

As Amended by House Committee

Session of 2019

HOUSE BILL No. 2118

By Committee on Commerce, Labor and Economic Development

1-31

1 AN ACT concerning income taxation; relating to credits, providing certain
2 credits for graduates of aerospace and aviation-related educational
3 programs and employers of program graduates.
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)(d) "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 an educational institution, municipal university, institute of**
31 **technology, community college or technical college within the meaning**
32 **of those terms as defined in K.S.A. 74-3201b, and amendments**
33 **thereto, but located in or established under the laws of another state or**
34 **any other public or private college or university that is accredited by a**
35 **national or regional accrediting body, the engineering accreditation**
36 **commission of the accreditation board for engineering and technology**

1 **(ABET) or the federal aviation administration.**

2 ~~(f)~~(e) "Qualified employee" means any person newly employed by or
3 first contracting with a qualified employer on or after January 1, 2020,
4 who has been awarded an undergraduate or graduate degree, or a technical
5 degree or certificate from a qualified program by an institution.

6 ~~(g)~~(f) "Qualified employer" means a sole proprietorship, general
7 partnership, limited partnership, limited liability company, corporation,
8 other legally recognized business entity or public entity whose principal
9 business activity involves the aviation sector.

10 ~~(h)~~(g) "Qualified program" means: (1) A program that has been
11 accredited by the engineering accreditation commission of the
12 accreditation board for engineering and technology (ABET), **the federal**
13 **aviation administration** or ~~the higher learning commission a regional~~
14 **accrediting body** and that awards an undergraduate or graduate degree; or
15 (2) a program within the meaning of an associate of applied science degree
16 program or career technical education program, **as within the meaning of**
17 **those programs—**are as defined in K.S.A. ~~72-4412~~ **74-32,407**, and
18 amendments thereto, ~~which~~ **whether a state or out-of-state program that**
19 **results in the awarding of a degree or certificate that prepares the graduate**
20 **for gainful employment with a qualified employer.**

21 ~~(i)~~(h) "Tuition" means the amount paid for enrollment, **program**
22 **specific course fees** and instruction in a qualified program that includes
23 both amounts paid during participation in a qualified program or tuition
24 debt upon completion of a qualified program."Tuition" shall not include
25 the cost of books, fees, **other than program specific course fees**, or room
26 and board.

27 Sec. 2. (a) For taxable years beginning after December 31, 2019, a
28 taxpayer who is a qualified employer subject to the tax imposed under the
29 provisions of the Kansas income tax act shall be allowed a credit against
30 the tax for tuition reimbursed to a qualified employee.

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

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

43 (d) The credit shall be applied against the taxpayer's income tax

1 liability after all other credits allowed under the income tax act. The credit
2 shall not be refundable and may not be carried forward.

3 ~~Sec. 3.—(a) For taxable years beginning after December 31, 2019, a~~
4 ~~taxpayer who is a qualified employer subject to the tax imposed under the~~
5 ~~provisions of the Kansas income tax act shall be allowed a credit against~~
6 ~~the tax for compensation paid during the taxable year to a qualified~~
7 ~~employee in the first through fifth consecutive years of employment.~~
8 ~~Except as otherwise provided, the credit shall be in an amount equal to~~
9 ~~10% of the compensation paid.~~

10 (b) ~~The credit shall not exceed \$15,000 annually for each qualified~~
11 ~~employee.~~

12 (c) ~~The credit shall be applied against the taxpayer's income tax~~
13 ~~liability after all other credits allowed under the income tax act. The credit~~
14 ~~shall not be refundable and may not be carried forward.~~

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

17 ~~Sec. 4. 3.~~ (a) For taxable years beginning after December 31, 2019, a
18 taxpayer who becomes a qualified employee during the taxable year shall
19 be allowed a credit against the tax imposed under the provisions of the
20 Kansas income tax act in an amount equal to \$5,000. The credit shall be
21 deducted from the taxpayer's income tax liability for the taxable year in
22 which the taxpayer is or has been a qualified employee and may be
23 claimed each year the taxpayer achieves the status of a qualified employee
24 for the four taxable years succeeding the taxable year in which the credit
25 was first allowed.

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

34 ~~Sec. 5. 4.~~ (a) The secretary of revenue may adopt rules and
35 regulations necessary or convenient for the implementation and
36 administration of sections 1 through ~~4 3~~, and amendments thereto.

37 (b) The secretary of revenue shall annually submit a written report to
38 the house committee on appropriations and to the senate committee on
39 ways and means beginning with the 2020 legislative session. The report
40 shall contain information regarding the cost and effectiveness of the tax
41 credit program described in sections 1 through ~~4 3~~, and amendments
42 thereto. The secretary also may include in the report any recommendations
43 for changes to law necessary to implement sections 1 through ~~4 3~~, and

1 amendments thereto.

2 Sec. ~~6~~ **5**. No new credits shall be issued or may be earned under the
3 provisions of sections 1 through ~~4~~ **3**, and amendments thereto, after
4 December 31, 2024.

5 Sec. ~~7~~ **6**. This act shall take effect and be in force from and after its
6 publication in the statute book.