

Disability Employment Act Tax Credit; Sheltered Workshop Transition Grant Program; SB 15

SB 15 makes several changes to a tax credit available for certain purchases from qualifying vendors employing individuals with disabilities and creates a matching grant program to facilitate the transition of certain employers toward paying employees at least minimum wage.

Tax Credit Changes

Changes to the tax credit include naming the credit, modifying the duration and extent of the credit, expanding the definition of “individuals with disabilities,” and restructuring the definition of “qualified vendor” from whom purchases may be made.

Naming the Provisions

The provisions of the tax credit have been named the Disability Employment Act (Act).

Duration and Extent of Credit

The bill eliminates the provision specifying the credit would expire after tax year 2023. The bill provides for a cap on the aggregate amount of credits under the Act to be \$5.0 million in tax years 2019 through 2023, \$8.0 million in tax years 2024 through 2028, and \$8.0 million for each successive five tax years starting in tax year 2029.

Individuals with Disabilities Definition

The bill expands the definition of “individuals with disabilities” to include individuals who are certified by a health care provider, as determined by the Kansas Department of Revenue, who can substantiate an individual as having a physical or mental impairment that constitutes a substantial barrier to employment. The bill also eliminates a requirement that individuals with disabilities work a minimum number of hours per week to qualify for health insurance coverage.

Qualified Vendor Definition

The bill provides for three options by which an entity may qualify as a qualified vendor:

- A not-for-profit business qualifying as a certified business pursuant to KSA 75-3740 that:
 - Does business primarily in Kansas or substantially all of its production in Kansas;
 - Employs at least 30.0 percent of its employees in an integrated setting;
 - Offers to contribute at least 75.0 percent of the premium cost for health insurance coverage for each eligible employee; and

- Does not employ individuals under a certificate issued by the U.S. Secretary of Labor under 29 USC section 214(c) (214(c) Certificate);
- A qualified vendor pursuant to KSA 75-3317 that:
 - Employs at least 30.0 percent of its employees in an integrated setting;
 - Offers to contribute at least 75.0 percent of the premium cost for health insurance coverage for each eligible employee, offers a company-sponsored insurance plan under the Affordable Care Act, pays the required subsidy to the Internal Revenue Service for employees to purchase insurance through the open market, or offers assistance to employees to cover at least 75.0 percent of their health insurance costs through legal and appropriate methodology; and
 - Does not employ individuals under a 214(c) Certificate; and
- A division of a Kansas not-for-profit organization that:
 - Does business primarily in Kansas or substantially all of its production in Kansas;
 - Within such division, employs at least 30.0 percent of its employees in an integrated setting;
 - Within such division, offers to contribute at least 75.0 percent of the premium cost for health insurance coverage for each eligible employee, offers a company-sponsored insurance plan under the Affordable Care Act, pays the required subsidy to the Internal Revenue Service for employees to purchase insurance through the open market, or offers assistance to employees to cover at least 75.0 percent of their health insurance costs through legal and appropriate methodology; and
 - Does not employ individuals under a 214(c) Certificate.

[Note: The law previously limited qualified vendors to not-for-profit businesses qualifying as certified businesses pursuant to KSA 75-3740 and qualified vendors pursuant to KSA 75-3317 and prohibited any employment by the vendor under a 214(c) Certificate.]

Sheltered Workshop Transition Grant Program

The bill creates the Sheltered Workshop Transition Grant Program (Grant Program) to assist Kansas sheltered workshop employers to transition away from employing individuals with disabilities under a 214(c) Certificate toward paying all such employees at least the minimum wage.

The bill creates the Kansas Sheltered Workshop Transition Fund (Fund), to be administered by the Kansas Secretary of Labor (Secretary), which provides for an annual transfer of \$1.0 million to the Fund from the state Economic Development Initiatives Fund (EDIF).

Workshop employers that seek to receive grants are required to provide a transition plan to the Secretary demonstrating how the applicant will use the grant to transition away from the use of a 214(c) Certificate. The workshop employers are required to commit to complete the plan and match grants on a dollar-for-dollar basis with non-state funds. Workshop employers are required to provide information to the Secretary regarding the use of grant funds and associated non-state funds and the progress made toward achieving the goal of the transition plan.

The Secretary must consult with the Secretary for Children and Families and the Secretary for Aging and Disability Services or other appropriate state agency in determining the approval of grants. If the Secretary approves the transition plan and determines the workshop employer has sufficient non-state funds, the Secretary is to award the grant in an amount determined by the Secretary. The Secretary is permitted to award subsequent grants to the same employer upon a showing of satisfactory progress toward the employer's transition plan.

The bill defines "Kansas sheltered workshop employer" and "workshop employer" to be a private, non-profit, state or local government institution that provides employment opportunities for individuals with intellectual, developmental, or physical disabilities and provides such employment opportunities for all or a portion of such individuals under a 214(c) Certificate.

The bill requires, beginning in January 2025, the Kansas Department of Labor to provide annual reports to the House Committee on Commerce, Labor and Economic Development and the Senate Committee on Commerce, or their successor committees, on the amounts and uses of grant funds by employers and the progress made by each employer toward paying all employees at least the minimum wage. The Grant Program expires and all funds in the Fund are to be transferred to the State General Fund on July 1, 2034.