

HOUSE BILL No. 2727

By Committee on Taxation

3-3

1 AN ACT concerning income taxation; relating to the determination of
2 Kansas adjusted gross income; increasing the income limit to qualify
3 for the subtraction modification for social security income; amending
4 K.S.A. 2021 Supp. 79-32,117 and repealing the existing section.
5

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

7 Section 1. K.S.A. 2021 Supp. 79-32,117 is hereby amended to read as
8 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
9 means such individual's federal adjusted gross income for the taxable year,
10 with the modifications specified in this section.

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

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

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

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

35 (iv) Federal income tax refunds received by the taxpayer if the
36 deduction of the taxes being refunded resulted in a tax benefit for Kansas

1 army and air national guard as a reimbursement pursuant to K.S.A. 48-
2 281, and amendments thereto, and amounts received for death benefits
3 pursuant to K.S.A. 48-282, and amendments thereto, to the extent that
4 such death benefits are included in federal adjusted gross income of the
5 taxpayer.

6 ~~(xviii) For the taxable year beginning after December 31, 2006,~~
7 ~~amounts received as benefits under the federal social security act which~~
8 ~~are included in federal adjusted gross income of a taxpayer with federal~~
9 ~~adjusted gross income of \$50,000 or less, whether such taxpayer's filing~~
10 ~~status is single, head of household, married filing separate or married filing~~
11 ~~jointly; and (A) For all taxable years beginning after December 31,~~
12 ~~2007, and ending before January 1, 2023,~~ amounts received as benefits
13 under the federal social security act which are included in federal adjusted
14 gross income of a taxpayer with federal adjusted gross income of \$75,000
15 or less, whether such taxpayer's filing status is single, head of household,
16 married filing separate or married filing jointly.

2022

17 ~~(B) For all taxable years beginning after December 31, 2022,~~
18 ~~amounts received as benefits under the federal social security act that are~~
19 ~~included in federal adjusted gross income of a taxpayer with federal~~
20 ~~adjusted gross income except that, for taxpayers whose federal adjusted~~
21 ~~gross income is more than \$75,000, amounts received as benefits under~~
22 ~~the federal social security act that are included in federal adjusted gross~~
23 ~~income shall be reduced by 10% for each \$1,000 of federal adjusted gross~~
24 ~~income in excess of \$75,000, whether a taxpayer's filing status is single,~~
25 ~~head of household, married filing separate or married filing jointly.~~

2021

Strike on lines 20-25

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

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

1 under section 250(a)(1)(B) of such code.

2 (xxvi) For all taxable years commencing after December 31, 2020,
3 the amount disallowed as a deduction pursuant to section 163(j) of the
4 federal internal revenue code of 1986, as in effect on January 1, 2018.

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

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

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

19 (f) No taxpayer shall be assessed penalties and interest from the
20 underpayment of taxes due to changes to this section that became law on
21 July 1, 2017, so long as such underpayment is rectified on or before April
22 17, 2018.

23 Sec. 2. K.S.A. 2021 Supp. 79-32,117 is hereby repealed.

24 Sec. 3. This act shall take effect and be in force from and after its
25 publication in the statute book.

(xxviii) For all taxable years beginning after December 31, 2021, amounts received by retired individuals under all retirement plans to the extent included in federal adjusted gross income.