

## MEMORANDUM

To: Chairman Tarwater and Members of the House Committee on Commerce, Labor and Economic Development

From: Office of the Revisor of Statutes

Date: 1.27.26

Subject: HB 2464 – Aviation Tax Credit; Extension of Sunset

HB 2464 extends the sunset for the aviation tax credit program. Pursuant to current law, no new income tax credits could be earned or issued after December 31, 2026. The bill extends the sunset for 10 years to December 31, 2036.

### **Summary of Aviation Tax Credits**

K.S.A. 79-32,290 through 79-32,293 establish an income tax credit program designed to support the aerospace and aviation industry by providing incentives to both employers and employees. The income tax credits offered became available in tax year 2022. The program offers three types of income tax credits:

1. Employer tuition reimbursement credits for tuition reimbursements to employees;
2. employer compensation credits for compensation paid to employees; and
3. employee income tax credits.

### **Definitions**

K.S.A. 79-32,290 defines terms for purposes of the program. “Aerospace” is defined as “relating to vehicles or objects for the purpose of suborbital, orbital or space flight, whether for private or public, or civil or defense-related purposes”. A “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 sector” “Employee” includes full-time contractors, and “compensation” includes payments in the form of contract labor requiring a federal tax form 1099.

### Employer Tuition Reimbursement Income Tax Credit

K.S.A. 79-32,291 allows qualified employers to claim a credit against income tax liability for tuition reimbursed to qualified employees who have been awarded an undergraduate, graduate or technical degree from qualified programs within one year prior to or following the beginning of employment with the employer. The credit may be claimed each year up to the fourth year that the employee remains employed. The credit equals “50% of the tuition reimbursed during the taxable year for which the credit is claimed to a qualified employee,” but cannot exceed “50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program, as determined by the secretary of revenue.” The credit “shall be applied against the taxpayer’s income tax liability after all other credits allowed under the income tax act” and “shall not be refundable and may not be carried forward.”

### Employer Compensation Income Tax Credit

K.S.A. 79-32,292 provides qualified employers with a credit for compensation paid to qualified employees during their first through fifth consecutive years of employment. The credit amount equals “10% of the compensation paid” but “shall not exceed \$15,000 annually for each qualified employee.” Like the tuition reimbursement credit, the compensation credit “shall be applied against the taxpayer’s income tax liability after all other credits allowed under the income tax act,” is “not refundable and may not be carried forward.”

### Employee Income Tax Credit

K.S.A. 79-32,293 establishes an income tax credit for qualified employees. For taxable years beginning after December 31, 2021, “a taxpayer who becomes a qualified employee during the taxable year shall be allowed a credit against the tax imposed under the provisions of the Kansas income tax act in an amount equal to \$5,000.” The credit may be claimed “each year the taxpayer achieves the status of a qualified employee for the four taxable years succeeding the taxable year in which the credit was first allowed.” If the credit exceeds the employee’s tax liability, “the amount of the credit that exceeds the tax liability may be carried over for deduction from the qualified employee’s income tax liability in the next succeeding taxable year or years,” but “may not be carried over for deduction after the fourth taxable year succeeding the taxable year in which the credit was first allowed.”

### Report by Secretary

K.S.A. 79-32,294 requires the secretary to “annually submit a written report to the house committee on appropriations and to the senate committee on ways and means beginning with the 2023 legislative session” containing “information regarding the cost and effectiveness of the tax credit program.”

### Sunset

K.S.A. 79-32,295 provides that no new credits may be issued or earned after December 31, 2026.