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MEMORANDUM

To: Chairman Claeys
Members of the House Committee on Transportation and Public Safety
Budget

From: Chris Waggoner, Assistant Revisor of Statutes

Date: February, 13, 2017

Subject: HB 2036 – Tax credits for aviation and aerospace employers and employees

House Bill No. 2036 (HB 2036) creates a new tax credit beginning in tax year 2018 for qualified employers and employees in the aerospace and aviation industries.

Section 1 defines certain terms as they are used in HB 2036. Important definitions include that of “qualified employer”, “qualified employee” and “qualified program”. First, a qualified employer is any type of business whose principal business activity involves the aviation sector. Second, a qualified employee means a new graduate who has been awarded an undergraduate, graduate or technical college degree or certificate from a “qualified program” who first begins employment with a qualified employer after January 1, 2018. Last, a qualified program means an accredited engineering or technology undergraduate or graduate degree program, or an associate or technical program that prepares graduates for employment in the manufacturing of unmanned aircraft systems.

Sections 2 and 3 pertain to the new tax credits established for qualified employers beginning in tax year 2018. Section 2 allows for a nonrefundable tax credit to a qualified employer for tuition reimbursement to a qualified employee if the employee receives a degree or certificate from a qualified program within a year of starting employment with the employer. The tax credit is equal to 50% of the total amount of tuition reimbursement and may be claimed up to the fourth year of employment if the employee remains with the employer. Section 3 allows for a nonrefundable tax credit to a qualified employer for “compensation” paid to a qualified employee in the first five years of employment. The amount of the tax credit is either

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10% of the compensation paid if the qualified employee graduated from a Kansas institution, or 5% of the compensation paid if the qualified employee graduated from an out-of-state institution. The credit shall not exceed \$15,000 annually for each qualified employee who graduated from a Kansas institution, or \$7,500 annually for each qualified employee who graduated from an out-of-state institution.

Section 4 pertains to the new nonrefundable tax credit established for “qualified employees” beginning in tax year 2018. If a taxpayer becomes a qualified employee after December 31, 2017, then that taxpayer is allowed a credit in the amount of \$5,000 for up to five consecutive years if that taxpayer remains a qualified employee in the respective year. This tax credit for qualified employees is nonrefundable, but it may be carried over for up to four succeeding years from when the credit was first allowed.