for any other type of Kansas income tax credit.**

43 (b) ~~Subject to the provisions of subsection (e), the~~ **The** amount of

1 the credit to which a taxpayer is entitled shall be equal to the sum of: (1)  
 2 An amount equal to 10% of the taxpayer's qualified investment for the  
 3 first \$500,000,000 invested and (2) an amount equal to 5% of the amount  
 4 of the taxpayer's qualified investment that exceeds \$500,000,000. **Such**  
 5 **credit shall be taken in 10 equal, annual installments, beginning**  
 6 **with the year in which the taxpayer places into service the refinery,**  
 7 **the expansion of an existing refinery or the restoration of produc-**  
 8 **tion of a refinery as provided in this section.**

9 ~~(c)~~ Except as provided by subsection (d), a credit pursuant to this act  
 10 shall be taken in 10 annual installments, beginning with the year in which  
 11 the taxpayer places into service the refinery or the expansion of an existing  
 12 refinery. Subject to the provisions of section 3, and amendments thereto,  
 13 the amount of an annual installment of the credit awarded under this act  
 14 shall be an amount equal to 25% of the lesser of: (1) The credit amount  
 15 determined under subsection (b), divided by 10, or (2) the taxpayer's total  
 16 tax liability under the Kansas income tax act for the taxable year.

17 ~~(c)~~ **(c)** If the amount of an annual installment of a tax credit allowed  
 18 under this section exceeds the taxpayer's income tax liability for the tax-  
 19 able year in which the annual installment is allowed, the amount thereof  
 20 which exceeds such tax liability may be carried over for deduction from  
 21 the taxpayer's income tax liability in the next succeeding taxable year or  
 22 years until the total amount of the annual installment of the tax credit has  
 23 been deducted from tax liability, except that: ~~(1) No no~~ such tax credit  
 24 shall be carried over for deduction after the 14th taxable year succeeding  
 25 the taxable year in which the first annual installment is allowed; ~~and (2)~~  
 26 ~~in no taxable year shall such tax credit exceed 50% of the taxpayer's in-~~  
 27 ~~come tax liability for the taxable year.~~

28 ~~(c)(1)~~ **(d) (1)** Before making a qualified investment, a taxpayer ~~may~~  
 29 **shall** apply to the secretary of commerce to enter into an agreement for  
 30 a tax credit under this act. The secretary shall prescribe the form of the  
 31 application. After receipt of such application, the secretary may enter into  
 32 an agreement with the applicant for a credit under this act if the secretary  
 33 determines that the taxpayer's proposed investment satisfies the require-  
 34 ments of this act. The secretary shall enter into an agreement with an  
 35 applicant which is awarded a credit under this act. The agreement shall  
 36 include: (A) A detailed description of the refinery project that is the sub-  
 37 ject of the agreement, (B) the first taxable year for which the credit may  
 38 be claimed, (C) the maximum amount of tax credit that will be allowed  
 39 for each taxable year and (D) a requirement that the taxpayer shall main-  
 40 tain operations at the project location for at least 10 years during the term  
 41 that the tax credit is available.

42 (2) A taxpayer must comply with the terms of the agreement de-  
 43 scribed in subsection ~~(c)(1)~~ **(d)(1)** to receive an annual installment of the

1 tax credit awarded under this act. The secretary of commerce, in accord-  
 2 ance with rules and regulations of the secretary, shall annually determine  
 3 whether the taxpayer is in compliance with the agreement. **Such deter-**  
 4 **mination of compliance shall include, but not be limited to, oper-**  
 5 **ation of the refinery during the tax years when any installments of**  
 6 **tax credits are claimed by the taxpayer.** If the secretary determines  
 7 that the taxpayer is in compliance, the secretary shall issue a certificate  
 8 of compliance to the taxpayer. **If the secretary determines that the**  
 9 **taxpayer is not in compliance with the agreement, the secretary**  
 10 **shall notify the taxpayer and the secretary of revenue of such de-**  
 11 **termination of noncompliance, and any tax credits claimed pur-**  
 12 **suant to this section for any tax year shall be forfeited.**

13 (3) The secretary of commerce may adopt rules and regulations to  
 14 administer the provisions of this subsection ~~(e)~~.

15 New Sec. 3. (a) If a qualified investment is made by **or transferred**  
 16 **to** a pass-through entity and the credit allowed by this act for a taxable  
 17 year is greater than the entity's tax liability against which the tax credit  
 18 may be applied, a shareholder, partner or member of the entity is entitled  
 19 to a tax credit equal to ~~(1) the~~ **The** tax credit determined for the entity  
 20 for the taxable year in excess of the entity's tax liability under the Kansas  
 21 income tax act for the taxable year multiplied by the percentage of the  
 22 entity's distributive income to which the shareholder, partner or member  
 23 is entitled ~~if the entity is an entity described in subsection (c)(1), (2), (3)~~  
 24 ~~or (4) of section 1, and amendments thereto, or (2) the relative percentage~~  
 25 ~~of the entity's patronage dividends allocable to the member for the taxable~~  
 26 ~~year if the entity is an entity described in subsection (c)(5) or (6) of section~~  
 27 ~~1, and amendments thereto.~~

28 (b) If a refinery is co-owned by two or more taxpayers, the amount  
 29 of the credit that may be allowed to a co-owner in a taxable year is equal  
 30 to the tax credit determined under section 2, and amendments thereto,  
 31 with respect to the total qualified investment in such refinery multiplied  
 32 by the co-owner's percentage of ownership in such refinery.

33 ~~(c) Except as provided by subsection (d), the amount of an annual~~  
 34 ~~installment of the credit allowed to a shareholder, partner or member of~~  
 35 ~~a pass-through entity or a co-owner under this act shall be an amount~~  
 36 ~~equal to 25% of the lesser of: (1) That portion of the credit allowed to~~  
 37 ~~the sharcholder, partner, member or co-owner under this section divided~~  
 38 ~~by 10, or (2) the total tax liability of the shareholder, partner, member or~~  
 39 ~~co-owner under the Kansas income tax act for the taxable year~~ **Such**  
 40 **credit shall be taken in 10 equal, annual installments, beginning**  
 41 **with the year in which the entity places into service the refinery,**  
 42 **the expansion of an existing refinery or the restoration of produc-**  
 43 **tion of a refinery which has been out of production for five or more**

1 **years.**

2 (d) If the amount of an annual installment of a tax credit allowed a  
 3 shareholder, partner, member or co-owner under this section exceeds the  
 4 taxpayer's income tax liability for the taxable year in which the annual  
 5 installment is allowed, the amount thereof which exceeds such tax liability  
 6 may be carried over for deduction from the taxpayer's income tax liability  
 7 in the next succeeding taxable year or years until the total amount of the  
 8 tax credit has been deducted from tax liability, except that: ~~(1) No no~~  
 9 such tax credit shall be carried over for deduction after the 14th taxable  
 10 year succeeding the taxable year in which the first annual installment is  
 11 allowed, and ~~(2) in no taxable year shall such tax credit exceed 50% of~~  
 12 ~~the taxpayer's income tax liability for the taxable year.~~

13 New Sec. 4. To receive the credit awarded by this act, a taxpayer  
 14 must claim the credit on the taxpayer's annual state income tax return or  
 15 returns in the manner prescribed by the director of taxation. The taxpayer  
 16 shall submit to the director a copy of the taxpayer's ~~certificate of com-~~  
 17 ~~pliance issued under subsection (d)(2) of~~ **agreement for a tax credit**  
 18 **entered into with the secretary of commerce pursuant to** section 2,  
 19 and amendments thereto, and all information that the director deter-  
 20 mines necessary for the calculation of the credit provided by this act.

21 New Sec. 5. (a) In addition to the income tax credit allowable pur-  
 22 suant to sections 1 through 4, and amendments thereto, a taxpayer shall  
 23 be entitled to a deduction from Kansas adjusted gross income with respect  
 24 to the amortization of the amortizable costs of a new refinery ~~or~~, an ex-  
 25 pansion of a refinery **or restoration of production of a refinery which**  
 26 **has been out of production for five or more years** based upon a  
 27 period of 10 years. Such amortization deduction shall be an amount equal  
 28 to 55% of the amortizable costs of such new refinery ~~or~~, expansion of a  
 29 refinery **or such restoration of production of a refinery** for the first  
 30 taxable year in which such refinery ~~or~~, expansion of a refinery **or such**  
 31 **restoration of production of a refinery** is in production and 5% of the  
 32 amortizable costs of such new refinery ~~or~~, expansion of a refinery **or such**  
 33 **restoration of production of a refinery** for each of the next nine tax-  
 34 able years.

35 (b) The election of the taxpayer to claim the deduction allowed by  
 36 subsection (a) shall be made by filing a statement of such election with  
 37 the secretary of revenue in the manner and form and within the time  
 38 prescribed by rules and regulations adopted by the secretary.

39 (c) The provisions of this section shall apply to all taxable years com-  
 40 mencing after December 31, 2005.

41 (d) The secretary of revenue shall adopt such rules and regulations  
 42 as deemed necessary to carry out the provisions of this section.

43 (e) As used in this section:

1 (1) “Expansion of a refinery” means expansion, ~~construction of which~~  
2 begins after December 31, 2005, of the capacity of an existing refinery  
3 by at least 10% of such capacity.

4 (2) “New refinery” means a refinery, construction of which begins  
5 after December 31, 2005.

6 (3) “Refinery” has the meaning provided by section 1, and amend-  
7 ments thereto.

8 New Sec. 6. (a) As used in this section:

9 (1) “Refinery” has the meaning provided by section 1, and amend-  
10 ments thereto.

11 (2) “Qualified expenditures” means expenditures which the secretary  
12 of health and environment certifies to the director of taxation are required  
13 ~~to bring a new or existing refinery into compliance~~ **for an existing re-**  
14 **finery to comply** with environmental standards or requirements estab-  
15 lished pursuant to federal statute or regulation, or state statute or rules  
16 and regulation, adopted after December 31, 2006.

17 (b) There shall be allowed as a credit against the tax liability of a  
18 taxpayer imposed under the Kansas income tax act an amount equal to  
19 the taxpayer’s qualified expenditures. The tax credit allowed by this sub-  
20 section shall be deducted from the taxpayer’s income tax liability for the  
21 taxable year in which the expenditures are made by the taxpayer. If the  
22 amount of such tax credit exceeds the taxpayer’s income tax liability for  
23 such taxable year, the taxpayer may carry over the amount thereof that  
24 exceeds such tax liability for deduction from the taxpayer’s income tax  
25 liability in the next succeeding taxable year or years until the total amount  
26 of the tax credit has been deducted from tax liability, except that no such  
27 tax credit shall be carried over for deduction after the fourth taxable year  
28 succeeding the year in which the costs are incurred.

29 (c) (1) **To qualify the expenditures of the tax credit allowed by**  
30 **this section, a taxpayer shall apply to the secretary of health and**  
31 **environment for a certification that the costs were incurred to**  
32 **comply with environmental standards or requirements as specified**  
33 **in subsection (a). The secretary shall prescribe the form of the**  
34 **application, which shall include, but not be limited to, the follow-**  
35 **ing information: (A) A detailed description of the refinery project**  
36 **that is the subject of the expenditure; (B) a citation to the appli-**  
37 **able federal or state statutes, regulations or rules and regulations**  
38 **which require the environmental compliance; (C) a detailed ac-**  
39 **counting of the costs incurred for the environmental compliance;**  
40 **and (D) a certification by a responsible official that, based on in-**  
41 **formation and belief formed after reasonable inquiry, the state-**  
42 **ments and information in the application are true, accurate and**  
43 **complete.**

1       **(2) If the secretary of health and environment determines that**  
2 **the expenditures were incurred to comply with environmental**  
3 **standards or requirements as specified in subsection (a), the sec-**  
4 **retary shall issue a certificate of compliance to the director of**  
5 **taxation.**

6       **(3) The secretary of health and environment may adopt rules**  
7 **and regulations to administer the provisions of this subsection, in-**  
8 **cluding rules and regulations to fix, charge and collect an appli-**  
9 **cation fee to cover all or any part of the department of health and**  
10 **environment's cost of certifying the taxpayer's qualified expendi-**  
11 **tures under this subsection.**

12       ~~(c)~~ **(d)** The provisions of this section shall be applicable to all taxable  
13 years commencing after December 31, 2006.

14       Sec. 7. K.S.A. 2005 Supp. 79-32,117 is hereby amended to read as  
15 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual  
16 means such individual's federal adjusted gross income for the taxable year,  
17 with the modifications specified in this section.

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

19       (i) Interest income less any related expenses directly incurred in the  
20 purchase of state or political subdivision obligations, to the extent that  
21 the same is not included in federal adjusted gross income, on obligations  
22 of any state or political subdivision thereof, but to the extent that interest  
23 income on obligations of this state or a political subdivision thereof issued  
24 prior to January 1, 1988, is specifically exempt from income tax under the  
25 laws of this state authorizing the issuance of such obligations, it shall be  
26 excluded from computation of Kansas adjusted gross income whether or  
27 not included in federal adjusted gross income. Interest income on obli-  
28 gations of this state or a political subdivision thereof issued after Decem-  
29 ber 31, 1987, shall be excluded from computation of Kansas adjusted  
30 gross income whether or not included in federal 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 taxes  
35 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amend-  
36 ments thereto, for privilege tax year 1995, and all such years thereafter.

37       (iii) The federal net operating loss deduction.

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

- 1 ducted in determining income subject to a Kansas income tax for a prior  
2 year regardless of the rate of taxation applied in such prior year to the  
3 Kansas taxable income, but only that portion of the refund shall be in-  
4 cluded as bears the same proportion to the total refund received as the  
5 federal taxes deducted in the year to which such refund is attributable  
6 bears to the total federal income taxes paid for such year. For purposes  
7 of the foregoing sentence, federal taxes shall be considered to have been  
8 deducted only to the extent such deduction does not reduce Kansas tax-  
9 able income below zero.
- 10 (v) The amount of any depreciation deduction or business expense  
11 deduction claimed on the taxpayer's federal income tax return for any  
12 capital expenditure in making any building or facility accessible to the  
13 handicapped, for which expenditure the taxpayer claimed the credit al-  
14 lowed by K.S.A. 79-32,177, and amendments thereto.
- 15 (vi) Any amount of designated employee contributions picked up by  
16 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,  
17 and amendments to such sections.
- 18 (vii) The amount of any charitable contribution made to the extent  
19 the same is claimed as the basis for the credit allowed pursuant to K.S.A.  
20 79-32,196, and amendments thereto.
- 21 (viii) The amount of any costs incurred for improvements to a swine  
22 facility, claimed for deduction in determining federal adjusted gross in-  
23 come, to the extent the same is claimed as the basis for any credit allowed  
24 pursuant to K.S.A. 2005 Supp. 79-32,204 and amendments 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 deduc-  
28 tion in determining federal adjusted gross income, to the extent the same  
29 is 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. 2005 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 pur-  
35 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and  
36 amendments thereto, or if such amounts are not already included in the  
37 federal adjusted gross income.
- 38 (xi) The amount of any contribution made to the same extent the  
39 same is claimed as the basis for the credit allowed pursuant to K.S.A.  
40 2005 Supp. 74-50,154, and amendments thereto.
- 41 (xii) For taxable years commencing after December 31, 2004,  
42 amounts received as withdrawals not in accordance with the provisions  
43 of K.S.A. 2005 Supp. 74-50,204, and amendments thereto, if, at the time

1 of contribution to an individual development account, such amounts were  
2 subtracted from the federal adjusted gross income pursuant to paragraph  
3 (xiii) of subsection (c), or if such amounts are not already included in the  
4 federal adjusted gross income.

5 *(xiii) The amount of any ~~deductions claimed for~~ expenditures claimed*  
6 *for deduction in determining federal adjusted gross income, to the extent*  
7 *the same is claimed as the basis for any credit allowed pursuant to sections*  
8 *1 through 4 or section 6, and amendments thereto.*

9 *(xiv) The amount of any amortization deduction claimed in determin-*  
10 *ing federal adjusted gross income to the extent the same is claimed for*  
11 *deduction pursuant to section 5, and amendments thereto.*

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

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

19 (ii) Any amounts received which are included in federal adjusted  
20 gross income but which are specifically exempt from Kansas income tax-  
21 ation under the laws of the state of Kansas.

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

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

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

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

- 1 (vii) Amounts received as annuities under the federal civil service  
2 retirement system from the civil service retirement and disability fund  
3 and other amounts received as retirement benefits in whatever form  
4 which were earned for being employed by the federal government or for  
5 service in the armed forces of the United States.
- 6 (viii) Amounts received by retired railroad employees as a supple-  
7 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)  
8 et seq.
- 9 (ix) Amounts received by retired employees of a city and by retired  
10 employees of any board of such city as retirement allowances pursuant to  
11 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter  
12 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and  
13 amendments thereto.
- 14 (x) For taxable years beginning after December 31, 1976, the amount  
15 of the federal tentative jobs tax credit disallowance under the provisions  
16 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,  
17 the amount of the targeted jobs tax credit and work incentive credit dis-  
18 allowances under 26 U.S.C. 280 C.
- 19 (xi) For taxable years beginning after December 31, 1986, dividend  
20 income on stock issued by Kansas Venture Capital, Inc.
- 21 (xii) For taxable years beginning after December 31, 1989, amounts  
22 received by retired employees of a board of public utilities as pension and  
23 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249  
24 and amendments thereto.
- 25 (xiii) For taxable years beginning after December 31, 2004, amounts  
26 contributed to and the amount of income earned on contributions de-  
27 posited to an individual development account under K.S.A. 2005 Supp.  
28 74-50,201, et seq., and amendments thereto.
- 29 (xiv) For all taxable years commencing after December 31, 1996, that  
30 portion of any income of a bank organized under the laws of this state or  
31 any other state, a national banking association organized under the laws  
32 of the United States, an association organized under the savings and loan  
33 code of this state or any other state, or a federal savings association or-  
34 ganized under the laws of the United States, for which an election as an  
35 S corporation under subchapter S of the federal internal revenue code is  
36 in effect, which accrues to the taxpayer who is a stockholder of such  
37 corporation and which is not distributed to the stockholders as dividends  
38 of the corporation.
- 39 (xv) For all taxable years beginning after December 31, 1999,  
40 amounts not exceeding \$2,000, or \$4,000 for a married couple filing a  
41 joint return, for each designated beneficiary which are contributed to a  
42 family postsecondary education savings account established under the  
43 Kansas postsecondary education savings program for the purpose of pay-

1 ing the qualified higher education expenses of a designated beneficiary  
2 at an institution of postsecondary education. For all taxable years begin-  
3 ning after December 31, 2004, amounts not exceeding \$3,000, or \$6,000  
4 for a married couple filing a joint return, for each designated beneficiary  
5 which are contributed to a family postsecondary education savings ac-  
6 count established under the Kansas postsecondary education savings pro-  
7 gram for the purpose of paying the qualified higher education expenses  
8 of a designated beneficiary at an institution of postsecondary education.  
9 The terms and phrases used in this paragraph shall have the meaning  
10 respectively ascribed thereto by the provisions of K.S.A. 2005 Supp. 75-  
11 643, and amendments thereto, and the provisions of such section are  
12 hereby incorporated by reference for all purposes thereof.

13 (xvi) For the tax year beginning after December 31, 2004, an amount  
14 not exceeding \$500; for the tax year beginning after December 31, 2005,  
15 an amount not exceeding \$600; for the tax year beginning after December  
16 31, 2006, an amount not exceeding \$700; for the tax year beginning after  
17 December 31, 2007, an amount not exceeding \$800; for the tax year  
18 beginning December 31, 2008, an amount not exceeding \$900; and for  
19 all taxable years commencing after December 31, 2009, an amount not  
20 exceeding \$1,000 of the premium costs for qualified long-term care in-  
21 surance contracts, as defined by subsection (b) of section 7702B of public  
22 law 104-191.

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

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

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

1 amendments thereto.

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

7 Sec. 8. K.S.A. 79-32,120 is hereby amended to read as follows: 79-  
8 32,120. (a) If federal taxable income of an individual is determined by  
9 itemizing deductions from such individual's federal adjusted gross in-  
10 come, such individual may elect to deduct the Kansas itemized deduction  
11 in lieu of the Kansas standard deduction. The Kansas itemized deduction  
12 of an individual means the total amount of deductions from federal ad-  
13 justed gross income, other than federal deductions for personal exemp-  
14 tions, as provided in the federal internal revenue code with the modifi-  
15 cations specified in this section.

16 (b) The total amount of deductions from federal adjusted gross in-  
17 come shall be reduced by the total amount of income taxes imposed by  
18 or paid to this state or any other taxing jurisdiction to the extent that the  
19 same are deducted in determining the federal itemized deductions and  
20 by the amount of all depreciation deductions claimed for any real or  
21 tangible personal property upon which the deduction allowed by ~~K.S.A.~~  
22 ~~79-32,168~~ section 5, and amendments thereto, is or has been claimed.

23 Sec. 9. K.S.A. 79-32,138 is hereby amended to read as follows: 79-  
24 32,138. (a) Kansas taxable income of a corporation taxable under this act  
25 shall be the corporation's federal taxable income for the taxable year with  
26 the modifications specified in this section.

27 (b) There shall be added to federal taxable income: (i) The same  
28 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and  
29 amendments thereto, with respect to resident individuals.

30 ~~(ii) The amount of all depreciation deductions claimed for any real~~  
31 ~~or tangible personal property upon which the deduction is allowed by~~  
32 ~~K.S.A. 79-32,161, and amendments thereto.~~

33 ~~(iii)~~ (ii) The amount of all depreciation deductions claimed for any  
34 property upon which the deduction allowed by ~~K.S.A. 79-32,168~~ section  
35 5, and amendments thereto, is claimed.

36 ~~(iv)~~ (iii) The amount of any charitable contribution deduction claimed  
37 for any contribution or gift to or for the use of any racially segregated  
38 educational institution.

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

42 (ii) The federal income tax liability for any taxable year commencing  
43 prior to December 31, 1971, for which a Kansas return was filed after

1 reduction for all credits thereon, except credits for payments on estimates  
2 of federal income tax, credits for gasoline and lubricating oil tax, and for  
3 foreign tax credits if, on the Kansas income tax return for such prior year,  
4 the federal income tax deduction was computed on the basis of the federal  
5 income tax paid in such prior year, rather than as accrued. Notwithstand-  
6 ing the foregoing, the deduction for federal income tax liability for any  
7 year shall not exceed that portion of the total federal income tax liability  
8 for such year which bears the same ratio to the total federal income tax  
9 liability for such year as the Kansas taxable income, as computed before  
10 any deductions for federal income taxes and after application of subsec-  
11 tions (d) and (e) of this section as existing for such year, bears to the  
12 federal taxable income for the same year.

13 ~~(iii) An amount for amortization of the amortizable costs of a certified~~  
14 ~~oil production process as computed under K.S.A. 79-32,161, and amend-~~  
15 ~~ments thereto.~~

16 ~~(iv) (iii) An amount for the amortization deduction for a solar energy~~  
17 ~~system allowed pursuant to K.S.A. 79-32,168 section 5, and amendments~~  
18 ~~thereto.~~

19 ~~(v) (iv) For all taxable years commencing after December 31, 1987,~~  
20 ~~the amount included in federal taxable income pursuant to the provisions~~  
21 ~~of section 78 of the internal revenue code.~~

22 ~~(vi) (v) For all taxable years commencing after December 31, 1987,~~  
23 ~~80% of dividends from corporations incorporated outside of the United~~  
24 ~~States or the District of Columbia which are included in federal taxable~~  
25 ~~income.~~

26 (d) If any corporation derives all of its income from sources within  
27 Kansas in any taxable year commencing after December 31, 1979, its  
28 Kansas taxable income shall be the sum resulting after application of  
29 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas  
30 taxable income in any such taxable year, after excluding any refunds of  
31 federal income tax and before the deduction of federal income taxes pro-  
32 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271  
33 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund  
34 of federal income tax as determined under paragraph (iv) of subsection  
35 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-  
36 tion for federal income taxes as provided by subsection (c)(ii) shall be  
37 such corporation's Kansas taxable income.

38 (e) A corporation may make an election with respect to its first taxable  
39 year commencing after December 31, 1982, whereby no addition modi-  
40 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and  
41 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.  
42 79-32,138, as those subsections existed prior to their amendment by this  
43 act, shall be required to be made for such taxable year.

1 New Sec. 10. (a) The following described property, to the extent  
2 herein specified, shall be exempt from all property taxes levied under the  
3 laws of the state of Kansas: Any new refinery property ~~or~~, any expanded  
4 refinery property **or any restored refinery property**.

5 (b) The provisions of subsection (a) shall apply from and after pur-  
6 chase or commencement of construction or installation of such property  
7 and for the 10 taxable years immediately following the taxable year in  
8 which construction or installation of such property is completed.

9 (c) The provisions of this section shall apply to all taxable years com-  
10 mencing after December 31, 2005.

11 (d) As used in this section:

12 (1) “Expanded refinery property” means any real or tangible personal  
13 property purchased, constructed or installed for incorporation in and use  
14 as part of an expansion of a refinery, construction of which expansion  
15 begins after December 31, 2005, ~~and any other real and personal property~~  
16 ~~which are located at the site of such refinery and are employed specifically~~  
17 ~~to serve such expansion.~~

18 (2) “Expansion of a refinery” means expansion of the capacity of an  
19 existing refinery by at least 10% of such capacity.

20 (3) “New refinery property” means any real or tangible personal  
21 property purchased, constructed or installed for incorporation in and use  
22 as part of a refinery, construction of which begins after December 31,  
23 2005, ~~and any other real and personal property which are located at the~~  
24 ~~site of such refinery and are employed specifically to serve such refinery.~~

25 (4) “Refinery” has the meaning provided by section 1, and amend-  
26 ments thereto.

27 (5) **“Restored refinery property” means any real or tangible**  
28 **personal property purchased, constructed or installed for incor-**  
29 **poration in and use as part of restoration of production of a refin-**  
30 **ery which has been out of production for five or more years.**

31 New Sec. 11. (a) For the purpose of financing the construction of a  
32 new refinery or expansion of an existing refinery, the Kansas development  
33 finance authority is hereby authorized to issue revenue bonds pursuant  
34 to the Kansas development finance act, K.S.A. 74-8901 et seq., and  
35 amendments thereto, in amounts sufficient to pay the costs of such con-  
36 struction or expansion, including any required interest on the bonds dur-  
37 ing construction and installation, plus all amounts required for the costs  
38 of bond issuance, costs of credit enhancement or other financial contracts,  
39 capitalized interest and any required reserves on the bonds. The bonds,  
40 and interest thereon, issued pursuant to this section shall be payable from  
41 revenues pledged to the Kansas development finance authority for such  
42 purpose, which may include revenues derived from sales of petroleum  
43 products produced at the refinery.

1 (b) The provisions of subsection (a) of K.S.A. 74-8905, and amend-  
2 ments thereto, shall not prohibit the issuance of bonds by the Kansas  
3 development finance authority for the purposes of this section and any  
4 such issuance of bonds is exempt from the provisions of subsection (a) of  
5 K.S.A. 74-8905, and amendments thereto, which would operate to pre-  
6 clude such issuance.

7 (c) Revenue bonds, including refunding revenue bonds, issued under  
8 this section shall not constitute an indebtedness of the state of Kansas,  
9 nor shall they constitute indebtedness within the meaning of any consti-  
10 tutional or statutory provision limiting the incurring of indebtedness.

11 (d) Revenue bonds, including refunding revenue bonds, issued here-  
12 under and the income derived therefrom are and shall be exempt from  
13 all state, county and municipal taxation in the state of Kansas, except  
14 Kansas estate taxes.

15 (e) As used in this section:

16 (1) “Expansion of an existing refinery” means expansion, beginning  
17 after December 31, 2005, of the capacity of an existing refinery by at least  
18 10% of such capacity.

19 (2) “New refinery” means a refinery, construction of which begins  
20 after December 31, 2005.

21 (3) “Refinery” has the meaning provided by section 1, and amend-  
22 ments thereto.

23 (4) **“Restoration of a refinery” means restoration of production**  
24 **of a refinery which has been out of production for five or more**  
25 **years.**

26 New Sec. 12. (a) The department of health and environment shall  
27 expedite processing and issuance of any permit required to be issued by  
28 the department for construction or operation of a refinery.

29 (b) As used in this section, “refinery” means an industrial process  
30 plant where crude oil is processed and refined into petroleum products.

31 Sec. 13. K.S.A. 79-32,120 and 79-32,138 and K.S.A. 2005 Supp. 79-  
32 32,117 are hereby repealed.

33 Sec. 14. This act shall take effect and be in force from and after its  
34 publication in the statute book.