

2016

HOUSE BILL NO. ____

By Committee on Taxation

AN ACT concerning taxation; relating to certain income tax credits for graduates of aerospace and aviation-related educational programs and their employers.

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

Section 1. As used in sections 1 through 4, and amendments thereto:

(a) "Aerospace" means relating to vehicles or objects for the purpose of suborbital, orbital or space flight.

(b) "Aviation" means relating to vehicles or objects, except parachutes, for the purpose of controlled flight through the air, regardless of how propelled or controlled or whether manned or unmanned.

(c) "Aviation sector" means a private or public organization engaged in the manufacture of aviation, aerospace or defense hardware or software, aviation or aerospace maintenance, aviation or aerospace repair and overhaul, supply of parts to the aviation or aerospace industry, provision of services and support relating to the aviation or aerospace industry, research and development of aviation or aerospace technology and systems, and the education and training of aviation or aerospace personnel.

(d) "Compensation" means payments in the form of contract labor for which the payor is required to provide a federal tax form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee or full-time employee, or salary or other remuneration. "Compensation" shall not include employer-provided retirement, medical or healthcare benefits, reimbursement for travel, meals, lodging or any other expense.

(e) "Institution" means a state educational institution, municipal university, institute of technology, community college or technical college, as those terms are defined in K.S.A. 74-

3201b, and amendments thereto, or any other public or private college or university that is accredited by a national accrediting body.

(f) "Qualified employee" means any person employed by or contracting with a qualified employer on or after January 1, 2017, who has been awarded an undergraduate or graduate degree or a technical degree or certificate from a qualified program by an institution.

(g) "Qualified employer" means a sole proprietorship, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity, or public entity whose principal business activity involves the aviation or aerospace sector.

(h) "Qualified program" means: (1) A program that has been accredited by the engineering accreditation commission of the accreditation board for engineering and technology (ABET) and that awards an undergraduate or graduate degree; or (2) a program within the meaning of an associate of applied science degree program or career technical education program, as those programs are defined in K.S.A. 72-4412, and amendments thereto, which results in the awarding of a degree or certificate that prepares the graduate for gainful employment directly involved in the manufacturing of unmanned aircraft systems or of principle components of unmanned aircraft systems.

(i) "Tuition" means the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program. "Tuition" shall not include the cost of books, fees or room and board.

(j) "Unmanned aircraft system" means an unmanned vehicle or object for the purpose of flight through the air that is operated and controlled without direct human intervention from inside or on the vehicle or object and includes the associated support equipment, control station,

software, data links, telemetry, communications and navigation equipment necessary for operation.

Sec. 2. (a) For taxable years beginning after December 31, 2016, a qualified employer subject to the tax imposed under the provisions of the Kansas income tax act shall be allowed a credit against such tax for tuition reimbursed to a qualified employee.

(b) The credit may be claimed only if the qualified employee has been awarded an undergraduate or graduate degree or technical degree or certificate within one year of commencing employment with the qualified employer.

(c) The credit shall be in the amount of 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment. In no event shall this credit exceed 50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a state educational institution in Kansas.

(d) The credit shall not be used to reduce the tax liability of the qualified employer to less than zero.

(e) No credit authorized by this section shall be claimed after the fourth year of employment.

Sec. 3. (a) For taxable years beginning after December 31, 2016, a qualified employer subject to the tax imposed under the provisions of the Kansas income tax act shall be allowed a credit against such tax for compensation paid to a qualified employee. The credit shall be in the amount of:

(1) Ten percent of the compensation paid for the first through fifth years of employment if the qualified employee graduated from an institution located in this state; or

(2) five percent of the compensation paid for the first through fifth years of employment, if the qualified employee graduated from an institution located outside the state.

(b) The credit authorized by this section shall not exceed \$15,000 annually for each qualified employee, if the qualified employee graduated from an institution located in this state or \$7,500 annually for each qualified employee, if the qualified employee graduated from an institution located outside this state.

(c) The credit authorized by this section shall not be used to reduce the tax liability of the qualified employer to less than zero.

(d) No credit authorized pursuant to this section shall be claimed after the fifth year of employment.

Sec. 4. (a) For taxable years beginning after December 31, 2016, a qualified employee shall be allowed a credit against the tax imposed under the provisions of the Kansas income tax act of up to \$5,000 per year for a period of time not to exceed five years.

(b) The credit authorized by this section shall not be used to reduce the tax liability of the taxpayer to less than zero.

(c) Any credit claimed, but not used, may be carried over, in order, to each of the five subsequent taxable years.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.