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300 SW TENTH AVENUE ■ SUITE 24-E ■ TOPEKA, KS 66612 ■ (785) 296-2321

MEMORANDUM

To: Chairwoman Erickson and Committee on Commerce
From: Charles Reimer, Assistant Revisor of Statutes
Date: 2/16/2022
Subject: HB 2219

Program Overview

Hb 2219 provides a tax credit for tax years 2021 through 2026 against Kansas income tax, the privilege tax imposed on financial institutions or the premiums tax imposed on insurance companies, for businesses authorized to do business in Kansas who employ eligible employees with developmental disabilities in a competitive integrated setting, or for taxpayers who outsource work to such businesses. Competitive integrated setting means work paid at the customary rate for individuals who do not have disabilities, not less than minimum wage, where the employee is eligible for benefits to the same extent as other employees without disabilities, works at a location where the employee interacts with employees who do not have disabilities to the same extent as other employees and has similar opportunities for advancement as other employees who do not have disabilities. 29 U.S.C. 705.

Employees Eligible for Program (Section 2 “Eligible individual”)

Eligible employees must be documented by the Secretary for Aging and Disability Services as having a developmental disability. Employees must agree to provide the Secretary with tax, wage and other information or agree to permit the Secretary of Revenue to provide information to the Secretary for Aging and Disability Services. This information is used to analyze the program by the Secretary for Aging and Disability Services. High school students may be employees under the program. If an employee receives support or services from a community service provider, the employee may receive support or services at the worksite as needed to assist the employee to maintain employment. A “Community Service Provider” includes an organization that serves persons with a disability and is licensed by the Kansas Department for

Aging and Disability Services and also some other entity that may support persons with disabilities including a school district, community mental health center or vocational rehabilitation contractor.

Tax Credit for Employers (Section 3)

For tax years 2021 through 2026, the tax credit for participating employers, or for taxpayers who outsource work to employers participating in the program, is 50% of the wages paid to the eligible employees on an hourly basis during a calendar year, up to a maximum credit of \$7.50 per hour. The credit is based only on wages for hours worked and not for compensation for leave. The wage rate used to calculate the tax credit may not be greater than the typical rate for the job. The credit is not refundable and may not be carried forward. Employers must provide the Secretary of Revenue with information about the eligible employees for which they are claiming the credit, including the names, wage rate, hours worked and gross wages paid less any compensation paid for leave. (Section 4) The maximum amount of all tax credits allowed in a tax year under the program is \$5,000,000.

Program Analysis and Reports to Legislature by Secretary for Aging and Disability Services (Section 5)

The bill directs the Secretary for Aging and Disability Services to develop and implement a program to measure the results of the tax credit, including decreases in reliance on state subsidies by eligible employees and associated net savings to taxpayers, effects of employers keeping tax dollars that would have been paid to the state and any benefits or detriments to the quality of life and standard of living for eligible employees.

As noted above, as a condition of participation in the program, the Secretary for Aging and Disability Services may require eligible employees or employers to provide, or to permit the Secretary of Revenue to provide, information necessary to assess the program. The Secretary of Revenue is directed to provide the Secretary for Aging and Disability Services with tax information of eligible employees and employers who have authorized the release of that information. All information pertaining to an eligible employee or an employer must be provided in a manner that maintains the confidentiality of the eligible employees and employers. The provision of information requirements are not to be construed to violate or conflict with any federal law.

The Secretary for Aging and Disability Services submits a written report of the Secretary's finding to the Senate and House commerce committees at the beginning of the 2022 through 2026 regular legislative sessions.

Rule and Regulation Authority (Section 4)

The bill grants rule and regulation authority to the Secretary of Revenue and the Secretary for Aging and Disability Services.

Sunset (Section 6)

The provisions of the bill expire on January 1, 2027.