

SESSION OF 2011

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2331**

As Amended by House Committee on  
Taxation

**Brief\***

HB 2331, as amended, would designate 40 counties as Rural Opportunity Zones (ROZ), effectively providing an income tax exemption for certain out-of-state taxpayers who relocate to those counties; and authorizing the counties to participate in a state-matching program to repay student loans of up to \$15,000 for certain students who are relocating and who attended out-of-state higher educational institutions or who had lived outside the state for at least three years and had no Kansas source income for at least two years.

The counties which would receive the ROZ designation are those which have had population declines of at least 10 percent since the 2000 US Census:

Barber, Chautauqua, Cheyenne, Clark, Decatur, Edwards, Gove, Graham, Greeley, Greenwood, Harper, Jewell, Kingman, Kiowa, Lane, Lincoln, Logan, Marion, Morton, Ness, Norton, Osborne, Pawnee, Phillips, Rawlins, Republic, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stanton, Trego, Thomas, Wallace, Washington, Wichita and Woodson.

**Income Tax Provisions**

For tax years 2012-2016, taxpayers would receive a full tax credit against their own state income tax liability, provided they have been:

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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>

- Domiciled outside the state for five or more years immediately prior to establishing residency in a ROZ;
- Had no Kansas source income for five or more years immediately prior to establishing residency in a ROZ; and
- Were domiciled in a ROZ during the entirety of the taxable year for which the credit is to be claimed.

Tax credits would be denied relative to returns which are not timely filed, as well as for individuals who are delinquent in any tax due to the state or any political subdivision.

### **Student Loan Repayment Provisions**

ROZ counties would be authorized to adopt resolutions prior to January 1, 2012 (and every subsequent year through January 1, 2016) irrevocably obligating the counties to pay half of certain extant student loan costs, up to a maximum of \$15,000, in equal increments over a five-year period. A state matching program, subject to appropriations, would provide for matching payments. (If the maximum \$15,000 amount were to be adopted in a ROZ county resolution, the state and the county would each repay \$7,500 in equal increments over a five-year period, or \$1,500 per year per governmental entity.)

Resident individuals would be entitled to apply for the loan repayments relative to payments made to attend institutions of higher learning where they obtained an associate, bachelor or post-graduate degree, provided they were domiciled outside of Kansas for three or more years and had no Kansas source income for two or more years; or were former Kansas residents prior to attending an out-of-state higher education institution. Qualified participants would be required to establish residency in a ROZ county on or after July 1, 2011 and prior to January 1, 2016. Eligibility for the loan repayment program would terminate upon relocation

outside of the ROZ county from which initial eligibility was obtained.

### **Background**

The bill was requested for introduction by the Governor and supported by the Secretary of Revenue and the Secretary of Commerce. Other proponents included the Kansas Dental Association and the Kansas Hospital Association.

The tax credit is expected to reduce State General Fund receipts by \$1.1 million in FY 2013; and by \$3.3 million in FY 2014.

The fiscal note from the Budget Division also indicated that *The Governor's Budget Report* recommended that \$1.329 million in Economic Development Initiatives Fund monies be appropriated in FY 2012 to the Department of Commerce for the ROZ loan repayment program and associated administrative purposes. The fiscal note from the Department of Revenue observed that if 50 students qualified for the maximum amount of loan repayment in the first year, the state's matching share would be \$75,000. The Department of Revenue also indicated that it has not yet been able to estimate its own administrative costs associated with the new tax credit program.

The House Taxation Committee amended the bill to incorporate some technical amendments suggested by the Department of Revenue.