

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**

1 ~~national or regional accrediting body, the engineering accreditation~~  
2 ~~commission of the accreditation board for engineering and technology~~  
3 ~~(ABET) or the federal aviation administration.~~

4 ~~(e)~~ **(e)** "Qualified employee" means any person newly employed **{on a**  
5 **full-time basis}** by or first contracting with a qualified employer **{on a**  
6 **full-time basis}** on or after January 1, 2020, who has been awarded an  
7 undergraduate or graduate degree, or a technical degree or certificate from  
8 a qualified program by an institution.

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

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

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

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

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

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

1 and instruction in a qualified program at a state educational institution in  
2 Kansas, as determined by the secretary of revenue.

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

6 ~~Sec. 3.—(a) For taxable years beginning after December 31, 2019, a~~  
7 ~~taxpayer who is a qualified employer subject to the tax imposed under the~~  
8 ~~provisions of the Kansas income tax act shall be allowed a credit against~~  
9 ~~the tax for compensation paid during the taxable year to a qualified~~  
10 ~~employee in the first through fifth consecutive years of employment.~~  
11 ~~Except as otherwise provided, the credit shall be in an amount equal to~~  
12 ~~10% of the compensation paid.~~

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

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

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

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

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

37 **Sec.—5. 4.** (a) The secretary of revenue may adopt rules and  
38 regulations necessary or convenient for the implementation and  
39 administration of sections 1 through ~~4~~ **3**, and amendments thereto.

40 (b) The secretary of revenue shall annually submit a written report to  
41 the house committee on appropriations and to the senate committee on  
42 ways and means beginning with the 2020 legislative session. The report  
43 shall contain information regarding the cost and effectiveness of the tax

1 credit program described in sections 1 through~~4~~ **3**, and amendments  
2 thereto. The secretary also may include in the report any recommendations  
3 for changes to law necessary to implement sections 1 through~~4~~ **3**, and  
4 amendments thereto.

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

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