

As Amended by House Committee

Session of 2006

HOUSE BILL No. 2901

By Committee on Utilities

2-14

10 AN ACT concerning certain pipelines; providing 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; amending K.S.A. 79-32,120 and 79-32,138 and K.S.A. 2006
14 Supp. 79-32,117 and repealing the existing sections.

15
16 *Be it enacted by the Legislature of the State of Kansas:*

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

19 (a) ~~“Crude oil pipeline” means a pipeline which is located in this~~
20 ~~state, is used primarily for transportation of crude oil and has a length of~~
21 ~~more than 190 miles in this state.~~

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

27 ~~(c)~~ ~~(b)~~ **“Qualified investment” means expenditures made in construc-**
28 **tion of a new ~~crude oil~~ qualifying pipeline, or in expansion of the capacity**
29 **of an existing ~~crude oil~~ qualifying pipeline by at least 10% of such ca-**
30 **capacity, for: (1) ~~Real~~ **real** and tangible personal property incorporated**
31 **in and used as part of such pipeline and (2) other real and personal prop-**
32 **erty which are located at the site of such pipeline and which are employed**
33 **specifically to serve such pipeline.**

34 ~~(c)~~ **“Qualifying pipeline” means a pipeline which is located in**
35 **this state, is used primarily for transportation of crude oil or nat-**
36 **ural gas liquids and has a length of more than 190 miles in this**
37 **state and to which refineries or natural gas liquid processing fa-**
38 **cilities in this state have access.**

39 New Sec. 2. (a) For taxable years commencing after December 31,
40 2005, any taxpayer who is awarded a tax credit under this act by the
41 secretary of commerce and complies with the conditions set forth in this
42 act and the agreement entered into by the secretary and the taxpayer
43 under this act shall be allowed a credit against the taxpayer’s tax liability

1 under the Kansas income tax act as provided in subsection ~~(e)~~ **(b)**. **Ex-**
 2 **penditures used to qualify for this credit shall not be used to qual-**
 3 **ify for any other type of Kansas income tax credit.**

4 ~~(b) Subject to the provisions of subsection (e), the~~ **The** amount of
 5 the credit to which a taxpayer is entitled shall be equal to the sum of: (1)
 6 An amount equal to 10% of the taxpayer's qualified investment for the
 7 first \$500,000,000 invested and (2) an amount equal to 5% of the amount
 8 of the taxpayer's qualified investment that exceeds \$500,000,000. **Such**
 9 **credit shall be taken in 10 equal, annual installments, beginning**
 10 **with the year in which the taxpayer places into service the quali-**
 11 **ifying pipeline or the expansion of a qualifying pipeline.**

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

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

32 ~~(e) (1) (d)(1)~~ **(d)(1)** Before making a qualified investment, a taxpayer ~~may~~
 33 **shall** apply to the secretary of commerce to enter into an agreement for
 34 a tax credit under this act. The secretary shall prescribe the form of the
 35 application. After receipt of such application, the secretary may enter into
 36 an agreement with the applicant for a credit under this act if the secretary
 37 determines that the taxpayer's proposed investment satisfies the require-
 38 ments of this act. The secretary shall enter into an agreement with an
 39 applicant which is awarded a credit under this act. The agreement shall
 40 include: (A) A detailed description of the ~~crude oil~~ **qualifying** pipeline
 41 project that is the subject of the agreement, (B) the first taxable year for
 42 which the credit may be claimed, (C) the maximum amount of tax credit
 43 that will be allowed for each taxable year and (D) a requirement that the

1 taxpayer shall maintain operations at the project location for at least 10
2 years during the term that the tax credit is available.

3 (2) A taxpayer must comply with the terms of the agreement de-
4 scribed in subsection ~~(c)(1)~~ **(d)(1)** to receive an annual installment of the
5 tax credit awarded under this act. The secretary of commerce, in accord-
6 ance with rules and regulations of the secretary, shall annually determine
7 whether the taxpayer is in compliance with the agreement. **Such agree-**
8 **ment shall include, but not be limited to, operation of the quali-**
9 **ifying pipeline during the tax years when any installments of tax**
10 **credits are claimed by the taxpayer.** If the secretary determines that
11 the taxpayer is in compliance, the secretary shall issue a certificate of
12 compliance to the taxpayer. **If the secretary determines that the tax-**
13 **payer is not in compliance with the agreement, the secretary shall**
14 **notify the taxpayer and the secretary of revenue of such determi-**
15 **nation of noncompliance, and any tax credits claimed pursuant to**
16 **this section for any tax year shall be forfeited.**

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

19 New Sec. 3. (a) If a qualified investment is made by **or transferred**
20 **to** a pass-through entity and the credit allowed by this act for a taxable
21 year is greater than the entity's tax liability against which the tax credit
22 may be applied, a shareholder, partner or member of the entity is entitled
23 to a tax credit equal to ~~(1) The~~ **the** tax credit determined for the entity
24 for the taxable year in excess of the entity's tax liability under the Kansas
25 income tax act for the taxable year multiplied by the percentage of the
26 entity's distributive income to which the shareholder, partner or member
27 is entitled ~~if the entity is an entity described in subsection (c)(1), (2), (3)~~
28 ~~or (4) of section 1, and amendments thereto, or (2) the relative percentage~~
29 ~~of the entity's patronage dividends allocable to the member for the taxable~~
30 ~~year if the entity is an entity described in subsection (c)(5) or (6) of section~~
31 ~~1, and amendments thereto.~~

32 (b) If a ~~crude oil~~ **qualifying** pipeline is co-owned by two or more
33 taxpayers, the amount of the credit that may be allowed to a co-owner in
34 a taxable year is equal to the tax credit determined under section 2, and
35 amendments thereto, with respect to the total qualified investment in
36 such pipeline multiplied by the co-owner's percentage of ownership in
37 such pipeline.

38 ~~Except as provided by subsection (d), the amount of an annual~~
39 ~~installment of the credit allowed to a shareholder, partner or member of~~
40 ~~a pass-through entity or a co-owner under this act shall be an amount~~
41 ~~equal to 25% of the lesser of: (1) That portion of the credit allowed to~~
42 ~~the shareholder, partner, member or co-owner under this section divided~~
43 ~~by 10, or (2) the total tax liability of the shareholder, partner, member or~~

1 ~~co-owner under the Kansas income tax act for the taxable year. Such~~
2 **credit shall be taken in 10 equal, annual installments, beginning**
3 **with the year in which the entity places into service the qualifying**
4 **pipeline or the expansion of a qualifying pipeline.**

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

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

24 New Sec. 5. (a) In addition to the income tax credit allowable pur-
25 suant to sections 1 through 4, and amendments thereto, a taxpayer shall
26 be entitled to a deduction from Kansas adjusted gross income with respect
27 to the amortization of the amortizable costs of a new ~~crude oil~~ **qualifying**
28 ~~pipeline or an expansion of a crude oil~~ **qualifying** pipeline based upon a
29 period of 10 years. Such amortization deduction shall be an amount equal
30 to 55% of the amortizable costs of such new pipeline or expansion of a
31 pipeline for the first taxable year in which such new pipeline or expansion
32 of a pipeline is in production and 5% of the amortizable costs of such
33 new pipeline or expansion of a pipeline for each of the next nine taxable
34 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) ~~“Crude oil pipeline” has the meaning provided by section 1, and~~
 2 ~~amendments thereto.~~

3 ~~—(2) “Expansion of a crude oil qualifying pipeline” means expansion,~~
 4 ~~construction of which begins after December 31, 2005, of the capacity of~~
 5 ~~an existing crude oil qualifying pipeline by at least 10% of such capacity.~~

6 ~~(3) (2) “New crude oil qualifying pipeline” means a crude oil qual-~~
 7 ~~ifying pipeline, construction of which begins after December 31, 2005.~~

8 **(3) “Qualifying pipeline” has the meaning provided by section**
 9 **1, and amendments thereto.**

10 Sec. 6. K.S.A. 2005 Supp. 79-32,117 is hereby amended to read as
 11 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
 12 means such individual’s federal adjusted gross income for the taxable year,
 13 with the modifications specified in this section.

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

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

33 (iii) The federal net operating loss deduction.

34 (iv) Federal income tax refunds received by the taxpayer if the de-
 35 duction of the taxes being refunded resulted in a tax benefit for Kansas
 36 income tax purposes during a prior taxable year. Such refunds shall be
 37 included in income in the year actually received regardless of the method
 38 of accounting used by the taxpayer. For purposes hereof, a tax benefit
 39 shall be deemed to have resulted if the amount of the tax had been de-
 40 ducted in determining income subject to a Kansas income tax for a prior
 41 year regardless of the rate of taxation applied in such prior year to the
 42 Kansas taxable income, but only that portion of the refund shall be in-
 43 cluded as bears the same proportion to the total refund received as the

1 federal taxes deducted in the year to which such refund is attributable
2 bears to the total federal income taxes paid for such year. For purposes
3 of the foregoing sentence, federal taxes shall be considered to have been
4 deducted only to the extent such deduction does not reduce Kansas tax-
5 able income below zero.

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

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

14 (vii) The amount of any charitable contribution made to the extent
15 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
16 79-32,196, and amendments thereto.

17 (viii) The amount of any costs incurred for improvements to a swine
18 facility, claimed for deduction in determining federal adjusted gross in-
19 come, to the extent the same is claimed as the basis for any credit allowed
20 pursuant to K.S.A. 2005 Supp. 79-32,204 and amendments thereto.

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

27 (x) Amounts received as nonqualified withdrawals, as defined by
28 K.S.A. 2005 Supp. 75-643, and amendments thereto, if, at the time of
29 contribution to a family postsecondary education savings account, such
30 amounts were subtracted from the federal adjusted gross income pur-
31 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and
32 amendments thereto, or if such amounts are not already included in the
33 federal adjusted gross income.

34 (xi) The amount of any contribution made to the same extent the
35 same is claimed as the basis for the credit allowed pursuant to K.S.A.
36 2005 Supp. 74-50,154, and amendments thereto.

37 (xii) For taxable years commencing after December 31, 2004,
38 amounts received as withdrawals not in accordance with the provisions
39 of K.S.A. 2005 Supp. 74-50,204, and amendments thereto, if, at the time
40 of contribution to an individual development account, such amounts were
41 subtracted from the federal adjusted gross income pursuant to paragraph
42 (xiii) of subsection (c), or if such amounts are not already included in the
43 federal adjusted gross income.

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

5 (xiv) *The amount of any amortization deduction claimed in determin-*
6 *ing federal adjusted gross income to the extent the same is claimed for*
7 *deduction pursuant to section 5, 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 pos-
11 sessions less any related expenses directly incurred in the purchase of
12 such obligations or securities, to the extent included in federal adjusted
13 gross income but exempt from state income taxes under the laws of the
14 United States.

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

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

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

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

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

40 (vii) Amounts received as annuities under the federal civil service
41 retirement system from the civil service retirement and disability fund
42 and other amounts received as retirement benefits in whatever form
43 which were earned for being employed by the federal government or for

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

1 which are contributed to a family postsecondary education savings ac-
2 count established under the Kansas postsecondary education savings pro-
3 gram for the purpose of paying the qualified higher education expenses
4 of a designated beneficiary at an institution of postsecondary education.
5 The terms and phrases used in this paragraph shall have the meaning
6 respectively ascribed thereto by the provisions of K.S.A. 2005 Supp. 75-
7 643, and amendments thereto, and the provisions of such section are
8 hereby incorporated by reference for all purposes thereof.

9 (xvi) For the tax year beginning after December 31, 2004, an amount
10 not exceeding \$500; for the tax year beginning after December 31, 2005,
11 an amount not exceeding \$600; for the tax year beginning after December
12 31, 2006, an amount not exceeding \$700; for the tax year beginning after
13 December 31, 2007, an amount not exceeding \$800; for the tax year
14 beginning December 31, 2008, an amount not exceeding \$900; and for
15 all taxable years commencing after December 31, 2009, an amount not
16 exceeding \$1,000 of the premium costs for qualified long-term care in-
17 surance contracts, as defined by subsection (b) of section 7702B of public
18 law 104-191.

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

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

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

41 (e) The amount of modifications required to be made under this sec-
42 tion by a partner which relates to items of income, gain, loss, deduction
43 or credit of a partnership shall be determined under K.S.A. 79-32,131,

1 and amendments thereto, to the extent that such items affect federal
2 adjusted gross income of the partner.

3 Sec. 7. K.S.A. 79-32,120 is hereby amended to read as follows: 79-
4 32,120. (a) If federal taxable income of an individual is determined by
5 itemizing deductions from such individual's federal adjusted gross in-
6 come, such individual may elect to deduct the Kansas itemized deduction
7 in lieu of the Kansas standard deduction. The Kansas itemized deduction
8 of an individual means the total amount of deductions from federal ad-
9 justed gross income, other than federal deductions for personal exemp-
10 tions, as provided in the federal internal revenue code with the modifi-
11 cations specified in this section.

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

19 Sec. 8. K.S.A. 79-32,138 is hereby amended to read as follows: 79-
20 32,138. (a) Kansas taxable income of a corporation taxable under this act
21 shall be the corporation's federal taxable income for the taxable year with
22 the modifications specified in this section.

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

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

29 ~~(iii) (ii)~~ (ii) The amount of all depreciation deductions claimed for any
30 property upon which the deduction allowed by ~~K.S.A. 79-32,168~~ section
31 5, and amendments thereto, is claimed.

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

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

38 (ii) The federal income tax liability for any taxable year commencing
39 prior to December 31, 1971, for which a Kansas return was filed after
40 reduction for all credits thereon, except credits for payments on estimates
41 of federal income tax, credits for gasoline and lubricating oil tax, and for
42 foreign tax credits if, on the Kansas income tax return for such prior year,
43 the federal income tax deduction was computed on the basis of the federal

1 income tax paid in such prior year, rather than as accrued. Notwithstand-
 2 ing the foregoing, the deduction for federal income tax liability for any
 3 year shall not exceed that portion of the total federal income tax liability
 4 for such year which bears the same ratio to the total federal income tax
 5 liability for such year as the Kansas taxable income, as computed before
 6 any deductions for federal income taxes and after application of subsec-
 7 tions (d) and (e) of this section as existing for such year, bears to the
 8 federal taxable income for the same year.

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

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

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

18 ~~(vi) (v) For all taxable years commencing after December 31, 1987,~~
 19 ~~80% of dividends from corporations incorporated outside of the United~~
 20 ~~States or the District of Columbia which are included in federal taxable~~
 21 ~~income.~~

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

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

40 New Sec. 9. (a) The following described property, to the extent
 41 herein specified, shall be exempt from all property taxes levied under the
 42 laws of the state of Kansas: Any new ~~crude oil~~ **qualifying** pipeline prop-
 43 erty or any expanded ~~crude oil~~ **qualifying** pipeline property.

1 (b) The provisions of subsection (a) shall apply from and after purchase or commencement of construction or installation of such property
 2 and for the 10 taxable years immediately following the taxable year in
 3 which construction or installation of such property is completed.

4 (c) The provisions of this section shall apply to all taxable years commencing after December 31, 2005.

5 (d) As used in this section:

6 (1) ~~“Crude oil pipeline” has the meaning provided by section 1, and amendments thereto.~~

7 ~~—(2) “Expanded crude oil qualifying pipeline property” means any~~
 8 ~~real or tangible personal property purchased, constructed or installed for~~
 9 ~~incorporation in and use as part of an expansion of a crude oil qualifying~~
 10 ~~pipeline, construction of which expansion begins after December 31,~~
 11 ~~2005, and any other real and personal property which are located at the~~
 12 ~~site of such pipeline and are employed specifically to serve such~~
 13 ~~expansion.~~

14 ~~(3) “Expansion of a crude oil qualifying pipeline” means expansion~~
 15 ~~of the capacity of an existing crude oil qualifying pipeline by at least~~
 16 ~~10% of such capacity.~~

17 ~~(4) “New crude oil qualifying pipeline property” means any real~~
 18 ~~or tangible personal property purchased, constructed or installed for in-~~
 19 ~~corporation in and use as part of a crude oil qualifying pipeline, con-~~
 20 ~~struction of which begins after December 31, 2005, and any other real~~
 21 ~~and personal property which are located at the site of such pipeline and~~
 22 ~~are employed specifically to serve such pipeline.~~

23 (4) **“Qualifying pipeline” has the meaning provided by section**
 24 **1, and amendments thereto.**

25 New Sec. 10. (a) For the purpose of financing the construction of a
 26 new ~~crude oil~~ **qualifying** pipeline or expansion of an existing ~~crude oil~~
 27 **qualifying** pipeline, the Kansas development finance authority is hereby
 28 authorized to issue revenue bonds pursuant to the Kansas development
 29 finance authority act, K.S.A. 74-8901 et seq., and amendments thereto,
 30 in amounts sufficient to pay the costs of such construction or expansion,
 31 including any required interest on the bonds during construction and
 32 installation, plus all amounts required for the costs of bond issuance, costs
 33 of credit enhancement or other financial contracts, capitalized interest
 34 and any required reserves on the bonds. The bonds, and interest thereon,
 35 issued pursuant to this section shall be payable from revenues pledged to
 36 the Kansas development finance authority for such purpose, which may
 37 include revenues derived from transportation fees paid for transporting
 38 oil through the ~~crude oil~~ **qualifying** pipeline.

39 (b) The provisions of subsection (a) of K.S.A. 74-8905, and amend-
 40 ments thereto, shall not prohibit the issuance of bonds by the Kansas
 41

1 development finance authority for the purposes of this section and any
2 such issuance of bonds is exempt from the provisions of subsection (a) of
3 K.S.A. 74-8905, and amendments thereto, which would operate to pre-
4 clude such issuance.

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

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

13 (e) As used in this section:

14 (1) ~~“Crude oil pipeline” has the meaning provided by section 1, and~~
15 ~~amendments thereto.~~

16 ~~—(2)~~ “Expansion of an existing ~~crude oil~~ **qualifying** pipeline” means
17 expansion, beginning after December 31, 2005, of the capacity of an ex-
18 isting ~~crude oil~~ **qualifying** pipeline by at least 10% of such capacity.

19 ~~(3)~~ **(2)** “New ~~crude oil~~ **qualifying** pipeline” means a ~~crude oil~~ **qual-**
20 **ifying** pipeline, construction of which begins after December 31, 2005.

21 **(3) “Qualifying pipeline” has the meaning provided by section**
22 **1, and amendments thereto.**

23 Sec. 11. K.S.A. 79-32,120 and 79-32,138 and K.S.A. 2005 Supp. 79-
24 32,117 are hereby repealed.

25 Sec. 12. This act shall take effect and be in force from and after its
26 publication in the statute book.