

HOUSE BILL No. 2552

By Representatives Erickson and Williams

2-3

1 AN ACT concerning education; creating the Kansas reading readiness act;
2 amending K.S.A. 79-32,117 and repealing the existing section.

3
4 *Be it enacted by the Legislature of the State of Kansas:*

5 New Section 1. Sections 1 through 14, and amendments thereto, shall
6 be known and may be cited as the Kansas reading readiness act.

7 New Sec. 2. As used in this act:

8 (a) "Account" means a Kansas reading readiness account.

9 (b) "BASE aid" means the amount of base aid for student excellence
10 set forth in K.S.A. 72-5132, and amendments thereto, for the immediately
11 preceding school year.

12 (c) "Department" means the Kansas department of education.

13 (d) "Eligible student" means a resident of Kansas who:

14 (1) Is or has been enrolled in grade three or four in a school district
15 organized under the laws of this state;

16 (2) is or has been determined to be reading below grade level as
17 determined pursuant to section 3, and amendments thereto; and

18 (3) has not graduated from high school.

19 (e) "Parent" means a parent, legal guardian, custodian or other person
20 with authority to act on behalf of an eligible student.

21 (f) "Program" means the Kansas reading readiness program
22 established under section 4, and amendments thereto.

23 (g) "Qualified private school" means an accredited private school
24 located in Kansas that:

25 (1) Is registered with the state board of education pursuant to K.S.A.
26 72-4346, and amendments thereto;

27 (2) provides instruction in at least those subjects required by K.S.A.
28 72-3214, 72-3217 and 72-3235, and amendments thereto;

29 (3) is approved by the treasurer pursuant to section 10, and
30 amendments thereto; and

31 (4) is in good standing in accordance with the provisions of this act.

32 (h) "Resident school district" means the school district in which an
33 eligible student would be enrolled based on such eligible student's
34 residence.

35 (i) "Treasurer" means the state treasurer or the state treasurer's
36 designee.

1 New Sec. 3. (a) Each school district shall annually make a
2 determination whether those students enrolled in grades three and four are
3 academically eligible for the Kansas reading readiness program. The
4 determination of academic eligibility shall be based on the most recently
5 administered state assessment for English language arts. A student shall be
6 deemed academically eligible if the student:

7 (1) Is enrolled in grade three and scores at the lowest achievement
8 level on the state assessment for English language arts; or

9 (2) is enrolled in grade four and scores at the lowest or second-lowest
10 achievement level on the state assessment for English language arts.

11 (b) A student who has been determined to be reading below grade
12 level pursuant to subsection (a) shall be eligible to participate in the
13 Kansas reading readiness program if the student satisfies the other
14 requirements for eligibility. The school district shall notify the parent of
15 such student that the student is eligible for the Kansas reading readiness
16 program. Such notice shall include a cover letter explaining the basis for
17 such child's eligibility for the program, a copy of the results of the most
18 recently administered state assessment for English language arts for such
19 child, the name and telephone number of the school district employee who
20 may be contacted if the parent has questions about the program and a
21 written description of the program, including the information described in
22 section 4(c), and amendments thereto.

23 (c) When a student becomes eligible for the program, the parent of
24 such student may elect to participate in the program in accordance with the
25 provisions of section 7, and amendments thereto.

26 New Sec. 4. (a) The Kansas reading readiness program is hereby
27 established and shall be administered by the state treasurer. The purpose of
28 the program is to provide alternative options for the education of Kansas
29 students who do not read at grade level as determined pursuant to section
30 3, and amendments thereto.

31 (b) The treasurer shall establish a Kansas reading readiness account
32 for each eligible student whose parent satisfies the requirements of this act.

33 (c) The treasurer shall maintain an explanation of the following
34 information on the treasurer's website and provide a hard copy of such
35 information to any person who requests it:

36 (1) The options for participation in the program as provided in section
37 7, and amendments thereto;

38 (2) the allowable uses of moneys in a Kansas reading readiness
39 account;

40 (3) the responsibilities of a parent of an eligible student participating
41 in the program;

42 (4) the effect of participation in the program by eligible students with
43 an individualized education program (IEP) or an education plan under

1 section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504
2 plan);

3 (5) the duties of the treasurer;

4 (6) the name and telephone number of the treasurer's employee who
5 may be contacted if a parent has questions about the program; and

6 (7) a list of qualified private schools.

7 New Sec. 5. (a) For an eligible student to participate in the program,
8 the parent of such eligible student shall enter into a written agreement with
9 the treasurer, in such manner and form as prescribed by the treasurer.

10 (b) The agreement between the parent of an eligible student and the
11 treasurer shall provide that:

12 (1) The eligible student shall participate in the program in accordance
13 with section 7, and amendments thereto;

14 (2) the treasurer shall establish an account for the eligible student in
15 the Kansas reading readiness fund established by section 6, and
16 amendments thereto;

17 (3) the parent shall comply with all requirements and rules and
18 regulations of the program; and

19 (4) the moneys in the eligible student's account shall only be
20 expended as authorized by the program.

21 (c) Only one account may be established for each eligible student. A
22 parent acting on behalf of more than one eligible student shall have a
23 separate written agreement for each eligible student.

24 (d) A written agreement entered pursuant to this act shall expire on
25 July 31 immediately following the date the agreement becomes effective,
26 but may be terminated prior to such date pursuant to subsection (e). Each
27 written agreement may be renewed by August 1 upon the written consent
28 of the parent and the treasurer in a manner determined by the treasurer,
29 except that the parent may submit a request to the treasurer for an
30 extension of time for renewal not to exceed 30 days. Failure to renew a
31 written agreement does not preclude renewal of such written agreement in
32 a subsequent year. A written agreement that has been terminated pursuant
33 to subsection (e) shall not be renewed.

34 (e) (1) A written agreement may be terminated by the treasurer upon a
35 determination that:

36 (A) Moneys in an account have been used for purposes other than
37 those allowed by the program;

38 (B) the eligible student no longer satisfies the qualifications of an
39 eligible student as defined in section 2, and amendments thereto; or

40 (C) the eligible student no longer participates in the program in
41 accordance with section 7, and amendments thereto.

42 (2) A written agreement may be terminated by a parent at any time.
43 To terminate a written agreement, such parent shall notify the treasurer in

1 writing of such termination.

2 (3) When a written agreement is terminated, the account associated
3 with such agreement shall be deemed inactive, and the treasurer shall close
4 the account in accordance with section 6(h), and amendments thereto.

5 New Sec. 6. (a) (1) There is hereby established in the state treasury
6 the Kansas reading readiness fund to be administered by the state treasurer.
7 Moneys in the Kansas reading readiness fund shall be expended only for
8 the purposes established in this act. All moneys received pursuant to
9 section 8, and amendments thereto, shall be deposited in the state treasury
10 in accordance with the provisions of K.S.A. 75-4215, and amendments
11 thereto, and shall be credited to the Kansas reading readiness fund.

12 (2) The director of accounts and reports shall create a procedure for
13 the Kansas reading readiness fund to have individual student accounts
14 therein. Each student's accumulated moneys in the student's account shall
15 earn interest based on: (A) The average daily balance of moneys in each
16 student's account for the preceding month; and (B) the net earnings rate of
17 the pooled money investment portfolio for the preceding month. The
18 amount of interest earned shall be added monthly to each student's account
19 in the Kansas reading readiness fund.

20 (b) Upon execution of an agreement in accordance with section 5, and
21 amendments thereto, the treasurer shall establish an account in the Kansas
22 reading readiness fund in the state treasury in the name of the eligible
23 student. Upon establishment of such account, the treasurer shall notify the
24 resident school district of the establishment of such account for the eligible
25 student.

26 (c) If the eligible student is enrolled in a qualified private school, the
27 treasurer shall transfer to such eligible student's account in the Kansas
28 reading readiness fund an aggregate annual amount equal to the BASE aid.

29 (d) If the eligible student continues to be enrolled in such student's
30 resident school district, the treasurer shall transfer to such eligible student's
31 account in the Kansas reading readiness fund an aggregate annual amount
32 equal to 0.484 multiplied by the BASE aid.

33 (e) The treasurer shall make transfers required under subsections (c)
34 and (d) in quarterly installments pursuant to a schedule determined by the
35 treasurer.

36 (f) The treasurer may deduct a percentage of the aggregate annual
37 amount to be transferred into an eligible student's account as
38 reimbursement for the administrative costs of implementing the provisions
39 of this act as follows:

40 (1) Up to 5% each year for the first two years moneys are transferred
41 to an eligible student's account; and

42 (2) up to 2.5% for the third year and for each subsequent year moneys
43 are transferred to an eligible student's account.

1 (g) No transfers shall be made to an eligible student's account after
2 such student has graduated from high school.

3 (h) (1) Each account shall remain active until:

4 (A) A written agreement is terminated pursuant to section 5, and
5 amendments thereto;

6 (B) July 31 following the date on which the eligible student graduates
7 from high school; or

8 (C) there are two consecutive years of nonrenewal of an agreement.

9 (2) If the treasurer determines an account is inactive, the treasurer
10 shall close the account and certify the amount of moneys remaining in the
11 account to the director of accounts and reports. Such certified amount shall
12 remain in the Kansas reading readiness fund.

13 (i) The treasurer shall develop a system for payment of services by
14 participating parents by electronic funds transfer. Such system shall not
15 require parents to be reimbursed for allowable expenses. All electronic
16 funds transfers shall only be for expenditures approved by the treasurer.
17 The treasurer may contract with a third party for the purposes of
18 implementing this subsection.

19 New Sec. 7. (a) An eligible student whose parent has entered into an
20 agreement with the treasurer in accordance with section 5, and
21 amendments thereto, shall participate in the program by:

22 (1) Continuing enrollment in such student's resident school district
23 and receiving additional services to improve such student's reading skills
24 through evidence-based practices and programs requested or approved by
25 such student's parent; or

26 (2) enrolling in a qualified private school.

27 (b) For eligible students participating in the program in accordance
28 with subsection (a)(1), a school district shall provide those evidenced-
29 based practices and programs requested by the parent of such eligible
30 student to the extent the cost of such practices or programs is covered by
31 moneys transferred to such student's account pursuant to section 6, and
32 amendments thereto. A school district also may recommend evidence-
33 based practices and programs to improve such eligible student's reading
34 skills, but shall obtain the parent's approval for such practices or programs
35 prior to the expenditure of any moneys held in such student's account for
36 such practices or programs.

37 New Sec. 8. (a) Each year, the treasurer shall notify the state board of
38 education as to the names of the students participating in the Kansas
39 reading readiness program, the resident school district of each student and
40 the qualified private school, if any, each student is attending in the current
41 school year.

42 (b) For school year 2020-2021, and each school year thereafter, an
43 eligible student shall be counted in the enrollment of such eligible student's

1 resident school district for the purposes of calculating the amount of the
2 state foundation aid for the resident school district.

3 (c) (1) The state board shall determine the amounts to be transferred
4 to the Kansas reading readiness fund by:

5 (A) Multiplying an amount equal to the percentage of the BASE aid
6 as set forth in section 6(c), and amendments thereto, by the total number of
7 eligible students in such resident school district who are participating in
8 the program, who are enrolled in a qualified private school and who
9 correspond to such percentage; plus

10 (B) multiplying an amount equal to the BASE aid by 0.484 and then
11 multiplying the resulting product by the total number of eligible students
12 in such resident school district who are participating in the program, but
13 who are not enrolled in a qualified private school; plus

14 (C) any interest earned pursuant to section 6(a)(2), and amendments
15 thereto.

16 (2) The state board of education shall certify the resulting amounts to
17 the director of accounts and reports. Upon receipt of such certification, the
18 director shall transfer such certified amounts from the state general fund to
19 the Kansas reading readiness fund established in section 6, and
20 amendments thereto.

21 (3) For school year 2020-2021, and each school year thereafter, the
22 state board shall deduct from the amount of state foundation aid for each
23 resident school district the amount certified under paragraph (2) for such
24 resident school district. The appropriation for the fiscal year of the date of
25 the certification in the state foundation aid account of the state general
26 fund is hereby lapsed by the amount equal to the accumulated total of such
27 certified amounts under paragraph (2).

28 New Sec. 9. (a) Moneys in the eligible student's account may be
29 accessed by such eligible student's parent, but shall only be expended by
30 such parent for the following purposes:

31 (1) Tuition and fees charged by a qualified private school;

32 (2) textbooks and other supplies required by a qualified private
33 school; and

34 (3) evidenced-based practices and programs requested or approved in
35 accordance with section 7, and amendments thereto.

36 (b) The treasurer shall notify the parent of any expenditures from an
37 eligible student's account that do not meet the requirements of subsection
38 (a). Such parent shall repay the cost of any such expenditures within 30
39 days of notification by the treasurer.

40 (c) Except as provided in section 6(h), and amendments thereto,
41 funds remaining in an account at the end of a school year shall roll over to
42 the next succeeding school year.

43 (d) A qualified private school providing education services purchased

1 with funds from an account shall not share, refund or rebate any portion of
2 such funds to the parent or eligible student. Any such refund or rebate shall
3 be made directly into the eligible student's account.

4 (e) No personal deposits may be made into an account.

5 (f) (1) The treasurer shall conduct or contract to conduct annual
6 audits of eligible student accounts to ensure compliance with the
7 provisions of this act and may conduct or contract to conduct additional
8 audits of eligible student accounts, as needed.

9 (2) If the treasurer determines moneys in an account have been used
10 for purposes other than those allowed by subsection (a), the treasurer may:

11 (A) Prohibit expenditures from the account until such time as
12 determined by the treasurer;

13 (B) prorate amounts to be deposited in such account under section 6,
14 and amendments thereto, by an amount equal to the total amount used for
15 purposes other than those allowed by subsection (a); or

16 (C) terminate the account.

17 New Sec. 10. (a) To become a qualified private school, an applicant
18 shall submit an application to the treasurer on a form and in a manner
19 prescribed by the treasurer. Such application shall include proof that the
20 applicant is an accredited nonpublic school registered with the state board
21 of education pursuant to K.S.A. 72-4346, and amendments thereto, and
22 provides instruction in at least those subjects required by K.S.A. 72-3214,
23 72-3217 and 72-3235, and amendments thereto.

24 (b) The treasurer shall approve an application or request additional
25 information, as necessary, to prove an applicant meets the criteria to be
26 deemed a qualified private school within 45 days of receiving the
27 application. If the applicant is unable to provide such additional
28 information, the treasurer may deny the application.

29 (c) The treasurer shall conduct or contract to conduct an audit of a
30 qualified private school, selected at random each year, to determine
31 whether the qualified private school is compliant with the requirements of
32 subsection (a).

33 (d) (1) The treasurer may revoke a qualified private school's approval,
34 if the treasurer determines the qualified private school:

35 (A) Has routinely failed to comply with the provisions of this act or
36 applicable rules and regulations; or

37 (B) has failed to provide any educational services required by law to
38 an eligible student receiving instruction from the school, if the school is
39 accepting payments made from such eligible student's account.

40 (2) Prior to revoking a qualified private school's approval, the
41 treasurer shall notify such school of an impending revocation and the
42 reason for such revocation. The qualified private school shall have 30 days
43 from the time it was notified to cure the matter identified in the notice. If

1 the qualified private school fails to cure such matter within 30 days, such
2 school's approval shall be revoked. A qualified private school whose
3 approval has been revoked shall not be allowed to participate in the
4 program until such time the treasurer determines such school is in
5 compliance with the requirements of this act.

6 (3) If the treasurer revokes a qualified private school's approval, the
7 treasurer shall immediately notify each parent of an eligible student
8 participating in the program and receiving instruction from such school.

9 (e) The treasurer may notify the attorney general or the district or
10 county attorney of the county where the qualified private school is located,
11 if a qualified private school's approval was revoked because of misuse of
12 moneys paid from an account.

13 New Sec. 11. Enrollment of an eligible student in a qualified private
14 school shall be considered a parental placement of such student under the
15 individuals with disabilities education act, 20 U.S.C. § 1400 et seq.

16 New Sec. 12. The provisions of this act shall be subject to the Kansas
17 administrative procedure act and reviewable under the Kansas judicial
18 review act.

19 New Sec. 13. On or before January 1, 2021, the treasurer shall adopt
20 rules and regulations necessary to carry out the provisions of this act.

21 New Sec. 14. Nothing in this act shall be deemed to limit the
22 independence or autonomy of a qualified private school or to make the
23 actions of a qualified private school the actions of the state government.

24 Sec. 15. K.S.A. 79-32,117 is hereby amended to read as follows: 79-
25 32,117. (a) The Kansas adjusted gross income of an individual means such
26 individual's federal adjusted gross income for the taxable year, with the
27 modifications specified in this section.

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

29 (i) Interest income less any related expenses directly incurred in the
30 purchase of state or political subdivision obligations, to the extent that the
31 same is not included in federal adjusted gross income, on obligations of
32 any state or political subdivision thereof, but to the extent that interest
33 income on obligations of this state or a political subdivision thereof issued
34 prior to January 1, 1988, is specifically exempt from income tax under the
35 laws of this state authorizing the issuance of such obligations, it shall be
36 excluded from computation of Kansas adjusted gross income whether or
37 not included in federal adjusted gross income. Interest income on
38 obligations of this state or a political subdivision thereof issued after
39 December 31, 1987, shall be excluded from computation of Kansas
40 adjusted gross income whether or not included in federal adjusted gross
41 income.

42 (ii) Taxes on or measured by income or fees or payments in lieu of
43 income taxes imposed by this state or any other taxing jurisdiction to the

1 extent deductible in determining federal adjusted gross income and not
2 credited against federal income tax. This paragraph shall not apply to taxes
3 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
4 amendments thereto, for privilege tax year 1995, and all such years
5 thereafter.

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

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

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

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

32 (vii) The amount of any charitable contribution made to the extent the
33 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
34 32,196, and amendments thereto.

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

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

1 and amendments thereto.

2 (x) Amounts received as nonqualified withdrawals, as defined by
3 K.S.A. 75-643, and amendments thereto, if, at the time of contribution to a
4 family postsecondary education savings account, such amounts were
5 subtracted from the federal adjusted gross income pursuant to K.S.A. 79-
6 32,117(c)(xv), and amendments thereto, or if such amounts are not already
7 included in the federal adjusted gross income.

8 (xi) The amount of any contribution made to the same extent the
9 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
10 50,154, and amendments thereto.

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

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

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

26 (xv) The amount of any expenditures claimed for deduction in
27 determining federal adjusted gross income, to the extent the same is
28 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223
29 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-
30 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-
31 32,251 through 79-32,254, and amendments thereto.

32 (xvi) The amount of any amortization deduction claimed in
33 determining federal adjusted gross income to the extent the same is
34 claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-
35 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

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

40 (xviii) For taxable years commencing after December 31, 2006, the
41 amount of any ad valorem or property taxes and assessments paid to a state
42 other than Kansas or local government located in a state other than Kansas
43 by a taxpayer who resides in a state other than Kansas, when the law of

1 such state does not allow a resident of Kansas who earns income in such
2 other state to claim a deduction for ad valorem or property taxes or
3 assessments paid to a political subdivision of the state of Kansas in
4 determining taxable income for income tax purposes in such other state, to
5 the extent that such taxes and assessments are claimed as an itemized
6 deduction for federal income tax purposes.

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

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

33 (xxi) For taxable years beginning after December 31, 2012, and
34 ending before January 1, 2017, the amount of any deduction for pension,
35 profit sharing, and annuity plans of self-employed individuals under
36 section 62(a)(6) of the federal internal revenue code as in effect on January
37 1, 2012, and amendments thereto, in determining the federal adjusted gross
38 income of an individual taxpayer.

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

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

6 (xxiv) For taxable years commencing after December 31, 2013, that
7 portion of the amount of any expenditure deduction claimed in
8 determining federal adjusted gross income for expenses paid for medical
9 care of the taxpayer or the taxpayer's spouse or dependents when such
10 expenses were paid or incurred for an abortion, or for a health benefit plan,
11 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
12 an optional rider for coverage of abortion in accordance with K.S.A. 2019
13 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
14 assessments are claimed as an itemized deduction for federal income tax
15 purposes.

16 (xxv) For taxable years commencing after December 31, 2013, that
17 portion of the amount of any expenditure deduction claimed in
18 determining federal adjusted gross income for expenses paid by a taxpayer
19 for health care when such expenses were paid or incurred for abortion
20 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
21 amendments thereto, when such expenses were paid or incurred for
22 abortion coverage or amounts contributed to health savings accounts for
23 such taxpayer's employees for the purchase of an optional rider for
24 coverage of abortion in accordance with K.S.A. 2019 Supp. 40-2,190, and
25 amendments thereto, to the extent that such taxes and assessments are
26 claimed as a deduction for federal income tax purposes.

27 (xxvi) For all taxable years beginning after December 31, 2016, the
28 amount of any charitable contribution made to the extent the same is
29 claimed as the basis for the credit allowed pursuant to K.S.A. 72-99a07,
30 and amendments thereto, and is also claimed as an itemized deduction for
31 federal income tax purposes.

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

33 (i) Interest or dividend income on obligations or securities of any
34 authority, commission or instrumentality of the United States and its
35 possessions less any related expenses directly incurred in the purchase of
36 such obligations or securities, to the extent included in federal adjusted
37 gross income but exempt from state income taxes under the laws of the
38 United States.

39 (ii) Any amounts received ~~which~~ *that* are included in federal adjusted
40 gross income but which are specifically exempt from Kansas income
41 taxation under the laws of the state of Kansas.

42 (iii) The portion of any gain or loss from the sale or other disposition
43 of property having a higher adjusted basis for Kansas income tax purposes

1 than for federal income tax purposes on the date such property was sold or
2 disposed of in a transaction in which gain or loss was recognized for
3 purposes of federal income tax that does not exceed such difference in
4 basis, but if a gain is considered a long-term capital gain for federal
5 income tax purposes, the modification shall be limited to that portion of
6 such gain ~~which~~ *that* is included in federal adjusted gross income.

7 (iv) The amount necessary to prevent the taxation under this act of
8 any annuity or other amount of income or gain ~~which~~ *that* was properly
9 included in income or gain and was taxed under the laws of this state for a
10 taxable year prior to the effective date of this act, as amended, to the
11 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
12 the right to receive the income or gain, or to a trust or estate from which
13 the taxpayer received the income or gain.

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

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

21 (vii) Amounts received as annuities under the federal civil service
22 retirement system from the civil service retirement and disability fund and
23 other amounts received as retirement benefits in whatever form ~~which~~ *that*
24 were earned for being employed by the federal government or for service
25 in the armed forces of the United States.

26 (viii) Amounts received by retired railroad employees as a
27 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
28 228c (a)(1) et seq.

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

34 (x) For taxable years beginning after December 31, 1976, the amount
35 of the federal tentative jobs tax credit disallowance under the provisions of
36 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
37 amount of the targeted jobs tax credit and work incentive credit
38 disallowances under 26 U.S.C. § 280 C.

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

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

1 and amendments thereto.

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

6 (xiv) For all taxable years commencing after December 31, 1996, that
7 portion of any income of a bank organized under the laws of this state or
8 any other state, a national banking association organized under the laws of
9 the United States, an association organized under the savings and loan
10 code of this state or any other state, or a federal savings association
11 organized under the laws of the United States, for which an election as an
12 S corporation under subchapter S of the federal internal revenue code is in
13 effect, ~~which that~~ accrues to the taxpayer who is a stockholder of such
14 corporation and ~~which that~~ is not distributed to the stockholders as
15 dividends of the corporation. For taxable years beginning after December
16 31, 2012, and ending before January 1, 2017, the amount of modification
17 under this subsection shall exclude the portion of income or loss reported
18 on schedule E and included on line 17 of the taxpayer's form 1040 federal
19 individual income tax return.

20 (xv) For all taxable years beginning after December 31, 2017, the
21 cumulative amounts not exceeding \$3,000, or \$6,000 for a married couple
22 filing a joint return, for each designated beneficiary that are contributed to:
23 (1) A family postsecondary education savings account established under
24 the Kansas postsecondary education savings program or a qualified tuition
25 program established and maintained by another state or agency or
26 instrumentality thereof pursuant to section 529 of the internal revenue
27 code of 1986, as amended, for the purpose of paying the qualified higher
28 education expenses of a designated beneficiary; or (2) an achieving a
29 better life experience (ABLE) account established under the Kansas ABLE
30 savings program or a qualified ABLE program established and maintained
31 by another state or agency or instrumentality thereof pursuant to section
32 529A of the internal revenue code of 1986, as amended, for the purpose of
33 saving private funds to support an individual with a disability. The terms
34 and phrases used in this paragraph shall have the meaning respectively
35 ascribed thereto by the provisions of K.S.A. 75-643 and 75-652, and
36 amendments thereto, and the provisions of such sections are hereby
37 incorporated by reference for all purposes thereof.

38 (xvi) For all taxable years beginning after December 31, 2004,
39 amounts received by taxpayers who are or were members of the armed
40 forces of the United States, including service in the Kansas army and air
41 national guard, as a recruitment, sign up or retention bonus received by
42 such taxpayer as an incentive to join, enlist or remain in the armed services
43 of the United States, including service in the Kansas army and air national

1 guard, and amounts received for repayment of educational or student loans
2 incurred by or obligated to such taxpayer and received by such taxpayer as
3 a result of such taxpayer's service in the armed forces of the United States,
4 including service in the Kansas army and air national guard.

5 (xvii) For all taxable years beginning after December 31, 2004,
6 amounts received by taxpayers who are eligible members of the Kansas
7 army and air national guard as a reimbursement pursuant to K.S.A. 48-
8 281, and amendments thereto, and amounts received for death benefits
9 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
10 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
11 amendments thereto, to the extent that such death benefits are included in
12 federal adjusted gross income of the taxpayer.

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

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

26 (xx) For taxable years beginning after December 31, 2012, and
27 ending before January 1, 2017, the amount of any: (1) Net profit from
28 business as determined under the federal internal revenue code and
29 reported from schedule C and on line 12 of the taxpayer's form 1040
30 federal individual income tax return; (2) net income, not including
31 guaranteed payments as defined in section 707(c) of the federal internal
32 revenue code and as reported to the taxpayer from federal schedule K-1,
33 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
34 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,
35 partnerships, S corporations, estates, trusts, residual interest in real estate
36 mortgage investment conduits and net farm rental as determined under the
37 federal internal revenue code and reported from schedule E and on line 17
38 of the taxpayer's form 1040 federal individual income tax return; and (3)
39 net farm profit as determined under the federal internal revenue code and
40 reported from schedule F and on line 18 of the taxpayer's form 1040
41 federal income tax return; all to the extent included in the taxpayer's
42 federal adjusted gross income. For purposes of this subsection, references
43 to the federal form 1040 and federal schedule C, schedule E, and schedule

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

3 (xxi) For all taxable years beginning after December 31, 2013,
4 amounts equal to the unreimbursed travel, lodging and medical
5 expenditures directly incurred by a taxpayer while living, or a dependent
6 of the taxpayer while living, for the donation of one or more human organs
7 of the taxpayer, or a dependent of the taxpayer, to another person for
8 human organ transplantation. The expenses may be claimed as a
9 subtraction modification provided for in this section to the extent the
10 expenses are not already subtracted from the taxpayer's federal adjusted
11 gross income. In no circumstances shall the subtraction modification
12 provided for in this section for any individual, or a dependent, exceed
13 \$5,000. As used in this section, "human organ" means all or part of a liver,
14 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
15 paragraph shall take effect on the day the secretary of revenue certifies to
16 the director of the budget that the cost for the department of revenue of
17 modifications to the automated tax system for the purpose of
18 implementing this paragraph will not exceed \$20,000.

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

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

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

39 (xxv) *For all taxable years beginning after December 31, 2019,*
40 *amounts deposited in a Kansas reading readiness account established by*
41 *agreement between the taxpayer and the state treasurer pursuant to*
42 *section 5, and amendments thereto.*

43 (d) There shall be added to or subtracted from federal adjusted gross

1 income the taxpayer's share, as beneficiary of an estate or trust, of the
2 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
3 amendments thereto.

4 (e) The amount of modifications required to be made under this
5 section by a partner ~~which~~ *that* relates to items of income, gain, loss,
6 deduction or credit of a partnership shall be determined under K.S.A. 79-
7 32,131, and amendments thereto, to the extent that such items affect
8 federal adjusted gross income of the partner.

9 (f) No taxpayer shall be assessed penalties and interest from the
10 underpayment of taxes due to changes to this section that became law on
11 July 1, 2017, so long as such underpayment is rectified on or before April
12 17, 2018.

13 Sec. 16. K.S.A. 79-32,117 is hereby repealed.

14 Sec. 17. This act shall take effect and be in force from and after its
15 publication in the statute book.