

SESSION OF 2022

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2219**

As Amended by Senate Committee on  
Commerce

**Brief\***

HB 2219, as amended, would create the Kansas Targeted Employment Act (Act), which would establish a tax credit for businesses that employ individuals who are Kansas residents with developmental disabilities.

For tax years 2022 through 2027, a tax credit could be claimed by a “targeted employment business,” as that term would be defined by the bill, or by a taxpayer outsourcing work to such a business. For every hour of work provided by an “eligible individual,” as that term would be defined by the bill, the qualified business would earn a tax credit equal to 50.0 percent of the wages paid, not to exceed \$7.50 per hour. The annual total of tax credits would be capped at \$5.0 million. The tax credit would be nonrefundable and could not be carried forward. To qualify for the tax credit, a business would apply to the Secretary of Revenue by providing the names of the eligible individuals, the hourly wage rate, hours worked, and the gross wages excluding leave compensation.

The Secretary for Aging and Disability Services (Secretary) would develop and implement a program to measure the results of the tax credits and analyze the employment of individuals with developmental disabilities, their quality of life while employed, and the impact upon taxpayer savings and government programs.

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\*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>

The Secretary would be required to annually report findings to the House Committee on Commerce, Labor and Economic Development and the Senate Committee on Commerce. The bill would allow the Secretary to require the release of certain tax data as a condition of a business' participation in the tax credit program in order to assist with the analysis. In addition, the Secretary of Revenue would be required to provide tax information to the Secretary as necessary to enable the Secretary to fulfill the analysis. The bill would require any confidential tax information to remain confidential in a manner that would not permit the identification of eligible individuals or targeted employment businesses.

The Secretary and the Secretary of Revenue would be authorized to adopt rules and regulations necessary to administer the bill.

The bill would sunset on January 1, 2028.

### **Background**

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

[*Note:* The bill contains provisions similar to those of 2020 Sub. for HB 2416, as recommended by the House Committee on Commerce, Labor and Economic Development.]

### ***House Committee on Commerce, Labor and Economic Development***

In the House Committee hearing, **proponent** testimony was provided by representatives of COF Training Services, the Disability Rights Center of Kansas, and Mac-Fasteners, who stated the bill would incentivize employers to employ

persons with developmental disabilities in Kansas, provide meaningful opportunities for such individuals, and benefit taxpayers by decreasing reliance on governmental programs.

Written-only proponent testimony was provided by representatives of Hasty Awards, Inc., InterHab, and Systemair.

No other testimony was provided.

### ***Senate Committee on Commerce***

In the Senate Committee hearing, **proponent** testimony was provided by representatives of COF Training Services, Disability Rights Center of Kansas, Inclusion Connections, Integrated Employment Services, Interhab, and Sunflower Health Plan. Testimony was also provided by several private citizens. Proponents generally discussed the bill's potential to increase work opportunities of individuals with intellectual and developmental disorders.

Written-only proponent testimony was provided by representatives of Johnson County Developmental Supports, Kansas Commission on Disability Concerns, Kansas Council on Developmental Disabilities, and the Overland Park Chamber. Testimony was also provided by a private citizen.

The Senate Committee made the following amendments to the bill:

- Amended the definition of “eligible individual” to include Kansas residents;
- Clarified that businesses receiving tax credits may only apply them to one of their tax liabilities; and
- Adopted technical date and wording changes.

## **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Department of Revenue estimates enactment of the bill would decrease State General Fund (SGF) revenues by \$5.0 million in FY 2022, with similar decreases in subsequent years. The agency further indicates it would require 1.0 new FTE position with a total of \$201,598 from the SGF to implement the bill and to modify the automated tax system. The Department for Aging and Disability Services also indicates the agency would require 5.0 new FTE positions and a total of at least \$555,750 from the SGF in FY 2022 to implement the bill. Any fiscal effect associated with the bill is not reflected in *The FY 2022 Governor's Budget Report*.

Tax credits; targeted employment; developmental disabilities