

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

1 degree or certificate from a qualified program by an institution.

2 (g) "Qualified employer" means a sole proprietorship, general
3 partnership, limited partnership, limited liability company, corporation,
4 other legally recognized business entity or public entity whose principal
5 business activity involves the aviation sector.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 **Sec. 5. {(a)} The secretary of revenue may adopt rules and**
39 **regulations necessary or convenient for the implementation and**
40 **administration of sections 1 through 4, and amendments thereto.**

41 **{(b) The secretary of revenue shall annually submit a written**
42 **report to the house appropriations committee and to the senate ways**
43 **and means committee, or the successors to those committees,**

1 **beginning with the 2019 legislative session. The report shall contain**
2 **information regarding the cost and effectiveness of the tax credit**
3 **program described in sections 1 through 4, and amendments thereto.**
4 **The secretary also may include in the report any recommendations for**
5 **changes to law necessary to implement sections 1 through 4, and**
6 **amendments thereto.**

7 **Sec. 6. No new credits shall be issued or may be earned under the**
8 **provisions of sections 1 through 4, and amendments thereto, after**
9 **December 31, 2022.}**

10 ~~Sec. 5-6. {7.}~~ This act shall take effect and be in force from and after
11 its publication in the statute book.