

SESSION OF 2020

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR HOUSE  
BILL NO. 2416**

As Recommended by House Committee on  
Commerce, Labor and Economic Development

**Brief\***

Sub. for HB 2416 would create the Kansas Targeted Employment Act (Act), establishing a tax credit for businesses that employ individuals with intellectual and developmental disabilities (I/DD).

For tax years 2020 through 2025, a tax credit could be claimed by a “targeted employment business,” as that term would be defined by the bill, or by a taxpayer outsourcing work to such a business. For every hour of work provided by an “eligible individual,” as that term would be defined by the bill, the qualified business would earn a tax credit equal to 50.0 percent of the wages paid, not to exceed \$7.50 per hour. The annual total of tax credits would be capped at \$5.0 million. The tax credit would be nonrefundable and could not be carried forward. To qualify for the tax credit, a business would apply to the Secretary of Revenue by providing the names of the eligible individuals, the hourly wage rate, hours worked, and the gross wages excluding leave compensation.

The Secretary of Aging and Disability Services (Secretary) would measure and analyze the I/DD individuals’ employment, their quality of life while employed, and the impact upon taxpayer savings and government programs. The Secretary would be required to annually report findings to the House Committee on Commerce, Labor and Economic Development and the Senate Committee on Commerce. To assist with the evaluation, the Secretary could stipulate the

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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>

release of certain tax data as a condition of a business' participation in the tax credit program. The bill would require confidential tax information to remain confidential. The secretaries of Revenue and Aging and Disability Services would be authorized to adopt rules and regulations necessary to administer the bill.

The bill would sunset on January 1, 2026.

## **Background**

The bill was introduced during the 2019 Session by the House Committee on Taxation at the request of Representative Johnson on the behalf of Representative Finch.

In the House Committee on Commerce, Labor and Economic Development hearing in February 2020, representatives of COF Training Services, Integrated Employment Enterprises, and Interhab spoke in support of the bill, stating the legislation would encourage greater employment choices for I/DD individuals. A representative of the Overland Park Chamber of Commerce provided written-only proponent testimony. No opponent testimony was provided.

Individuals and representatives of the Disability Rights Center of Kansas and the Kansas Council on Developmental Disabilities provided neutral testimony, expressing appreciation for the concept but suggesting possible amendments to clarify the bill. Written-only neutral testimony was provided by the KU Life Span Institute.

Prior to recommending a substitute bill be passed, the House Committee amended the introduced bill to:

- Revise the purpose of the Act;

- Clarify that in addition to being competitive employment, an I/DD individual's work would be in an integrated setting;
- Include governmental agencies in the definition of "community service provider";
- Clarify the definition of an "eligible individual";
- Define "developmental disability" by using the existing definition found at KSA 39-1803;
- Delete definitions for "intellectual disability," "integrated setting," and "sheltered workshop";
- Revise the definition for "targeted employment business" to omit reference to an I/DD individual having to work full time;
- Limit the terms and duration of the tax credit;
- Specify the data that businesses must provide to qualify for the tax credit; and
- Require the Secretary to evaluate and report the bill's results and provide rule and regulation authority as necessary.

According to the fiscal note prepared in 2019 by the Division of the Budget on the bill as introduced, the Department of Revenue (Department) indicated there would be a decrease of revenue to the State General Fund (SGF), but data were not available to determine the number of employers and employees eligible to participate. The Department indicated at that time it would cost \$889,912 from the SGF to pay for the modifications to the automated tax system. The Kansas Department of Health and Environment indicated the bill would have an unknown fiscal effect.