

## HOUSE BILL No. 2118

By Committee on Commerce, Labor and Economic Development

1-31

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1 AN ACT concerning income taxation; relating to credits, providing certain  
2 credits for graduates of aerospace and aviation-related educational  
3 programs and employers of program graduates.  
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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, 2020,  
34 who has been awarded an undergraduate or graduate degree, or a technical  
35 degree or certificate from a qualified program by an institution.

36 (g) "Qualified employer" means a sole proprietorship, general

1 partnership, limited partnership, limited liability company, corporation,  
2 other legally recognized business entity or public entity whose principal  
3 business activity involves the aviation sector.

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

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

18 Sec. 2. (a) For taxable years beginning after December 31, 2019, a  
19 taxpayer who is a qualified employer subject to the tax imposed under the  
20 provisions of the Kansas income tax act shall be allowed a credit against  
21 the tax for tuition reimbursed to a qualified employee.

22 (b) The credit may be claimed only if the qualified employee has  
23 been awarded an undergraduate or graduate degree, or technical degree or  
24 certificate from a qualified program within one year prior to or following  
25 the commencement of employment with a qualified employer and may be  
26 claimed each year thereafter that the qualified employee remains employed  
27 up to the fourth year of employment.

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

34 (d) The credit shall be applied against the taxpayer's income tax  
35 liability after all other credits allowed under the income tax act. The credit  
36 shall not be refundable and may not be carried forward.

37 Sec. 3. (a) For taxable years beginning after December 31, 2019, a  
38 taxpayer who is a qualified employer subject to the tax imposed under the  
39 provisions of the Kansas income tax act shall be allowed a credit against  
40 the tax for compensation paid during the taxable year to a qualified  
41 employee in the first through fifth consecutive years of employment.  
42 Except as otherwise provided, the credit shall be in an amount equal to  
43 10% of the compensation paid.

1 (b) The credit shall not exceed \$15,000 annually for each qualified  
2 employee.

3 (c) The credit shall be applied against the taxpayer's income tax  
4 liability after all other credits allowed under the income tax act. The credit  
5 shall not be refundable and may not be carried forward.

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

8 Sec. 4. (a) For taxable years beginning after December 31, 2019, a  
9 taxpayer who becomes a qualified employee during the taxable year shall  
10 be allowed a credit against the tax imposed under the provisions of the  
11 Kansas income tax act in an amount equal to \$5,000. The credit shall be  
12 deducted from the taxpayer's income tax liability for the taxable year in  
13 which the taxpayer is or has been a qualified employee and may be  
14 claimed each year the taxpayer achieves the status of a qualified employee  
15 for the four taxable years succeeding the taxable year in which the credit  
16 was first allowed.

17 (b) If the amount of the credit allowed a qualified employee is greater  
18 than the qualified employee's income tax liability for the taxable year in  
19 which the credit is allowed, the amount of the credit which exceeds the tax  
20 liability may be carried over for deduction from the qualified employee's  
21 income tax liability in the next succeeding taxable year or years, except  
22 that the tax credit may not be carried over for deduction after the fourth  
23 taxable year succeeding the taxable year in which the credit was first  
24 allowed.

25 Sec. 5. (a) The secretary of revenue may adopt rules and regulations  
26 necessary or convenient for the implementation and administration of  
27 sections 1 through 4, and amendments thereto.

28 (b) The secretary of revenue shall annually submit a written report to  
29 the house committee on appropriations and to the senate committee on  
30 ways and means beginning with the 2020 legislative session. The report  
31 shall contain information regarding the cost and effectiveness of the tax  
32 credit program described in sections 1 through 4, and amendments thereto.  
33 The secretary also may include in the report any recommendations for  
34 changes to law necessary to implement sections 1 through 4, and  
35 amendments thereto.

36 Sec. 6. No new credits shall be issued or may be earned under the  
37 provisions of sections 1 through 4, and amendments thereto, after  
38 December 31, 2024.

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