

Rural Opportunity Zones—Income Tax and Student Loan Repayments

SB 198 designates 50 counties as Rural Opportunity Zones (ROZ), effectively providing an income tax exemption for certain out-of-state taxpayers who relocate to those counties, and authorizing the counties to participate in a state-matching program to repay student loans of up to \$15,000 for certain students who establish domicile in ROZ counties.

The counties receiving the ROZ designation are: Barber, Chautauqua, Cheyenne, Clark, Cloud, Comanche, Decatur, Edwards, Elk, Gove, Graham, Greeley, Greenwood, Hamilton, Harper, Hodgeman, Jewell, Kearny, Kingman, Kiowa, Lane, Lincoln, Logan, Marion, Mitchell, Morton, Ness, Norton, Osborne, Pawnee, Phillips, Pratt, Rawlins, Republic, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stafford, Stanton, Trego, Thomas, Wallace, Washington, Wichita, Wilson, and Woodson.

For tax years 2012-2016, certain taxpayers will be eligible to receive a full tax credit against their own state income tax liability, provided they have been:

- Domiciled outside the state for five or more years immediately prior to establishing residency in a ROZ;
- Earning a Kansas source income of less than \$10,000 for each of the five years immediately prior to establishing residency in a ROZ; and
- Domiciled in a ROZ during the entirety of the taxable year for which the credit is to be claimed.

Tax credits are denied relative to returns that are not timely filed, as well as for individuals who are delinquent in any tax due to the state or any political subdivision. An additional provision requires that a report be made each January to the standing tax committees relative to the number of persons applying for the tax credits.

ROZ counties are authorized to adopt resolutions prior to January 1, 2012, (and every subsequent year through January 1, 2016) irrevocably obligating the counties to pay half of certain extant student loan costs, up to a maximum of \$15,000, in equal increments over a five-year period. A state matching program, subject to appropriations, will provide for matching payments. (If the maximum \$15,000 amount were to be adopted in a ROZ county resolution, the state and the county would each repay \$7,500 in equal increments over a five-year period, or \$1,500 per year per governmental entity.)

Resident individuals are entitled to apply for the loan repayments relative to payments made to attend institutions of higher learning where they obtained an associate, bachelor or post-graduate degree, provided they have established domicile in a ROZ county on or after the date such county commenced participation in the program, and prior to July 1, 2016. Eligibility for the loan repayment program for individuals terminates upon relocation outside of the ROZ county from which initial eligibility was obtained.