

SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2544

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

Brief*

HB 2544, as amended, would create two tax credits related to the employment of Kansas residents who are members in good standing of the Kansas Army or Air National Guard (National Guard).

Employer Credit

The bill would create, for tax years 2025 through 2029, a credit applicable to income, privilege, or premium tax credit of employers of Kansas resident members of the National Guard in good standing equal to 10 percent of the total compensation, excluding retirement, health care, and other benefits, paid to the National Guard member by the employer during the tax year, with a maximum annual credit of \$1,000 per National Guard member per employer.

The bill would specify the credit could be claimed after all other credits and could not be refunded or carried forward.

Employee Credit

The bill would create, for tax years 2025 through 2029, a credit applicable to the Kansas income tax of Kansas resident members of the National Guard equal to 10 percent of the amount of compensation, excluding retirement, health care, and other benefits, received by the employee, prorated for the

*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>

number of entire months the individual was a member in good standing of the National Guard during the tax year.

The credit would be capped at \$1,000 per taxpayer per year and could not be refunded or carried forward. If the individual is dishonorably discharged, discharged under other-than-honorable conditions, or discharged for bad conduct from the National Guard, no credit would be allowed.

The bill would require the National Guard to annually send a notice by electronic mail to any members during the prior year informing them that they may be eligible for the employee income tax credit that would be provided by the bill.

Background

The bill was introduced by the House Committee on Commerce, Labor and Economic Development at the request of Representative L. Williams.

House Committee on Commerce, Labor and Economic Development

At the House Committee hearing, **proponent** testimony was provided by Representatives L. Williams and B. Carpenter and a representative of the Kansas Chamber. Proponents generally stated the bill would improve Kansas retention of National Guard members and improve the connection between members of the National Guard and employers in Kansas.

Written-only proponent testimony was provided by Representative Turk and representatives of the Enlisted Association of the National Guard – Kansas, Greater Kansas City Chamber of Commerce, National Guard Association of Kansas, and Wichita Regional Chamber of Commerce.

No other testimony was provided.

The House Committee amended the bill to eliminate a requirement that the member of the National Guard be employed on a full-time basis, to require the National Guard member to be a resident of Kansas, to provide for the credit to not be available under certain discharge circumstances, and to replace a flat \$5,000 employee tax credit with a credit of 10 percent of compensation, prorated and capped.

On February 23, 2024, the bill was withdrawn from the House Calendar and referred to the House Committee on Appropriations. On February 28, 2024, the bill was withdrawn from the House Committee on Appropriations and rereferred to the House Committee on Commerce, Labor and Economic Development. On March 11, the House Committee further amended the bill to limit the credits to tax years 2025 through 2029, limit the amount of each credit to \$1,000, and require notices to be sent to members of the National Guard.

Fiscal Information

According to the Department of Revenue, enactment of the bill, as further amended, would reduce state revenues by \$3.8 million per year beginning in FY 2026. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2025 Governor's Budget Report*.

Taxation; income tax; tax credits; national guard