

As Amended by House Committee

Session of 2021

HOUSE BILL No. 2328

By Representatives Tarwater, Anderson, Bergquist, B. Carpenter, Croft,
Delperdang, Estes, Helmer, Hoheisel, Howard, Huebert, Humphries, Kessler, Penn,
Rhiley, Sawyer and Williams

2-10

1 AN ACT concerning income taxation; providing certain tax credits for
2 graduates of aerospace and aviation-related educational programs and
3 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 does not include employer-provided retirement, medical or healthcare
26 benefits, reimbursement for travel, meals, lodging or any other expense.

27 (e) "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 technology,
31 community college or technical college within the meaning of those terms
32 as defined in K.S.A. 74-3201b, and amendments thereto, but located in or
33 established under the laws of another state or any other public or private
34 college or university that is accredited by a regional accrediting body, the

1 engineering accreditation commission of the accreditation board for
2 engineering and technology (ABET) or the federal aviation administration.

3 (f) "Qualified employee" means any person newly employed on a
4 full-time basis by or first contracting with a qualified employer on a full-
5 time basis on or after January 1, 2022, who **is a Kansas resident and** has
6 been awarded an undergraduate or graduate degree, or a technical degree
7 or certificate from a qualified program by an institution.

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

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

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

28 Sec. 2. (a) For taxable years beginning after December 31, 2021, a
29 taxpayer who is a qualified employer subject to the tax imposed under the
30 provisions of the Kansas income tax act shall be allowed a credit against
31 the tax for tuition reimbursed to a qualified employee.

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

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

1 (d) The credit shall be applied against the taxpayer's income tax
2 liability after all other credits allowed under the income tax act. The credit
3 shall not be refundable and may not be carried forward.

4 Sec. 3. (a) For taxable years beginning after December 31, 2021, a
5 taxpayer who is a qualified employer subject to the tax imposed under the
6 provisions of the Kansas income tax act shall be allowed a credit against
7 the tax for compensation paid during the taxable year to a qualified
8 employee in the first through fifth consecutive years of employment.
9 Except as otherwise provided, the credit shall be in an amount equal to
10 10% of the compensation paid.

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

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

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

18 Sec. 4. (a) For taxable years beginning after December 31, 2021, a
19 taxpayer who becomes a qualified employee during the taxable year shall
20 be allowed a credit against the tax imposed under the provisions of the
21 Kansas income tax act in an amount equal to \$5,000. The credit shall be
22 deducted from the taxpayer's income tax liability for the taxable year in
23 which the taxpayer is or has been a qualified employee and may be
24 claimed each year the taxpayer achieves the status of a qualified employee
25 for the four taxable years succeeding the taxable year in which the credit
26 was first allowed.

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

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

38 (b) The secretary of revenue shall annually submit a written report to
39 the house committee on appropriations and to the senate committee on
40 ways and means beginning with the 2022 legislative session. The report
41 shall contain information regarding the cost and effectiveness of the tax
42 credit program described in sections 1 through 4, and amendments thereto.
43 The secretary also may include in the report any recommendations for

1 changes to law necessary to implement sections 1 through 4, and
2 amendments thereto.

3 Sec. 6. No new credits shall be issued or may be earned under the
4 provisions of sections 1 through 4, and amendments thereto, after
5 December 31, 2026.

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