SESSION OF 2019

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2118

As Amended by House Committee of the Whole

Brief*

HB 2118, as amended, would create two new income tax credits for graduates of certain aerospace and aviation education programs and their employers for tax years 2020 through tax year 2024.

The bill would allow employers whose principal business activity involves the aviation sector to receive a non-refundable income tax credit beginning in tax year 2020 for tuition or certain program-specific course-fee reimbursements paid to a full-time "qualified employee," as that term would be defined by the bill, who has graduated from an accredited engineering or technology undergraduate or graduate degree program, or an associate of applied science degree or technical program. This credit could be claimed if the qualified employee, within one year prior to or following the commencement of employment with a qualified employer, graduated from a qualified program. This credit would be capped at 50.0 percent of the total amount of tuition reimbursement paid and could be claimed each year, for up to the fourth year of employment with a qualified employer.

Additionally, the bill would create, beginning with tax year 2020, a non-refundable tax credit for taxpayers who become qualified employees during the taxable year. Employees with income tax liability less than $5,000 would be eligible to carry any unused credit forward for up to four additional tax years.

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

The bill would authorize the Secretary of Revenue (Secretary) to adopt rules and regulations to implement and administer the provisions of the bill. The Secretary would be required to submit annual reports on the cost effectiveness of the program to the House Committee on Appropriations and the Senate Committee on Ways and Means, beginning with the 2020 Legislative Session.

No new tax credits would be issued or earned after tax year 2024.

Background

The bill was requested for introduction by Representative Claeys, who later appeared as a proponent at the February 13 public hearing in the House Committee on Commerce, Labor and Economic Development. Additional proponents appearing at that hearing included representatives of Cowley College, the Kansas Independent College Association (KITA), the Salina Community Economic Development Organization, Textron Aviation, Wichita Regional Chamber of Commerce, and the Workforce Alliance of South Central Kansas. Written-only testimony in favor of the bill was received from representatives of the Greater Wichita Partnership, Learjet, and the Salina Area Chamber of Commerce. Written-only neutral testimony was received from a representative of Wichita State University. No opponent testimony was provided.

The House Committee amended the bill on February 14 to remove language that would have authorized a third income tax credit (associated with salary paid by qualified employers to qualified employees) and to include a number of clarifying amendments suggested by the KITA conferee relative to accreditation and the inclusion of certain course fees within the definition of tuition.

On February 27, the bill was withdrawn from the House Calendar and referred to the House Committee on

Appropriations. On March 22, the bill was withdrawn from the Committee on Appropriations and rereferred to the House Committee on Commerce, Labor and Economic Development. On that same day, the House Committee reported the bill be passed with the amendments previously recommended.

The House Committee of the Whole amended the bill to clarify the term “qualified employee” would mean a person employed on a full-time basis by an employer involved in the aviation sector.

According to fiscal information from the Department of Revenue available to the House Committee when it worked the bill on February 14, the amended version of the legislation would be expected to reduce State General Fund (SGF) revenue by $5.3 million in FY 2021, with a similar fiscal impact expected each year through FY 2025. (The remainder of the original fiscal note of $8.6 million had been associated with the third proposed credit in the bill relating to an employer salary credit that was eliminated by a House Committee amendment.)

The Department of Revenue also indicates enactment of the bill would necessitate an additional $1.416 million from the SGF in administrative costs for FY 2020.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2020 Governor’s Budget Report.*