

House Committee on Taxation  
Testimony – HB 2433  
Rep. Ann Mah

Mr. Chairman and Committee, thank you for hearing this bill. HB 2433 provides a non-refundable tax credit for postsecondary education tuition in the amount of 10% of the federal education tax credit. Unused portions of the credit could be carried forward to future tax years. While there are many tax bills this year, few return money to middle class families. HB 2433 helps families and individuals seeking the continuing education so critical in today's workforce.

Business owners are not the only job creators. When parents and individuals invest in education, they create a skilled worker that will help attract employers. They are also preparing a worker to take one of the high-demand, high-wage jobs going unfilled today. This bill encourages Kansans to obtain job training to meet the state's future workforce needs and get the high-paying jobs they want. This is the kind of targeted tax credit that hits the mark.

We also know that in today's market, the jobs follow the trained workers. Job training packages are commonly a part of incentive packages. Notably, the package that won the Mars manufacturing plant in Topeka included a \$1.7 million training package. Anything we can do to encourage Kansans to return to school for training helps attract and retain employers. Anything we can do to offset the rising cost of tuition is a good thing for families who want to do the right thing for their children's future.

There are currently two federal tax credits:

- The American Opportunity Credit (formerly the Hope credit) provides a credit of up to \$2500 for qualified education expenses for each eligible student. 40% of the credit may be refundable and the rest is non-refundable for federal tax purposes. This is available only for the first four years of postsecondary education. The student must be pursuing an undergraduate degree or other recognized education credential and be enrolled at least half-time for at least one academic period in that tax year.
- The Lifetime Learning Credit provides a tax credit of up to \$2000 for qualified education expenses. There is no limit on the number of years this credit can be claimed for each student. The federal credit is non-refundable. It is available for all years of postsecondary education for courses to acquire or improve job skills. The student does not need to be pursuing a degree.

Only one of these credits may be claimed in a given tax year. There are also income limitations for each credit. By mirroring the federal programs, we eliminate the cost of qualifying eligible participants.

The Kansas Department of Revenue estimates that Kansans now get about \$167 million a year in federal education tax credits. This would translate to a Kansas taxpayer benefit of about \$11.2 million the first year of the program and \$12.3 million the second year. KDOR also noted to me that the \$167 million figure has been a fairly stable number over the last few years. If the committee would like to mitigate the impact on FY 2012, we might choose to make the credit eligible for expenses in the months of July through December in the 2012 tax year.

I appreciate your consideration and hope that we make this tax reduction happen for Kansas families.