

SESSION OF 2021

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2328

As Amended by House Committee on
Commerce, Labor and Economic Development

Brief*

HB 2328, as amended, would create new income tax credits for graduates of certain aerospace and aviation education programs who are Kansas residents and their employers for tax years 2022 through 2026.

The bill would allow employers whose principal business activity involves the aviation sector to receive a nonrefundable income tax credit beginning in tax year 2022 for tuition or certain program-specific course-fee reimbursements paid to a full-time “qualified employee,” as defined by the bill, who has graduated from an accredited engineering or technology undergraduate or graduate degree program, an associate of applied science degree program, or a career technical program. This credit could be claimed if the qualified employee, within one year prior to or following the commencement of employment with a qualified employer, graduated from a qualified program. This credit would be capped at 50.0 percent of the total amount of tuition reimbursement paid and could be claimed each year, for up to the fourth year of employment with a qualified employer.

The bill would also create, beginning with tax year 2022, a nonrefundable tax credit for taxpayers for an amount equal to 10.0 percent of the compensation paid to qualified employees in each of the first five years of employment, not to exceed \$15,000 per year. The credits would not be able to be carried forward. For the purposes of the bill, compensation would not include benefits or reimbursable expenses.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Additionally, the bill would create, beginning with tax year 2022, a nonrefundable tax credit for taxpayers who become qualified employees during the taxable year. Employees with income tax liability less than \$5,000 would be eligible to carry any unused credit forward for up to four additional tax years.

The bill would authorize the Secretary of Revenue (Secretary) to adopt rules and regulations to implement and administer the provisions of the bill. The Secretary would be required to submit annual reports on the cost effectiveness of the program to the House Committee on Appropriations and the Senate Committee on Ways and Means, beginning with the 2022 Legislative Session.

No new tax credits would be issued or earned after tax year 2026.

Background

The bill was introduced by Representatives Tarwater, Anderson, Bergquist, Blake Carpenter, Croft, Delperdang, Estes, Hoheisel, Howard, Huebert, Humphries, Kessler, Penn, Rhiley, Sawyer, and Williams.

[*Note:* The bill, as introduced, contained provisions similar to 2019 HB 2118 as recommended by the House Committee on Commerce, Labor and Economic Development.]

House Committee on Commerce, Labor and Economic Development

In the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Department of Commerce and the Wichita Regional Chamber of Commerce. The proponents stated the bill would help Kansas to remain competitive in one of its strongest economic sectors by

helping to develop and maintain a skilled workforce in the aviation industry.

Written-only **proponent** testimony was provided by representatives of Cowley College, Goodwill Industries of Kansas, the Greater Wichita Partnership, the Kansas Chamber of Commerce, the Kansas Independent College Association, Spirit AeroSystems, and Textron Aviation.

No additional testimony was provided.

The House Committee amended the bill to limit qualified employees to residents of Kansas.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue estimates enactment of the bill would have the potential to reduce State General Fund revenues by \$7.9 million per fiscal year for FY 2023 through FY 2027.

The Department of Revenue estimates the annual reduction in receipts attributable to the credit for tuition reimbursements to be \$2.8 million, the annual reduction in receipts attributable to the credit for compensation paid to qualified employees to be \$2.6 million, and the annual reduction in receipts attributable to the credit for qualified employees to be \$2.5 million.

However, the Department of Revenue notes that sufficient information to make a reliable estimate of the fiscal impact of the bill is not available. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2022 Governor's Budget Report*.

Aerospace; aviation; tax credits