

2019

Proposed Amendments to HB 2416
House Committee on Commerce, Labor and Economic Development
March 10, 2020
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HOUSE BILL No. 2416

By Committee on Taxation

AN ACT concerning income taxation; relating to credits; creating the Kansas targeted employment act.

Be it enacted by the Legislature of the State of Kansas:

Section 1. The provisions of sections 1 through ~~46~~, and amendments thereto, shall be known and may be cited as the Kansas targeted employment act. The purpose of this act shall be to: ~~(a) Decrease the reliance upon the medicaid program and other sources of state government-funded subsidies for persons who are primarily reliant upon these sources of funding for their sustenance by incentivizing employers to employ such persons with developmental disabilities in Kansas and decrease the reliance and associated costs to taxpayers to fund governmental programs;~~ and ~~(b) reallocate some of the tax dollars that employers would typically pay to the state government of Kansas to employers to incentivize the employers to specifically hire people who are reliant upon the medicaid program and other state government-funded subsidies for their sustenance.~~

Sec. 2. As used in this act: (a) "Competitive integrated employment" means work: ~~(1) In a competitive labor market that is performed on a full-time or part-time basis in an integrated setting; and (2) for which a person is compensated at or above the minimum wage, but not less~~

than the customary wage and the level of benefits paid by the employer for the same or similar work performed by persons who are not disabled has the meaning as provided in the workforce innovation and opportunity act, 29 U.S.C.A. § 3101 et seq., as defined in 29 U.S.C.A. § 3102, 34 C.F.R. § 361.5 and 29 U.S.C.A. § 705.

(b) "Community service provider" ~~or "CSP"~~ means an association or organization licensed by the Kansas department for aging and disability services whose purpose is to provide support and services, relating to the ability to live and to work in the community, to persons who, without such support and services, would be unable or would have significant difficulty maintaining employment or living in the community. ~~The definition of "CSP" applies to school districts who assist students to find and maintain employment.~~ "Community service provider" also includes other governmental agencies that support or that elect to support eligible individuals with job placement and job preservation supports including, but not limited to, school districts, community mental health centers and vocational rehabilitation contractors.

(c) "Earned income" means compensation paid to a Kansas employee for competitive integrated employment that is equal or greater to the minimum wage and is performed in an competitive integrated setting.

(d) "Eligible individual" means ~~an tax-subsidy reliant individual, including a high school student, who is employed by an employer in an~~ competitive integrated setting, has a developmental disability that has been documented as required by the secretary for aging and disability services and who has agreed to provide the secretary for aging and disability services, or the secretary's designee, information required by the secretary pursuant to this section, and amendments thereto, or to permit the secretary of revenue to provide such information to the secretary for aging and disability services.

~~(e) "Developmental disability" means a developmental disability as defined in K.S.A. 39-1803, and amendments thereto.~~

~~(e) "Intellectual disability" shall have the same meaning as defined in K.S.A. 38-1803, and amendments thereto.~~

~~(f) "Integrated setting" means a place of employment that is typically found in the community in which people with disabilities are able to interact with non-disabled individuals, to the extent that non-disabled individuals in comparable positions interact with other non-disabled individuals.~~

~~(g) "Sheltered workshop" means work centers that provide vocational training and paid work opportunities for people who have intellectual disabilities.~~

~~(h) "Targeted employment business" means those employers employing eligible individuals in competitive integrated employment in an competitive integrated setting and who are authorized to do business in Kansas. In order to qualify as a "targeted employment business," the employer must pay earned income for at least 2080 hours to an eligible employee individual in a calendar year. "Targeted employment business" does not include a community service provider or a sheltered workshop.~~

~~(i) "Tax subsidy reliant individual" means an eligible individual who relies upon any form of unearned income received from the state of Kansas.~~

~~(j) "Unearned income" means income that is not compensation for employment, but is received from either state or federal government sources for which the recipient is eligible on the basis of financial need.~~

Sec. 3. For tax years 2020 through 2025 ~~2019~~, and all tax years thereafter, a credit shall be allowed against the income, privilege or premium tax liability imposed upon a taxpayer

qualifying as a targeted employment business or a taxpayer outsourcing work to a targeted employment business pursuant to the Kansas income tax act, the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for every hour that an eligible employee individual, ~~or combination of eligible employees,~~ who is employed at least ~~2080~~ hours in a calendar year in a targeted employment business and receives earned income as compensation. The credit shall only apply to total wages for hours worked and not for any compensation for leave paid to the eligible employee individual. The credit shall be ~~\$4 per hour~~ 50% of the wages paid to the eligible individual on an hourly basis, up to a maximum credit of \$7.50 per hour and shall be increased to \$6 per hour if the targeted employment business employs an eligible employee in a job that has been relocated from another country. For the purpose of calculating the tax credit, the wage rate used shall be not more than a reasonable or typical market wage rate for a similar job. The credit shall not be refundable and may not be carried forward. For any employed eligible individual who receives support or services from a community service provider ~~through home and community-based funding as provided by medicaid,~~ such eligible individual may choose to have support or services provided as needed at the individual's worksite to help the individual maintain employment. The maximum amount of all tax credits allowed in each tax year shall be \$5,000,000.

Sec. 4. ~~A community service provider that operates a sheltered workshop as a way to provide employment to individuals with intellectual or developmental disabilities shall have the option to convert from a sheltered workshop to a targeted employment business if the community service provider fulfills all of the requirements of this act.~~

~~Sec. 5. Participation in this act by any community service provider or school district is optional.~~

~~Sec. 64. (a) Any targeted employment business seeking to qualify for the tax credit pursuant to section 3, and amendments thereto, shall provide to the ~~department~~ secretary of revenue the names of each eligible employee individual employed and the number of hours worked by wage rate per hour, hours worked and gross wages paid, minus any compensation for leave, for each eligible employee individual and such other information as the secretary of revenue may require.~~

~~(b) The secretary of revenue and the secretary for aging and disability services are is hereby authorized to adopt such rules and regulations as may be necessary for the administration of the provisions of the Kansas targeted employment act.~~

~~Sec. 5. (a) The secretary of aging and disability services shall develop and implement a program to measure the results of the tax credits allowed in tax years 2020 and 2021 pursuant to subsection (b) allowed by sections 1 through 4, and amendments thereto, including an analysis of:~~

~~(1) Decreases in reliance upon state government-funded subsidies for employed eligible individuals and any associated net savings to Kansas taxpayers resulting from any such decreases in reliance;~~

~~(2) effects of reallocation of tax dollars that employers would have paid to the state government of Kansas to employers who employed eligible individuals pursuant to the tax credit program;~~

~~and (3) any benefits or detriments to the quality of life and the standard of living for employed eligible individuals, including access to health insurance, health care or other services and increases or decreases in income, discretionary income and expenses.~~

~~The secretary for aging and disability services may require employed eligible individuals or targeted employment businesses to provide or to permit the secretary of revenue to provide, as a condition of~~

participation in the tax credit program, information necessary to assess the tax credit program pursuant to this section, including information otherwise confidential under state or federal law. All confidential information provided shall be received, stored and used in a manner so as to maintain the confidentiality of the information provided and not permit the identification of eligible individuals or targeted employment businesses.

(b) Notwithstanding any other provision of state law, the secretary of revenue shall provide the secretary for aging and disability services with tax information, including tax information for individuals and targeted employment businesses that have waived the confidentiality of such information, as necessary to enable the secretary for aging and disability services to fulfill the requirements of this section. All information pertaining to an eligible individual or targeted employment business shall be provided in a manner so as to maintain the confidentiality of such eligible individuals and businesses. Nothing in this section shall be construed in a manner so as to violate or to conflict with any federal law.

(c) The secretary of aging and disability services shall submit a written report of the findings of the secretary's review pursuant to subsection (a) to the committee on commerce of the senate and the committee on commerce, labor and economic development of the house on the first day of the 2022 2021 through 2025 legislative sessions.

Sec. 6. The provisions of sections 1 through 5, and amendments thereto, shall expire on January 1, 2026.

Sec.7. This act shall take effect and be in force from and after its publication in the statute book.