

As Amended by House Committee

Session of 2017

HOUSE BILL No. 2036

By Committee on Commerce, Labor and Economic Development

1-11

1 AN ACT concerning taxation; relating to certain income tax credits for
2 graduates of aerospace and aviation-related educational programs and
3 their employers.

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

6 Section 1. As used in sections 1 through 4, and amendments thereto:

7 (a) "Aerospace" means relating to vehicles or objects for the purpose
8 of suborbital, orbital or space flight, whether for private or public, or civil
9 or defense-related purposes.

10 (b) "Aviation" means relating to vehicles or objects, except
11 parachutes, for the purpose of controlled flight through the air, regardless
12 of how propelled or controlled, or whether manned or unmanned, whether
13 for private or public, or civil or defense-related purposes.

14 (c) "Aviation sector" means a private or public organization engaged
15 in the manufacture of aviation or aerospace hardware or software, aviation
16 or aerospace maintenance, aviation or aerospace repair and overhaul,
17 supply of parts to the aviation or aerospace industry, provision of services
18 and support relating to the aviation or aerospace industry, research and
19 development of aviation or aerospace technology and systems, and the
20 education and training of aviation or aerospace personnel.

21 (d) "Compensation" means payments in the form of contract labor for
22 which the payor is required to provide a federal tax form 1099 to the
23 person paid, wages subject to withholding tax paid to a part-time employee
24 or full-time employee, or salary or other remuneration. "Compensation"
25 shall not include employer-provided retirement, medical or healthcare
26 benefits, reimbursement for travel, meals, lodging or any other expense.

27 (e) "Institution" means a state educational institution, municipal
28 university, institute of technology, community college or technical college,
29 as those terms are defined in K.S.A. 74-3201b, and amendments thereto,
30 or any other public or private college or university that is accredited by a
31 national or regional accrediting body.

32 (f) "Qualified employee" means any person newly employed by or
33 first contracting with a qualified employer on or after January 1, 2018,
34 who has been awarded an undergraduate or graduate degree, or a technical
35 degree or certificate from a qualified program by an institution.

36 (g) "Qualified employer" means a sole proprietorship, general

1 partnership, limited partnership, limited liability company, corporation,
2 other legally recognized business entity or public entity whose principal
3 business activity involves the aviation sector.

4 (h) "Qualified program" means: (1) A program that has been
5 accredited by the engineering accreditation commission of the
6 accreditation board for engineering and technology (ABET) **or the higher**
7 **learning commission** and that awards an undergraduate or graduate
8 degree; or (2) a program within the meaning of an associate of applied
9 science degree program or career technical education program, as those
10 programs are defined in K.S.A. 72-4412, and amendments thereto, which
11 results in the awarding of a degree or certificate that prepares the graduate
12 for gainful employment ~~directly involved in the manufacturing of~~
13 ~~unmanned aircraft systems or of principal components of unmanned~~
14 ~~aircraft systems with a qualified employer.~~

15 (i) "Tuition" means the amount paid for enrollment and instruction in
16 a qualified program. "Tuition" shall not include the cost of books, fees or
17 room and board. **"Tuition" includes both amounts paid during**
18 **participation in a qualified program or tuition debt upon completion**
19 **of a qualified program.**

20 (j) ~~"Unmanned aircraft system" means an unmanned vehicle or object~~
21 ~~for the purpose of flight through the air that is operated and controlled~~
22 ~~without direct human intervention from inside or on the vehicle or object~~
23 ~~and includes the associated support equipment, control station, software,~~
24 ~~data links, telemetry, communications and navigation equipment necessary~~
25 ~~for operation.~~

26 Sec. 2. (a) For taxable years beginning after December 31, 2017, a
27 qualified employer subject to the tax imposed under the provisions of the
28 Kansas income tax act shall be allowed a credit against the tax for tuition
29 reimbursed to a qualified employee.

30 (b) The credit may be claimed only if the qualified employee has
31 been awarded an undergraduate or graduate degree, or technical degree or
32 certificate from a qualified program within one year ~~of commencing~~ **prior**
33 **to or following the commencement of** employment with the qualified
34 employer and may be claimed each year thereafter that the qualified
35 employee remains employed up to the fourth year of employment.

36 (c) The credit shall be in an amount equal to 50% of the tuition
37 reimbursed during the taxable year for which the credit is claimed to a
38 qualified employee, except that in no event shall the credit exceed 50% of
39 the average annual amount paid by a qualified employee for enrollment
40 and instruction in a qualified program at a state educational institution in
41 Kansas, **as determined by the secretary of revenue.**

42 (d) The credit shall not be used to reduce the tax liability of the
43 qualified employer to less than zero.

1 Sec. 3. (a) For taxable years beginning after December 31, 2017, a
2 qualified employer subject to the tax imposed under the provisions of the
3 Kansas income tax act shall be allowed a credit against the tax for
4 compensation paid during the taxable year to a qualified employee in the
5 first through fifth consecutive years of employment. Except as otherwise
6 provided, the credit shall be in an amount equal to:

7 (1) Ten percent of the compensation paid if the qualified employee
8 graduated from an institution located in this state; or

9 (2) five percent of the compensation paid if the qualified employee
10 graduated from an institution located outside the state.

11 (b) The credit shall not exceed \$15,000 annually for each qualified
12 employee, if the qualified employee graduated from an institution located
13 in this state, or \$7,500 annually for each qualified employee, if the
14 qualified employee graduated from an institution located outside this state.

15 (c) The credit shall not be used to reduce the tax liability of the
16 qualified employer to less than zero.

17 (d) No credit shall be claimed for compensation paid to a qualified
18 employee after the fifth year of employment of the qualified employee.

19 Sec. 4. (a) For taxable years beginning after December 31, 2017, a
20 taxpayer who becomes a qualified employee during the taxable year shall
21 be allowed a credit against the tax imposed under the provisions of the
22 Kansas income tax act in an amount equal to \$5,000. The credit shall be
23 deducted from the taxpayer's income tax liability for the taxable year in
24 which the taxpayer is or has been a qualified employee and may be
25 claimed each year the taxpayer achieves the status of a qualified employee
26 for the four taxable years succeeding the taxable year in which the credit
27 was first allowed.

28 (b) If the amount of the credit allowed a qualified employee is greater
29 than the qualified employee's income tax liability for the taxable year in
30 which the credit is allowed, the amount of the credit which exceeds the tax
31 liability may be carried over for deduction from the qualified employee's
32 income tax liability in the next succeeding taxable year or years, except
33 that the tax credit may not be carried over for deduction after the fourth
34 taxable year succeeding the taxable year in which the credit was first
35 allowed.

36 **Sec. 5. The secretary of revenue may adopt rules and regulations**
37 **necessary or convenient for the implementation and administration of**
38 **sections 1 through 4, and amendments thereto.**

39 ~~Sec. 6.~~ **6.** This act shall take effect and be in force from and after its
40 publication in the statute book.