

## Substitute for HOUSE BILL No. 2416

By Committee on Commerce, Labor and Economic Development

3-12

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

3  
4 *Be it enacted by the Legislature of the State of Kansas:*

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

11 Sec. 2. As used in this act:

12 (a) "Competitive integrated employment" has the meaning as  
13 provided in the workforce innovation and opportunity act, 29 U.S.C. §  
14 3101 et seq., as defined in 29 U.S.C. § 3102, 34 C.F.R. § 361.5 and 29  
15 U.S.C. § 705.

16 (b) "Community service provider" means an association or  
17 organization licensed by the Kansas department for aging and disability  
18 services whose purpose is to provide support and services, relating to the  
19 ability to live and to work in the community, to persons who, without such  
20 support and services, would be unable or would have significant difficulty  
21 maintaining employment or living in the community. "Community service  
22 provider" also includes other governmental agencies that support or that  
23 elect to support eligible individuals with job placement and job  
24 preservation supports including, but not limited to, school districts,  
25 community mental health centers and vocational rehabilitation contractors.

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

29 (d) "Eligible individual" means an individual, including a high school  
30 student, who is employed by an employer in a competitive integrated  
31 setting, has a developmental disability that has been documented as  
32 required by the secretary for aging and disability services and who has  
33 agreed to provide the secretary for aging and disability services, or the  
34 secretary's designee, information required by the secretary pursuant to the  
35 Kansas targeted employment act, or to permit the secretary of revenue to  
36 provide such information to the secretary for aging and disability services.

1 (e) "Developmental disability" means the same as defined in K.S.A.  
2 39-1803, and amendments thereto.

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

10 Sec. 3. For tax years 2020 through 2025, a credit shall be allowed  
11 against the income, privilege or premium tax liability imposed upon a  
12 taxpayer qualifying as a targeted employment business or a taxpayer  
13 outsourcing work to a targeted employment business pursuant to the  
14 Kansas income tax act, the privilege tax imposed upon any national  
15 banking association, state bank, trust company or savings and loan  
16 association pursuant to article 11 of chapter 79 of the Kansas Statutes  
17 Annotated, and amendments thereto, or the premiums tax and privilege  
18 fees imposed upon an insurance company pursuant to K.S.A. 40-252, and  
19 amendments thereto, for every hour that an eligible individual is employed  
20 in a calendar year in a targeted employment business and receives earned  
21 income as compensation. The credit shall only apply to wages for hours  
22 worked and not for any compensation for leave paid to the eligible  
23 individual. The credit shall be 50% of the wages paid to the eligible  
24 individual on an hourly basis, up to a maximum credit of \$7.50 per hour.  
25 For the purpose of calculating the tax credit, the wage rate used shall not  
26 be more than a reasonable or typical market wage rate for a similar job.  
27 The credit shall not be refundable and shall not be carried forward. For any  
28 employed eligible individual who receives support or services from a  
29 community service provider, such eligible individual may choose to have  
30 support or services provided as needed at the individual's worksite to help  
31 the individual maintain employment. The maximum amount of all tax  
32 credits allowed in each tax year under the Kansas targeted employment act  
33 shall be \$5,000,000.

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

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

1       Sec. 5. (a) The secretary of aging and disability services shall develop  
2 and implement a program to measure the results of the tax credits allowed  
3 by sections 1 through 4, and amendments thereto, including an analysis of:  
4 (1) Decreases in reliance upon state government-funded subsidies for  
5 employed eligible individuals and any associated net savings to Kansas  
6 taxpayers resulting from any such decreases in reliance; (2) effects of  
7 reallocation of tax dollars that employers would have paid to the state  
8 government of Kansas to employers who employed eligible individuals  
9 pursuant to the tax credit program; and (3) any benefits or detriments to  
10 the quality of life and the standard of living for employed eligible  
11 individuals, including access to health insurance, healthcare or other  
12 services and increases or decreases in income, discretionary income and  
13 expenses. The secretary for aging and disability services may require  
14 employed eligible individuals or targeted employment businesses to  
15 provide or to permit the secretary of revenue to provide, as a condition of  
16 participation in the tax credit program, information necessary to assess the  
17 tax credit program pursuant to this section, including information  
18 otherwise confidential under state or federal law. All confidential  
19 information provided shall be received, stored and used in a manner that  
20 shall maintain the confidentiality of the information provided and not  
21 permit the identification of eligible individuals or targeted employment  
22 businesses.

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

33       (c) The secretary for aging and disability services shall submit a  
34 written report of the findings of the secretary's review pursuant to  
35 subsection (a) to the standing committee on commerce of the senate and  
36 the standing committee on commerce, labor and economic development of  
37 the house on the first days of the 2021 through 2025 regular sessions of the  
38 legislature.

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

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