



KANSAS BOARD OF REGENTS

Senate Committee on Assessment and Taxation
Diane Duffy, Vice-President Finance and Administration

*SB 267 -- relating to tax credits for certain contributions to
community colleges, technical colleges and universities*

February 7, 2012

Good morning, Senator Donovan and members of the Committee. Thank you for the opportunity to appear before you today on behalf of the Board of Regents to provide you with a brief update on the tax credit program targeted to make infrastructure improvements to our public universities, community colleges and technical colleges; and to request your support of SB 267.

The Regents request your support for SB 267 which would amend the existing program (K.S.A. 79-32,261) as follows:

- extend the sunset from 2012 to 2015;
- reduce the total amount of tax credits from \$15 million to \$10 million for public universities;
- raise the amount of credit for taxpayers from 50% to 60% for public universities, and
- allow community colleges and technical colleges to pool the unused tax credits among community colleges and technical colleges.

Background

In 2007, tax credit provisions authorized by the Legislature established a new tax credit based on a percentage of a taxpayer's contribution made on or after July 1, 2008, to a community college for capital improvements (60% of the contribution), to a technical college for deferred maintenance or purchases of technology or equipment (60% of the contribution), or to a university for deferred maintenance (50% of the contribution). The credit, effective for tax years 2008 through 2012, is applicable to corporate and individual income tax, insurance premiums tax, and financial institutions privilege tax. The credits are scheduled to sunset after tax year 2012. The credit on a contribution to a community or technical college is refundable, if it is in excess of income tax liability. The university credits are non-refundable, but can be carried forward for up to three years. All credits originally claimed by not-for-profit entities are transferable to other taxpayers. The Kansas Department of Revenue (KDOR) has developed and implemented for all institutions a tax credits process designed to assure that qualifying contributions qualify for Federal as well as State income tax deductions.

The table below, from the 2007 Legislative Session, shows the original projected amounts of contributions for each sector of postsecondary education by fiscal year, assuming contributions were received to fully use the available tax credits. Also shown are the original projections related to impacts on the State General Fund.

2007 Projected Amounts of Tax Credit Contributions and their Impact on the SGF (millions)

Fiscal Year	Total Projected Contributions	Projected Contributions to State Universities and to Washburn University	Impact to the State General Fund from Projected Contributions to State Universities and Washburn	Projected Contributions to Community & Technical Colleges	Impact to the State General Fund from Projected Contributions to Community & Technical Colleges
2009	\$ 14.375	\$ 11.250	\$ (5.625)	\$ 3.125	\$ (1.875)
2010	28.750	22.500	(11.250)	6.250	(3.750)
2011	38.333	30.000	(15.000)	8.333	(5.000)
2012	38.333	30.000	(15.000)	8.333	(5.000)
2013	38.333	30.000	(15.000)	8.333	(5.000)
Totals	\$158.125	\$123.750	\$(61.875)	\$34.375	\$(20.625)

The table below summarizes the actual total contributions and corresponding tax credits issued. An estimate for CY 2012, assuming the same activity as CY 2011, is included to provide you with a view of the impact of the five-year program.

Actual/Est. Amounts of Tax Credit Contributions and their Impact on the SGF (millions)

Calendar Year	Total Actual/Est Private Contributions	Actual/Est. Private Contributions to State Universities and to Washburn University	Impact to the State General Fund from Actual/Est. Private Contributions to State Universities and Washburn	Actual/Est Private Contributions to Community & Technical Colleges	Impact to the State General Fund from Actual/Est Private Contributions to Community & Technical Colleges
2008	\$2.427	\$ 0.862	\$ (0.431)	\$ 1.565	\$ (0.939)
2009	2.007	0.407	(0.204)	1.600	(0.960)
2010	2.433	0.626	(0.313)	1.806	(1.084)
2011	4.086	2.019	(1.010)	2.067	(1.240)
2012(est)	4.086	2.019	(1.010)	2.067	(1.240)
Totals	\$15.039	\$5.933	\$(2.968)	\$9.105	\$(5.463)

Obviously, the actual private donations and allocated state tax credits are substantially less than anticipated when the legislation was adopted. Nevertheless, the Regents believe this has proved to be a valuable public private partnership program, and that it should be continued and the suggested amendments will improve upon the current program.

Thank you for initiating this program and considering the suggested amendments. I would be pleased to respond to questions.