

**{As Amended by House Committee of the Whole}**

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*Session of 2017*

**HOUSE BILL No. 2036**

By Committee on Commerce, Labor and Economic Development

1-11

1 AN ACT concerning taxation; relating to certain income tax credits for  
2 graduates of aerospace and aviation-related educational programs and  
3 their employers.

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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) "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 any other public or private college or university that is accredited by a  
31 national **or regional** accrediting body.

32 (f) "Qualified employee" means any person newly employed by or  
33 first contracting with a qualified employer on or after January 1, 2018,  
34 who has been awarded an undergraduate or graduate degree, or a technical

1 degree or certificate from a qualified program by an institution.

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

6 (h) "Qualified program" means: (1) A program that has been  
7 accredited by the engineering accreditation commission of the  
8 accreditation board for engineering and technology (ABET) **or the higher**  
**9 learning commission** and that awards an undergraduate or graduate  
10 degree; or (2) a program within the meaning of an associate of applied  
11 science degree program or career technical education program, as those  
12 programs are defined in K.S.A. 72-4412, and amendments thereto, which  
13 results in the awarding of a degree or certificate that prepares the graduate  
14 for gainful employment—~~directly involved in the manufacturing of~~  
~~unmanned aircraft systems or of principal components of unmanned~~  
~~aircraft systems with a qualified employer.~~

15 (i) "Tuition" means the amount paid for enrollment and instruction in  
16 a qualified program. "Tuition" shall not include the cost of books, fees or  
17 room and board. **"Tuition" includes both amounts paid during**  
**participation in a qualified program or tuition debt upon completion**  
**of a qualified program.**

18 (j) "Unmanned aircraft system" means an unmanned vehicle or object  
19 for the purpose of flight through the air that is operated and controlled  
20 without direct human intervention from inside or on the vehicle or object  
21 and includes the associated support equipment, control station, software,  
22 data links, telemetry, communications and navigation equipment necessary  
23 for operation.

24 Sec. 2. (a) For taxable years beginning after December 31, 2017, a  
25 qualified employer subject to the tax imposed under the provisions of the  
26 Kansas income tax act shall be allowed a credit against the tax for tuition  
27 reimbursed to a qualified employee.

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

34 (c) The credit shall be in an amount equal to 50% of the tuition  
35 reimbursed during the taxable year for which the credit is claimed to a  
36 qualified employee, except that in no event shall the credit exceed 50% of  
37 the average annual amount paid by a qualified employee for enrollment  
38 and instruction in a qualified program at a state educational institution in  
39 Kansas, **as determined by the secretary of revenue.**

1       (d) The credit shall not be used to reduce the tax liability of the  
2 qualified employer to less than zero.

3       Sec. 3. (a) For taxable years beginning after December 31, 2017, a  
4 qualified employer subject to the tax imposed under the provisions of the  
5 Kansas income tax act shall be allowed a credit against the tax for  
6 compensation paid during the taxable year to a qualified employee in the  
7 first through fifth consecutive years of employment. Except as otherwise  
8 provided, the credit shall be in an amount equal to:

9           (1) Ten percent of the compensation paid if the qualified employee  
10 graduated from an institution located in this state; or

11           (2) five percent of the compensation paid if the qualified employee  
12 graduated from an institution located outside the state.

13           (b) The credit shall not exceed \$15,000 annually for each qualified  
14 employee, if the qualified employee graduated from an institution located  
15 in this state, or \$7,500 annually for each qualified employee, if the  
16 qualified employee graduated from an institution located outside this state.

17           (c) The credit shall not be used to reduce the tax liability of the  
18 qualified employer to less than zero.

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

21       Sec. 4. (a) For taxable years beginning after December 31, 2017, a  
22 taxpayer who becomes a qualified employee during the taxable year shall  
23 be allowed a credit against the tax imposed under the provisions of the  
24 Kansas income tax act in an amount equal to \$5,000. The credit shall be  
25 deducted from the taxpayer's income tax liability for the taxable year in  
26 which the taxpayer is or has been a qualified employee and may be  
27 claimed each year the taxpayer achieves the status of a qualified employee  
28 for the four taxable years succeeding the taxable year in which the credit  
29 was first allowed.

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

38       Sec. 5. {(a)} The secretary of revenue may adopt rules and  
39 regulations necessary or convenient for the implementation and  
40 administration of sections 1 through 4, and amendments thereto.

41           {(b)} The secretary of revenue shall annually submit a written  
42 report to the house appropriations committee and to the senate ways  
43 and means committee, or the successors to those committees,

beginning with the 2019 legislative session. The report shall contain information regarding the cost and effectiveness of the tax credit program described in sections 1 through 4, and amendments thereto. The secretary also may include in the report any recommendations for changes to law necessary to implement sections 1 through 4, and amendments thereto.

**Sec. 6. No new credits shall be issued or may be earned under the provisions of sections 1 through 4, and amendments thereto, after December 31, 2022.}**

~~Sec. 5. 6. {7.} This act shall take effect and be in force from and after its publication in the statute book.~~