SESSION OF 2017

SECOND CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 30

As Agreed to June 5, 2017

Brief*

SB 30 would make a number of changes in individual income tax policy and would change several provisions relative to the Sales Tax and Revenue (STAR) bond program. However, none of the bill's provisions would take effect unless SB 19 (the school finance conference committee agreement) has also been enacted.

Itemized Deduction Provisions

The bill would allow, as an itemized deduction for individual income tax purposes, 50.0 percent of medical expenses currently allowed as itemized deductions under federal law for tax year 2018. (Legislation enacted in 2015 repealed the medical expense deduction for state income tax purposes.) The amount would be increased to 75.0 percent of the federal allowable amount for tax year 2018 and to 100.0 percent in tax year 2020 and thereafter.

Itemized deductions for mortgage interest and property taxes paid, currently set at 50.0 percent of the federal allowable amounts, would be increased to 75.0 percent for tax year 2019 and to 100.0 percent beginning in tax year 2020.

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*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at http://www.kslegislature.org/klrd

Child and Dependent Care Credit Provisions

A child and dependent care tax credit that had been repealed in 2012 would be restored in stages. The credit would be set at 12.50 percent of the allowable federal amount for tax year 2018, 18.75 percent for tax year 2019, and 25.00 percent (the level that had been utilized prior to the 2012 repeal) for tax year 2020 and thereafter.

Aviation Tax Credit Provisions

The bill would create new tax credits for graduates of aerospace and aviation education programs and their employers beginning in tax year 2018. The bill would allow an employer whose principal business activity involves the aviation sector to receive a nonrefundable income tax credit for tuition reimbursement paid to an employee who has graduated from an accredited engineering or technology undergraduate or graduate degree program, or an associate of applied science degree or 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 further would create a nonrefundable tax credit for qualified employers for compensation paid to qualified employees. The tax credit would be 10.0 percent of compensation paid to a qualified employee who graduated from an in-state institution, capped at $15,000 annually, and 5.0 percent for a qualified employee who graduated from an out-of-state institution, capped at $7,500 annually. The credit could be claimed for up to five years.

Additionally, the bill would create a nonrefundable tax credit for qualified employees. After December 31, 2017, qualified employees would be allowed an income tax credit in the amount of $5,000 for up to five consecutive years.

The bill would authorize the Secretary of Revenue to adopt rules and regulations to implement and administer the provisions of the bill. The Secretary of Revenue would 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 2019 Legislative Session. The tax credits would sunset on December 31, 2022.

Ad Astra Rural Jobs Act

The bill would create the *Ad Astra* Rural Jobs Act, which would authorize nonrefundable tax credits applicable to income, premiums, or privilege taxes for taxpayers who contribute capital to an "approved investment company" to fund a "rural business concern" in a "rural area," as those terms would be defined in the bill. Investment companies seeking to benefit from the tax credit would register with the Secretary of Commerce. The Secretary of Commerce would be prohibited from approving more than $100 million in growth capital and $50 million in credit-eligible contributions. Commitments for credit-eligible capital contributions would be required for 50.0 percent of the capital sought. No application seeking more than one-third of these amounts would be approved. Beginning in tax year 2020, 20.0 percent of the tax credit could be claimed annually over a five-year period. The amount of tax credits claimed in any one fiscal year would not exceed $10.0 million, exclusive of the tax credit amounts carried forward. Tax credits would not be transferable except to an "affiliate," as that term would be defined in the bill. The tax credit would sunset on December 31 of the sixth year following the effective date of the bill.

STAR Bond Provisions

The bill would extend the sunset date for the STAR Bond Financing Act from July 1, 2017, to July 1, 2020. For the first year of that extension, there would be a moratorium on the approval of new STAR Bond districts, but cities or counties with existing districts could continue to develop projects.

Conference Committee Action

The Second Conference Committee agreed to delete the previous contents of SB 30, which dealt generally with changes in statutory references and dates for filing of certain tax forms, and insert the contents described above.

Background

SB 30, as amended by the House Committee on Taxation, had addressed statutory references to an organization accrediting certain post-secondary institutions and filing dates for certain tax forms. Conferees had agreed previously to address its contents as part of the conference committee deliberations associated with HB 2212.

Conferees also discussed tying enactment of this bill to enactment of SB 19.

Based on the latest information available from the Department of Revenue, the bill would be expected to have the following impact on State General Fund receipts:

($ in millions)

	Medical	Mortgage Interest	Prop Tax	Child Care Credit	Aviation Credit	*Ad Astra*	Total
FY 2018	$0.0	$0.0	$0.0	$0.0	($7.7)	$0.0	($7.7)
FY 2019	($11.4)	$0.0	$0.0	($4.5)	($7.7)	$0.0	($23.6)
FY 2020	($17.1)	($8.0)	($6.0)	($6.8)	($7.7)	($10.0)	($55.6)
FY 2021	($22.8)	($16.0)	($12.0)	($9.0)	($7.7)	($10.0)	($77.5)
FY 2022	($22.8)	($16.0)	($12.0)	($9.0)	($7.7)	($10.0)	($77.5)

income tax; STAR bonds

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