

As Amended by Senate Committee

As Amended by House Committee

Session of 2025

HOUSE BILL No. 2119

By Committee on Commerce, Labor and Economic Development

Requested by Representative Tarwater

1-28

1 AN ACT concerning taxation; relating to the Kansas affordable housing
2 tax credit act; discontinuing such credit ~~effective July 1, 2025 for~~
3 ***qualified developments receiving a 4% federal tax credit***; amending
4 K.S.A. 2024 Supp. 79-32,306 and repealing the existing section.
5

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

7 Section 1. K.S.A. 2024 Supp. 79-32,306 is hereby amended to read as
8 follows: 79-32,306. (a) For all taxable years commencing after December
9 31, 2022, ~~and ending on December 31, 2025, except~~ ***except*** as provided in
10 subsection (i), there shall be allowed a credit against the income tax
11 liability imposed pursuant to the Kansas income tax act, the privilege tax
12 liability imposed upon any national banking association, state bank, trust
13 company or savings and loan association pursuant to article 11 of chapter
14 79 of the Kansas Statutes Annotated, and amendments thereto, or the
15 premium tax liability imposed upon an insurance company pursuant to
16 K.S.A. 40-252, and amendments thereto, for each qualified development
17 for each year of the credit period, in an amount equal to the federal tax
18 credit allocated or allowed by the KHRC to such qualified development,
19 except that there shall be no reduction in the credit allowable in the first
20 year of the credit period due to the calculation in section 42(f)(2) of the
21 federal internal revenue code.

22 (b) The KHRC shall issue an allocation certificate to an owner of a
23 qualified development to which a credit has been allocated. The KHRC
24 shall issue an allocation certificate to the qualified development
25 simultaneously with issuance of federal form 8609 with respect to the
26 federal tax credits.

27 (c) All allocations shall be made pursuant to the qualified allocation
28 plan.

29 (d) If an owner of a qualified development receiving an allocation of
30 a credit is a pass-through entity, the owner may allocate the credit among
31 its partners or members in any manner agreed to by such persons
32 regardless of whether: (1) Any such person is allocated or allowed any
33 portion of any federal tax credit with respect to the qualified project; (2)

1 the allocation of the credit under the terms of the agreement has substantial
2 economic effect within the meaning of section 704(b) of the federal
3 internal revenue code; or (3) any such person is deemed a partner for
4 federal income tax purposes, if the partner or member would be considered
5 a partner or member under applicable state law governing such entity and
6 has been admitted as a partner or member on or prior to the date for filing
7 the qualified taxpayer's tax return, including any amendments to such tax
8 return, with respect to the year of the credit. In the case of multiple tiers of
9 pass-through entities, the credit may be so allocated through any number
10 of pass-through entities in any manner agreed by the owners of such pass-
11 through entities, none of which shall be considered a transfer. Any pass-
12 through entity allocating a credit to its partners or members shall attach a
13 pass-through certification to its tax return annually. Each partner or
14 member shall be allowed to claim or further allocate such amount subject
15 to any restrictions set forth in this act.

16 (e) An owner of a qualified development to which a credit has been
17 allocated and each qualified taxpayer to which such owner has allocated a
18 portion of such credit, if any, shall file with their state income, privilege or
19 premium tax return a copy of the allocation certificate issued by the
20 KHRC with respect to such qualified development and a copy of any pass-
21 through certification, as prescribed by the director.

22 (f) No credit shall be allocated pursuant to this act unless the qualified
23 development is the subject of a recorded restrictive covenant requiring the
24 development to be maintained and operated as a qualified development
25 and is in accordance with the accessibility and adaptability requirements of
26 the federal tax credits and title VIII of the civil rights act of 1968, as
27 amended by the fair housing amendments act of 1988, for a period of 15
28 taxable years, or such longer period as may be agreed to between the
29 KHRC and the owner of the qualified development, beginning with the
30 first taxable year of the credit period.

31 (g) The allocated credit amount may be taken against the income,
32 privilege or premium taxes imposed for each taxable year of the credit
33 period. Any amount of credit that exceeds the income, privilege or
34 premium tax liability of a qualified taxpayer for a taxable year may be
35 carried forward as a credit against subsequent years' tax liability up to 11
36 tax years following the tax year in which the allocation was made and shall
37 be applied first to the earliest years possible. Any amount of the credit that
38 is not used shall not be refunded to the taxpayer.

39 (h) Unless otherwise provided in this act or the context or law
40 requires otherwise, the KHRC shall determine eligibility for a credit and
41 allocate credits in accordance with the standards and requirements set forth
42 in section 42 of the federal internal revenue code. Any combination of
43 federal tax credits and credits allowed pursuant to this act shall be the least

1 amount necessary to ensure the financial feasibility of a qualified
2 development.

3 *(i) ~~The provisions of the Kansas affordable housing tax credit act,~~*
4 *~~K.S.A. 2024 Supp. 79-32,304 through 79-32,309, and amendments thereto,~~*
5 *~~shall be discontinued on July 1, 2025, except that such provisions shall~~*
6 *~~continue to apply through the credit period, and any applicable carry-~~*
7 *~~forward period, of an affordable housing tax credit allocation awarded to~~*
8 *~~the owner of a qualified development by the KHRC as provided in~~*
9 *~~subsection (b) before July 1, 2025 with respect to a qualified allocation~~*
10 *~~plan for the years up to and including the 2025 qualified allocation~~*
11 *~~plan. No allocation of a credit shall be awarded by the KHRC as provided~~*
12 *~~in subsection (b) after June 30, 2025 pursuant to a qualified allocation~~*
13 *~~plan subsequent to the 2025 qualified allocation plan. The KHRC shall~~*
14 *~~not accept any applications for the 4% low income housing tax credit~~*
15 *~~after August 15, 2025, and shall not approve any applications for the~~*
16 *~~4% low income housing tax credit after November 14, 2025. The~~*
17 *~~KHRC shall not accept any applications for the 9% low income~~*
18 *~~housing tax credit after May 23, 2025, and shall not approve any such~~*
19 *~~applications after August 8, 2025~~* *Notwithstanding the foregoing*
20 *provisions, commencing with the qualified allocation plan adopted for*
21 *2026 and for each year thereafter, the maximum amount of Kansas*
22 *affordable housing tax credits awarded by the KHRC to all qualified*
23 *developments in each qualified allocation plan year shall not exceed*
24 *100% of the state housing credit ceiling for 9% federal tax credits*
25 *allocated to Kansas for the same qualified allocation plan year. On and*
26 *after November 15, 2025, the KHRC shall not accept any application for,*
27 *or award any additional allocation of, credit under this act to a qualified*
28 *development receiving a 4% federal tax credit, which is defined as a*
29 *qualified development financed by tax-exempt bonds as provided under*
30 *section 42(h)(4) of the federal internal revenue code. The KHRC shall*
31 *continue to award credit under this act to qualified developments*
32 *receiving 9% federal tax credits in accordance with the provisions of this*
33 *act. A qualified development awarded a credit allocation under this act*
34 *by the KHRC on or before November 14, 2025, pursuant to the 2025*
35 *qualified allocation plan or any previous qualified allocation plan, shall*
36 *continue to receive the awarded credit throughout the authorized credit*
37 *period and any applicable carry forward period.*

38 Sec. 2. K.S.A. 2024 Supp. 79-32,306 is hereby repealed.

39 Sec. 3. This act shall take effect and be in force from and after its
40 publication in the statute book.