

HOUSE BILL No. 2119

By Committee on K-12 Education Budget

1-22

1 AN ACT concerning education; creating the student empowerment act;
2 providing education savings accounts for students who are
3 academically at-risk; amending K.S.A. 72-5134 and 79-32,117 and
4 repealing the existing sections.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 New Section 1. Sections 1 through 17, and amendments thereto, shall
8 be known and may be cited as the student empowerment act.

9 New Sec. 2. The legislature hereby declares that the purpose and
10 intent of the student empowerment act is:

11 (a) To provide suitable provision for finance of the educational
12 interests of all students in the state through all manner of education that
13 suitably prepares our children to be productive members of our collective
14 workforce and society;

15 (b) to protect the people's common interest in providing intellectual,
16 educational, vocational and scientific improvement by establishing and
17 maintaining public schools and other forms of education and their related
18 activities that support the legislative goal established in K.S.A. 72-3218,
19 and amendments thereto, by acknowledging the unique individuality and
20 life experiences of each student and by recognizing each student's varied
21 educational, social, emotional and environmental needs;

22 (c) to highlight the diversity of acquired knowledge needed to
23 become productive members of society, while also recognizing the reality
24 that a policy of "one size fits all" does not ensure that all students will be
25 successful;

26 (d) to acknowledge that each student must be considered as a unique
27 individual, with different educational supports needed to best function in
28 the changing world; and

29 (e) to respect and invite parents to be their child's educational
30 opportunity steward from an academic, social, emotional and spiritual
31 perspective that aligns their child with the best educational delivery model
32 and environment.

33 New Sec. 3. As used in sections 1 through 17, and amendments
34 thereto:

35 (a) "Account" means a student empowerment account.

36 (b) "BASE aid" means the amount of base aid for student excellence

1 set forth in K.S.A. 72-5132, and amendments thereto, for the immediately
2 preceding school year.

3 (c) "Eligible student" means a resident of Kansas who has not
4 graduated from high school or obtained a general educational development
5 (GED) credential, and who:

6 (1) Qualifies for free or reduced-price meals under the national school
7 lunch act;

8 (2) has been identified by such student's resident school district as
9 eligible to receive at-risk educational program services because such
10 student:

11 (A) is or has been determined to be performing below grade level in
12 either English language arts or mathematics;

13 (B) has a high rate of absenteeism; or

14 (C) has been identified as eligible to receive at-risk educational
15 program services for any other reason specified by the school district;

16 (3) has been required by such student's resident school district to
17 attend school:

18 (A) Through remote learning for a period of either 120 consecutive
19 school term hours within the current or immediately preceding school year
20 or 180 total school term hours within one calendar year, whichever occurs
21 first; or

22 (B) through a hybrid model of instruction for a period of 240 total
23 school term hours within the current or immediately preceding school year
24 or one calendar year, whichever occurs first; or

25 (4) has a student empowerment account established on their behalf
26 pursuant to section 7, and amendments thereto.

27 (d) "Hybrid model of instruction" means a method of providing
28 education in which the student, although regularly enrolled in the student's
29 resident school district, does not physically attend the attendance center
30 such student would otherwise attend in person on a full-time basis but
31 participates in remote learning for at least one day each week. For
32 purposes of calculating total school term hours during a period of hybrid
33 model of instruction, school term hours shall be counted for each day
34 instruction is provided by the school district through remote learning to a
35 portion of the students enrolled in the district.

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

38 (f) "Postsecondary educational institution" means any postsecondary
39 educational institution or any private or out-of-state postsecondary
40 educational institution as such terms are defined in K.S.A. 74-3201b, and
41 amendments thereto.

42 (g) "Program" means the student empowerment program established
43 under section 4, and amendments thereto.

1 (h) "Qualified private school" means any accredited private school
2 and any nonaccredited private school registered with the state board of
3 education pursuant to K.S.A. 72-4346, and amendments thereto, that is
4 located in Kansas and that:

5 (1) Provides instruction in those subjects required by K.S.A. 72-3214,
6 72-3217 and 72-3235, and amendments thereto; and

7 (2) is approved by the treasurer pursuant to section 12, and
8 amendments thereto.

9 (i) (1) "Remote learning" means a method of providing education in
10 which the student, although regularly enrolled in the student's resident
11 school district, does not physically attend the attendance center such
12 student would otherwise attend in person, and curriculum and instruction
13 are prepared, provided and supervised by teachers and staff of such
14 resident school district so as to approximate the student learning
15 experience that would take place in the attendance center classroom.

16 (2) The term "remote learning" does not include virtual school as
17 such term is defined in K.S.A. 72-3712, and amendments thereto.

18 (j) "Resident school district" means the school district in which an
19 eligible student is currently or would be enrolled based on such eligible
20 student's residence.

21 (k) "Treasurer" means the state treasurer or the state treasurer's
22 designee.

23 New Sec. 4. (a) The student empowerment program is hereby
24 established and shall be administered by the treasurer. The treasurer shall
25 establish a student empowerment account for each eligible student whose
26 parent satisfies the requirements of this act.

27 (b) The treasurer shall maintain an explanation of the following
28 information on the treasurer's website and provide a hard copy of such
29 information to any person upon request:

30 (1) The options for participation in the program as provided in section
31 8, and amendments thereto;

32 (2) the allowable uses of moneys in a student empowerment account;

33 (3) the responsibilities of a parent of an eligible student participating
34 in the program;

35 (4) the effect of participation in the program by eligible students with
36 an individualized education program (IEP) or an education plan under
37 section 504 of the rehabilitation act of 1973, 29 U.S.C. § 794 (section 504
38 plan);

39 (5) the duties of the treasurer;

40 (6) the procedure for appealing a decision of the treasurer;

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

43 (8) a list of qualified private schools.

1 New Sec. 5. Whenever a student becomes eligible for the student
2 empowerment program, such student's resident school district shall notify
3 the parent of such student. Such notice shall include an explanation of the
4 basis for such child's eligibility for the program, a copy of the results of the
5 most recently administered state assessment for English language arts and
6 state assessment for mathematics for such child, the name and telephone
7 number of the school district employee who may be contacted if the parent
8 has questions about the program and the name and telephone number of an
9 employee of both the department of education and the state treasurer's
10 office who may be contacted regarding the program. Such notice shall also
11 include either a written description of the program, including the
12 information described in section 4(b), and amendments thereto, or the
13 website address where such description may be found on the treasurer's
14 website. The school district shall continue to provide such notice each year
15 that the student remains enrolled in the school district and remains eligible
16 for the program.

17 New Sec. 6. (a) For an eligible student to participate in the program,
18 the parent of such eligible student shall enter into a written agreement with
19 the treasurer, in such manner and form as prescribed by the treasurer.

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

22 (1) The eligible student shall participate in the program in accordance
23 with section 8, and amendments thereto;

24 (2) the treasurer shall establish an account for the eligible student in
25 the student empowerment fund established by section 7, and amendments
26 thereto;

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

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

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

34 (d) A written agreement entered pursuant to this act shall expire on
35 July 31 immediately following the date the agreement becomes effective
36 but may be terminated prior to such date pursuant to subsection (e). Each
37 written agreement may be renewed by August 1 upon the written consent
38 of the parent and the treasurer in a manner determined by the treasurer,
39 except that the parent may submit a request to the treasurer for an
40 extension of time for renewal not to exceed 30 days. Failure to renew a
41 written agreement does not preclude renewal of such written agreement in
42 a subsequent year. A written agreement that has been terminated pursuant
43 to subsection (e) shall not be renewed.

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

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

5 (B) the eligible student no longer satisfies the qualifications of an
6 eligible student; or

7 (C) the eligible student no longer participates in the program in
8 accordance with section 8, and amendments thereto.

9 (2) A written agreement may be terminated by a parent at any time.
10 To terminate a written agreement, such parent shall notify the treasurer in
11 writing of such termination.

12 (3) When a written agreement is terminated, the account associated
13 with such agreement shall be deemed inactive, and the treasurer shall close
14 the account in accordance with section 7, and amendments thereto.

15 New Sec. 7. (a) (1) There is hereby established in the state treasury
16 the student empowerment fund to be administered by the treasurer.
17 Moneys in the student empowerment fund shall be expended only for the
18 purposes established in this act. All moneys received pursuant to section 9,
19 and amendments thereto, shall be deposited in the state treasury in
20 accordance with the provisions of K.S.A. 75-4215, and amendments
21 thereto, and shall be credited to the student empowerment fund.

22 (2) The director of accounts and reports shall create a procedure for
23 the student empowerment fund to have individual student accounts therein.
24 Each student's accumulated moneys in the student's account shall earn
25 interest based on: (A) The average daily balance of moneys in each
26 student's account for the preceding month; and (B) the net earnings rate of
27 the pooled money investment portfolio for the preceding month. The
28 amount of interest earned shall be added monthly to each student's account
29 in the student empowerment fund.

30 (b) Upon execution of an agreement in accordance with section 6, and
31 amendments thereto, the treasurer shall establish an account in the student
32 empowerment fund in the state treasury in the name of the eligible student.
33 Upon establishment of such account, the treasurer shall notify the resident
34 school district of the establishment of such account for the eligible student.

35 (c) (1) If the eligible student is enrolled in a qualified private school,
36 the treasurer shall transfer to such eligible student's account in the student
37 empowerment fund an aggregate annual amount equal to the BASE aid.

38 (2) If the eligible student continues to be enrolled in such student's
39 resident school district part-time, the treasurer shall transfer to such
40 eligible student's account in the student empowerment fund an aggregate
41 annual amount equal to that portion of the BASE aid that is inversely
42 proportional to the amount of time such student is enrolled in such
43 student's resident school district.

1 (d) The treasurer shall make transfers required under subsection (c) in
2 quarterly installments pursuant to a schedule determined by the treasurer.

3 (e) The treasurer may deduct a percentage of the aggregate annual
4 amount to be transferred into an eligible student's account as
5 reimbursement for the administrative costs of implementing the provisions
6 of this act as follows:

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

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

11 (f) No transfers shall be made to an eligible student's account after
12 such student has graduated from high school.

13 (g) (1) Each account shall remain active until:

14 (A) A written agreement is terminated pursuant to section 6, and
15 amendments thereto;

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

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

19 (2) If the treasurer determines an account is inactive, the treasurer
20 shall close the account and certify the amount of moneys remaining in the
21 account to the director of accounts and reports. Such certified amount shall
22 remain in the student empowerment fund.

23 (h) The treasurer shall develop a system for payment of services by
24 participating parents by electronic funds transfer. Such system shall not
25 require parents to be reimbursed for allowable expenses. All electronic
26 funds transfers shall only be for expenditures approved by the treasurer.
27 The treasurer may contract with a third party for the purposes of
28 implementing this subsection.

29 New Sec. 8. (a) An eligible student whose parent has entered into an
30 agreement with the treasurer in accordance with section 6, and
31 amendments thereto, shall participate in the program by:

32 (1) Continuing part-time enrollment in such student's resident school
33 district and receiving additional educational services as allowed under the
34 program; or

35 (2) enrolling in a qualified private school.

36 (b) Each year, the parent of a student participating in the program
37 shall report to the treasurer whether such student is enrolled in such
38 student's resident school district and, if so, the number of hours such
39 student is attending.

40 New Sec. 9. (a) On or before August 1 of each year, the treasurer
41 shall determine the amount to be transferred to the student empowerment
42 fund by:

43 (1) Multiplying an amount equal to the BASE aid by the total number

1 of eligible students participating in the program, who are enrolled in a
2 qualified private school;

3 (2) for each eligible student participating in the program who is
4 enrolled part-time in a school district, multiplying an amount equal to the
5 BASE aid by a ratio that is the inverse proportion of the amount of time
6 each such student is enrolled and attending public school;

7 (3) adding together the amounts determined under paragraph (2) for
8 all such students; and

9 (4) adding the total amounts determined under paragraphs (1) and (3).
10 The resulting sum is the amount to be transferred to the student
11 empowerment fund.

12 (b) The treasurer shall certify the resulting amounts to the director of
13 accounts and reports. Upon receipt of such certification, the director shall
14 transfer such certified amount from the state general fund to the student
15 empowerment fund established in section 7, and amendments thereto.

16 New Sec. 10. (a) Moneys in the eligible student's account may be
17 accessed by such eligible student's parent but shall only be expended by
18 such parent for the following purposes:

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

20 (2) textbooks and other supplies required by a qualified private
21 school;

22 (3) fees for transportation provided by a qualified private school that
23 is required for the eligible student to travel to and from such qualified
24 private school;

25 (4) educational therapies or services provided by a licensed or
26 accredited education provider;

27 (5) tutoring services provided by a certified tutor;

28 (6) curriculum materials;

29 (7) tuition or fees charged by an accredited private online learning
30 program;

31 (8) fees for any nationally standardized norm-referenced achievement
32 test, advanced placement examination or other examination related to
33 admission to a postsecondary educational institution;

34 (9) contracted services from a school district, including individual
35 classes;

36 (10) tuition and fees charged by a postsecondary educational
37 institution; and

38 (11) any other education expenses approved by the treasurer.

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

43 (c) Except as provided in section 7, and amendments thereto, funds

1 remaining in an account at the end of a school year shall roll over to the
2 next succeeding school year.

3 (d) A qualified private school providing education services purchased
4 with funds from an account shall not share, refund or rebate any portion of
5 such funds to the parent or eligible student. Any such refund or rebate shall
6 be made directly into the eligible student's account.

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

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

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

14 (1) Prohibit expenditures from the account until such time as
15 determined by the treasurer;

16 (2) prorate amounts to be deposited in such account under section 7,
17 and amendments thereto, by an amount equal to the total amount used for
18 purposes other than those allowed by subsection (a); or

19 (3) terminate the account.

20 New Sec. 11. (a) On or before August 1, 2022, and each year
21 thereafter, the treasurer shall certify to the state board of education the
22 names of the students participating in the student empowerment program,
23 the resident school district of each such student and the qualified private
24 school, if any, each such student is attending in the current school year.

25 (b) (1) On or before September 1, 2021, and each year thereafter, the
26 state board shall determine the adjusted weightings funding amount in
27 accordance with paragraph (2) and shall certify the amount so determined
28 to the director of accounts and reports. At the same time as such
29 certification is transmitted to the director of accounts and reports, the state
30 board shall transmit a copy of such certification to the director of the
31 budget and the director of legislative research. Upon receipt of each such
32 certification, the director of accounts and reports shall transfer the amount
33 certified, and such amount is appropriated for such fiscal year, from the
34 state general fund to the state foundation aid account of the state general
35 fund of the department of education.

36 (2) For each eligible student participating in the program who has
37 participated for less than three years, the state board shall determine the
38 amount of such student's resident school district's state foundation aid for
39 the last school year during which such student was enrolled full-time in
40 such district that is attributable to that portion of the following weightings
41 that is directly attributable to such student's enrollment in the district: The
42 low enrollment weighting, high enrollment weighting, bilingual weighting,
43 at-risk student weighting and career technical education weighting. The

1 state board shall then determine the aggregate of such amounts for each
2 resident school district and the resulting sum is the adjusted weightings
3 funding amount.

4 New Sec. 12. (a) To become a qualified private school, an applicant
5 shall submit an application to the treasurer on a form and in a manner
6 prescribed by the treasurer. Such application shall include proof that the
7 applicant is an accredited private school or a nonaccredited private school
8 registered with the state board of education pursuant to K.S.A. 72-4346,
9 and amendments thereto, and provides instruction in those subjects
10 required by K.S.A. 72-3214, 72-3217 and 72-3235, and amendments
11 thereto.

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

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

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

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

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

28 (2) Prior to revoking a qualified private school's approval, the
29 treasurer shall notify such school of an impending revocation and the
30 reason for such revocation. The qualified private school shall have 30 days
31 from the time it was notified to cure the matter identified in the notice. If
32 the qualified private school fails to cure such matter within 30 days, such
33 school's approval shall be revoked. A qualified private school whose
34 approval has been revoked shall not be allowed to participate in the
35 program until such time the treasurer determines such school is in
36 compliance with the requirements of this act.

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

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

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

4 New Sec. 14. (a) On or before December 31, 2021, and each
5 December 31 thereafter, the treasurer shall prepare and submit a report on
6 the student empowerment program to the state board of education. The
7 report shall include, but is not limited to, the following information for the
8 immediately preceding school year:

9 (1) The total number of students participating in the program;

10 (2) the number of participating students enrolled on a part-time basis
11 in a school district and the average number of hours such students attended
12 public school;

13 (3) the number of participating students enrolled in a qualified private
14 school;

15 (4) the number of qualified private schools;

16 (5) the results of any audits conducted or contracted for by the
17 treasurer; and

18 (6) the total cost to administer the program.

19 (b) On or before January 15, 2022, and each January 15 thereafter, the
20 state board of education shall prepare and submit a report on the student
21 empowerment program to the governor and the legislature. The report
22 shall include, but is not limited to, the treasurer's report submitted pursuant
23 to subsection (a) and the state foundation aid adjustments determined by
24 the state board pursuant to section 11, and amendments thereto, for each
25 school district for the immediately preceding school year.

26 New Sec. 15. The treasurer's actions under this act shall be subject to
27 the Kansas administrative procedure act and reviewable under the Kansas
28 judicial review act. Any parent of a participating student or qualified
29 private school aggrieved by a decision of the treasurer may appeal such
30 decision in accordance with such acts.

31 New Sec. 16. On or before January 1, 2022, the treasurer shall adopt
32 rules and regulations necessary to carry out the provisions of this act.

33 New Sec. 17. Nothing in this act shall be deemed to limit the
34 independence or autonomy of a qualified private school or to make the
35 actions of a qualified private school the actions of the state government.

36 Sec. 18. K.S.A. 72-5134 is hereby amended to read as follows: 72-

37 5134. (a) In each school year, the state board shall determine the amount
38 of state foundation aid for each school district for such school year. The
39 state board shall determine the amount of the school district's local
40 foundation aid for the school year. If the amount of the school district's
41 local foundation aid is greater than the amount of total foundation aid
42 determined for the school district for the school year, the school district
43 shall not receive state foundation aid in any amount. If the amount of the

1 school district's local foundation aid is less than the amount of total
2 foundation aid determined for the school district for the school year, the
3 state board shall subtract the amount of the school district's local
4 foundation aid from the amount of total foundation aid. *Subject to the*
5 *provisions of subsection (b)*, the remainder is the amount of state
6 foundation aid the school district shall receive for the school year.

7 (b) *Each school year, the state board shall adjust the amount of state*
8 *foundation aid for each school district in accordance with section 11, and*
9 *amendments thereto.*

10 Sec. 19. K.S.A. 79-32,117 is hereby amended to read as follows: 79-
11 32,117. (a) The Kansas adjusted gross income of an individual means such
12 individual's federal adjusted gross income for the taxable year, with the
13 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 the
17 same is not included in federal adjusted gross income, on obligations of
18 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
24 obligations of this state or a political subdivision thereof issued after
25 December 31, 1987, shall be excluded from computation of Kansas
26 adjusted gross income whether or not included in federal adjusted gross
27 income.

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

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

38 (iv) Federal income tax refunds received by the taxpayer if the
39 deduction 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 shall
43 be deemed to have resulted if the amount of the tax had been deducted in

1 determining income subject to a Kansas income tax for a prior year
2 regardless of the rate of taxation applied in such prior year to the Kansas
3 taxable income, but only that portion of the refund shall be included as
4 bears the same proportion to the total refund received as the federal taxes
5 deducted in the year to which such refund is attributable bears to the total
6 federal income taxes paid for such year. For purposes of the foregoing
7 sentence, federal taxes shall be considered to have been deducted only to
8 the extent such deduction does not reduce Kansas taxable income below
9 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
14 allowed 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 thereto.

18 (vii) The amount of any charitable contribution made to the extent the
19 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
20 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
23 income, to the extent the same is claimed as the basis for any credit
24 allowed pursuant to K.S.A. 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 deduction
28 in determining federal adjusted gross income, to the extent the same is
29 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. 75-643, and amendments thereto, if, at the time of contribution to a
33 family postsecondary education savings account, such amounts were
34 subtracted from the federal adjusted gross income pursuant to K.S.A. 79-
35 32,117(c)(xv), and amendments thereto, or if such amounts are not already
36 included in the federal adjusted gross income.

37 (xi) The amount of any contribution made to the same extent the
38 same is claimed as the basis for the credit allowed pursuant to K.S.A. 74-
39 50,154, and amendments thereto.

40 (xii) For taxable years commencing after December 31, 2004,
41 amounts received as withdrawals not in accordance with the provisions of
42 K.S.A. 74-50,204, and amendments thereto, if, at the time of contribution
43 to an individual development account, such amounts were subtracted from

1 the federal adjusted gross income pursuant to subsection (c)(xiii), or if
2 such amounts are not already included in the federal adjusted gross
3 income.

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

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

12 (xv) The amount of any expenditures claimed for deduction in
13 determining federal adjusted gross income, to the extent the same is
14 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,223
15 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233 through 79-
16 32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-32,248 or 79-
17 32,251 through 79-32,254, and amendments thereto.

18 (xvi) The amount of any amortization deduction claimed in
19 determining federal adjusted gross income to the extent the same is
20 claimed for deduction pursuant to K.S.A. 79-32,227, 79-32,232, 79-
21 32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments thereto.

22 (xvii) 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. 79-32,256, and amendments
25 thereto.

26 (xviii) For taxable years commencing after December 31, 2006, the
27 amount of any ad valorem or property taxes and assessments paid to a state
28 other than Kansas or local government located in a state other than Kansas
29 by a taxpayer who resides in a state other than Kansas, when the law of
30 such state does not allow a resident of Kansas who earns income in such
31 other state to claim a deduction for ad valorem or property taxes or
32 assessments paid to a political subdivision of the state of Kansas in
33 determining taxable income for income tax purposes in such other state, to
34 the extent that such taxes and assessments are claimed as an itemized
35 deduction for federal income tax purposes.

36 (xix) For taxable years beginning after December 31, 2012, and
37 ending before January 1, 2017, the amount of any: (1) Loss from business
38 as determined under the federal internal revenue code and reported from
39 schedule C and on line 12 of the taxpayer's form 1040 federal individual
40 income tax return; (2) loss from rental real estate, royalties, partnerships, S
41 corporations, except those with wholly owned subsidiaries subject to the
42 Kansas privilege tax, estates, trusts, residual interest in real estate
43 mortgage investment conduits and net farm rental as determined under the

1 federal internal revenue code and reported from schedule E and on line 17
2 of the taxpayer's form 1040 federal individual income tax return; and (3)
3 farm loss as determined under the federal internal revenue code and
4 reported from schedule F and on line 18 of the taxpayer's form 1040
5 federal income tax return; all to the extent deducted or subtracted in
6 determining the taxpayer's federal adjusted gross income. For purposes of
7 this subsection, references to the federal form 1040 and federal schedule
8 C, schedule E, and schedule F, shall be to such form and schedules as they
9 existed for tax year 2011, and as revised thereafter by the internal revenue
10 service.

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

19 (xxi) For taxable years beginning after December 31, 2012, and
20 ending before January 1, 2017, the amount of any deduction for pension,
21 profit sharing, and annuity plans of self-employed individuals under
22 section 62(a)(6) of the federal internal revenue code as in effect on January
23 1, 2012, and amendments thereto, in determining the federal adjusted gross
24 income of an individual taxpayer.

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

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

35 (xxiv) For taxable years commencing after December 31, 2013, that
36 portion of the amount of any expenditure deduction claimed in
37 determining federal adjusted gross income for expenses paid for medical
38 care of the taxpayer or the taxpayer's spouse or dependents when such
39 expenses were paid or incurred for an abortion, or for a health benefit plan,
40 as defined in K.S.A. 65-6731, and amendments thereto, for the purchase of
41 an optional rider for coverage of abortion in accordance with K.S.A. 2020
42 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and
43 assessments are claimed as an itemized deduction for federal income tax

1 purposes.

2 (xxv) For taxable years commencing after December 31, 2013, that
3 portion of the amount of any expenditure deduction claimed in
4 determining federal adjusted gross income for expenses paid by a taxpayer
5 for health care when such expenses were paid or incurred for abortion
6 coverage, a health benefit plan, as defined in K.S.A. 65-6731, and
7 amendments thereto, when such expenses were paid or incurred for
8 abortion coverage or amounts contributed to health savings accounts for
9 such taxpayer's employees for the purchase of an optional rider for
10 coverage of abortion in accordance with K.S.A. 2020 Supp. 40-2,190, and
11 amendments thereto, to the extent that such taxes and assessments are
12 claimed as a deduction for federal income tax purposes.

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

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

19 (i) Interest or dividend income on obligations or securities of any
20 authority, commission or instrumentality of the United States and its
21 possessions less any related expenses directly incurred in the purchase of
22 such obligations or securities, to the extent included in federal adjusted
23 gross income but exempt from state income taxes under the laws of the
24 United States.

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

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

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

43 (v) The amount of any refund or credit for overpayment of taxes on

1 or measured by income or fees or payments in lieu of income taxes
2 imposed by this state, or any taxing jurisdiction, to the extent included in
3 gross income for federal income tax purposes.

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

7 (vii) Amounts received as annuities under the federal civil service
8 retirement system from the civil service retirement and disability fund and
9 other amounts received as retirement benefits in whatever form ~~which that~~
10 were earned for being employed by the federal government or for service
11 in the armed forces of the United States.

12 (viii) Amounts received by retired railroad employees as a
13 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
14 228c (a)(1) et seq.

15 (ix) Amounts received by retired employees of a city and by retired
16 employees of any board of such city as retirement allowances pursuant to
17 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
18 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
19 amendments thereto.

20 (x) For taxable years beginning after December 31, 1976, the amount
21 of the federal tentative jobs tax credit disallowance under the provisions of
22 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
23 amount of the targeted jobs tax credit and work incentive credit
24 disallowances under 26 U.S.C. § 280 C.

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

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

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

35 (xiv) For all taxable years commencing after December 31, 1996, that
36 portion of any income of a bank organized under the laws of this state or
37 any other state, a national banking association organized under the laws of
38 the United States, an association organized under the savings and loan
39 code of this state or any other state, or a federal savings association
40 organized under the laws of the United States, for which an election as an
41 S corporation under subchapter S of the federal internal revenue code is in
42 effect, ~~which that~~ accrues to the taxpayer who is a stockholder of such
43 corporation and ~~which that~~ is not distributed to the stockholders as

1 dividends of the corporation. For taxable years beginning after December
2 31, 2012, and ending before January 1, 2017, the amount of modification
3 under this subsection shall exclude the portion of income or loss reported
4 on schedule E and included on line 17 of the taxpayer's form 1040 federal
5 individual income tax return.

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

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

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

42 (xviii) For the taxable year beginning after December 31, 2006,
43 amounts received as benefits under the federal social security act ~~which~~

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

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

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

32 (xxi) For all taxable years beginning after December 31, 2013,
33 amounts equal to the unreimbursed travel, lodging and medical
34 expenditures directly incurred by a taxpayer while living, or a dependent
35 of the taxpayer while living, for the donation of one or more human organs
36 of the taxpayer, or a dependent of the taxpayer, to another person for
37 human organ transplantation. The expenses may be claimed as a
38 subtraction modification provided for in this section to the extent the
39 expenses are not already subtracted from the taxpayer's federal adjusted
40 gross income. In no circumstances shall the subtraction modification
41 provided for in this section for any individual, or a dependent, exceed
42 \$5,000. As used in this section, "human organ" means all or part of a liver,
43 pancreas, kidney, intestine, lung or bone marrow. The provisions of this

1 paragraph shall take effect on the day the secretary of revenue certifies to
2 the director of the budget that the cost for the department of revenue of
3 modifications to the automated tax system for the purpose of
4 implementing this paragraph will not exceed \$20,000.

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

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

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

25 *(xxv) For all taxable years beginning after December 31, 2020,*
26 *amounts deposited in a student empowerment account established by*
27 *agreement between the taxpayer and the state treasurer pursuant to*
28 *section 6, and amendments thereto.*

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

33 (e) The amount of modifications required to be made under this
34 section by a partner ~~which~~ that relates to items of income, gain, loss,
35 deduction or credit of a partnership shall be determined under K.S.A. 79-
36 32,131, and amendments thereto, to the extent that such items affect
37 federal adjusted gross income of the partner.

38 (f) No taxpayer shall be assessed penalties and interest from the
39 underpayment of taxes due to changes to this section that became law on
40 July 1, 2017, so long as such underpayment is rectified on or before April
41 17, 2018.

42 Sec. 20. K.S.A. 72-5134 and 79-32,117 are hereby repealed.

43 Sec. 21. This act shall take effect and be in force from and after its

- 1 publication in the statute book.