

Proposed Amendments to HB 2416
House Committee on Commerce, Labor and Economic Development
March 10, 2020
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HOUSE BILL No. 2416

By Committee on Taxation

AN ACT concerning income taxation; relating to credits; creating the Kansas targeted employment act.

Be it enacted by the Legislature of the State of Kansas:

Section 1. The provisions of sections 1 through 6, and amendments thereto, shall be known and may be cited as the Kansas targeted employment act. The purpose of this act shall be to incentivize employers to employ persons with developmental disabilities in Kansas and decrease the reliance and associated costs to taxpayers to fund governmental programs.

Sec. 2. As used in this act: (a) "Competitive integrated employment" has the meaning as provided in the workforce innovation and opportunity act, 29 U.S.C.A. § 3101 et seq., as defined in 29 U.S.C.A. § 3102, 34 C.F.R. § 361.5 and 29 U.S.C.A. § 705.

(b) "Community service provider" means an association or organization licensed by the Kansas department for aging and disability services whose purpose is to provide support and services, relating to the ability to live and to work in the community, to persons who, without such support and services, would be unable or would have significant difficulty maintaining employment or living in the community. "Community service provider" also includes other governmental agencies that support or that elect to support eligible individuals with job placement

and job preservation supports including, but not limited to, school districts, community mental health centers and vocational rehabilitation contractors.

(c) "Earned income" means compensation paid to a Kansas employee for competitive integrated employment that is equal or greater to the minimum wage and is performed in a competitive integrated setting.

(d) "Eligible individual" means an individual, including a high school student, who is employed by an employer in a competitive integrated setting, has a developmental disability that has been documented as required by the secretary for aging and disability services and who has agreed to provide the secretary for aging and disability services, or the secretary's designee, information required by the secretary pursuant to this section, and amendments thereto, or to permit the secretary of revenue to provide such information to the secretary for aging and disability services.

(e) "Developmental disability" means a developmental disability as defined in K.S.A. 39-1803, and amendments thereto.

(e) "Targeted employment business" means those employers employing eligible individuals in competitive integrated employment in a competitive integrated setting and who are authorized to do business in Kansas. In order to qualify as a "targeted employment business," the employer must pay earned income to an eligible individual in a calendar year. "Targeted employment business" does not include a community service provider.

Sec. 3. For tax years 2020 through 2025, a credit shall be allowed against the income, privilege or premium tax liability imposed upon a taxpayer qualifying as a targeted employment business or a taxpayer outsourcing work to a targeted employment business pursuant to the Kansas income tax act, the privilege tax imposed upon any national banking association, state bank, trust

company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for every hour that an eligible individual is employed in a calendar year in a targeted employment business and receives earned income as compensation. The credit shall only apply to wages for hours worked and not for any compensation for leave paid to the eligible individual. The credit shall be 50% of the wages paid to the eligible individual on an hourly basis, up to a maximum credit of \$7.50 per hour. For the purpose of calculating the tax credit, the wage rate used shall be not more than a reasonable or typical market wage rate for a similar job. The credit shall not be refundable and may not be carried forward. For any employed eligible individual who receives support or services from a community service provider, such eligible individual may choose to have support or services provided as needed at the individual's worksite to help the individual maintain employment. The maximum amount of all tax credits allowed in each tax year shall be \$5,000,000.

Sec.4. (a) Any targeted employment business seeking to qualify for the tax credit pursuant to section 3, and amendments thereto, shall provide to the secretary of revenue the names of each eligible individual employed and the wage rate per hour, hours worked and gross wages paid, minus any compensation for leave, for each eligible individual and such other information as the secretary of revenue may require.

(b) The secretary of revenue and the secretary for aging and disability services are hereby authorized to adopt such rules and regulations as may be necessary for the administration of the provisions of the Kansas targeted employment act.

Sec. 5. (a) The secretary of aging and disability services shall develop and implement a program to measure the results of the tax credits allowed by sections 1 through 4, and amendments

thereto, including an analysis of: (1) Decreases in reliance upon state government-funded subsidies for employed eligible individuals and any associated net savings to Kansas taxpayers resulting from any such decreases in reliance; (2) effects of reallocation of tax dollars that employers would have paid to the state government of Kansas to employers who employed eligible individuals pursuant to the tax credit program; and (3) any benefits or detriments to the quality of life and the standard of living for employed eligible individuals, including access to health insurance, health care or other services and increases or decreases in income, discretionary income and expenses. The secretary for aging and disability services may require employed eligible individuals or targeted employment businesses to provide or to permit the secretary of revenue to provide, as a condition of participation in the tax credit program, information necessary to assess the tax credit program pursuant to this section, including information otherwise confidential under state or federal law. All confidential information provided shall be received, stored and used in a manner so as to maintain the confidentiality of the information provided and not permit the identification of eligible individuals or targeted employment businesses.

(b) Notwithstanding any other provision of state law, the secretary of revenue shall provide the secretary for aging and disability services with tax information, including tax information for individuals and targeted employment businesses that have waived the confidentiality of such information, as necessary to enable the secretary for aging and disability services to fulfill the requirements of this section. All information pertaining to an eligible individual or targeted employment business shall be provided in a manner so as to maintain the confidentiality of such eligible individuals and businesses. Nothing in this section shall be construed in a manner so as to violate or to conflict with any federal law.

(c) The secretary of aging and disability services shall submit a written report of the findings of

the secretary's review pursuant to subsection (a) to the committee on commerce of the senate and the committee on commerce, labor and economic development of the house on the first day of the 2021 through 2025 legislative sessions.

Sec. 6. The provisions of sections 1 through 5, and amendments thereto, shall expire on January 1, 2026.

Sec.7. This act shall take effect and be in force from and after its publication in the statute book.