

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2703**

As Agreed to March 30, 2022

Brief*

HB 2703 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 and amend law related to unemployment compensation regarding out-of-state reimbursing employers, fund control tables, solvency and credit rate schedules, and the My Reemployment Plan program.

Kansas Targeted Employer Act

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 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.

The Secretary for Aging and Disability Services 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 for Aging and Disability Services 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 for Aging and Disability Services as necessary to enable the Secretary for Aging and Disability Services 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.

*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/kIRD>

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

Unemployment Compensation and the My Reemployment Plan

Out-of-State Reimbursing Employers

The bill would expand the definition of employment in employment security law to include services performed in the employ of any state or political subdivision of a state. Current law limits this provision of the definition to Kansas or political subdivisions of Kansas.

Fund Control Tables

The bill would make technical changes to fund control tables.

Potential Application of Credit Rate Schedule

The bill would provide for the specification that the standard rate schedule be in effect in 2023, absent a second transfer of up to \$250.0 million of federal Coronavirus Relief Funds to the Unemployment Insurance Trust Fund to not apply in the event a credit schedule would otherwise apply.

Solvency and Credit Rate Schedules

The bill would reduce the number of decimal points in solvency and credit rate schedule tables from five or six to a maximum of two.

My Reemployment Plan

The bill would expand the list of unemployment compensation claimants not required to participate in the My Reemployment Plan program (Program) to include all claimants who meet one of the following conditions:

- In a shared work program;
- In trade adjustment assistance and trade readjustment assistance program;
- On temporary layoff with a return-to-work date only during the first eight consecutive weeks of benefits;
- Currently employed;
- Current participant in reemployment services and eligibility assessment;
- Active members of a placement union who are in good standing; or
- Engaged in a training program.

Additionally, the bill would change the requirement to participate in the Program from claimants claiming three continuous weeks of benefits to claimants claiming three or more weeks of benefits in the current benefit year. The obligation to request claimants providing a resume would shift from the Secretary of Commerce to the Secretary of Labor, and the resume would be required to be uploaded in the Kansasworks system. The amount of time for claimants to respond would be extended from 7 to 14 days. The Secretary of Commerce would be required to monitor claimants who participate in the Program and participate in training managed by workforce centers to ensure compliance.

The Secretary of Commerce would have the responsibility for monitoring participation in works skills training and retraining programs under the Program, and the Secretary of Commerce would be responsible for reporting non-compliant claimants to the Department of Labor.

Conference Committee Action

The Conference Committee agreed to the provisions of HB 2703, as amended by the Senate Committee on Commerce, and agreed to add language altering the rate schedule for the Unemployment Insurance Trust Fund, exempt claimants for the My Reemployment Plan program, and the responsibilities of the Secretary of Commerce. In addition, the Conference Committee agreed to add the contents of HB 2219, as amended by the Senate Committee on Commerce, regarding the implementation of the Kansas Targeted Employment Act.

Background

The Conference Committee added Sections 1 through 6 of HB 2219, as amended by the Senate Committee on Commerce, to HB 2703, as amended by the Senate Committee on Commerce. [Note: Section 7 of HB 2219 was not added, in order for the provisions to have the same effective date as HB 2703.]

HB 2219

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, 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. The 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. No other testimony was provided.

The Senate Committee made the following amendments to the bill:

- Amended the definition of “eligible individual” to include Kansas residents; [*Note*: The amendment was retained.]
- Clarified that businesses receiving tax credits may only apply them to one of their tax liabilities; and [*Note*: The amendment was retained.]
- Adopted technical date and wording changes. [*Note*: The amendment was retained.]

HB 2703

The bill was introduced by the House Committee on Commerce, Labor and Economic Development at the request of a representative of the Kansas Chamber of Commerce.

House Committee on Commerce, Labor and Economic Development

In the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Chamber of Commerce, Kansas Department of Labor, Kansas State Council of the Society of Human Resource Management, and Overland Park Chamber of Commerce. The proponents generally stated the bill would make necessary technical changes to statutes and improve the functionality of the My Reemployment Plan program. No other testimony was provided.

Senate Committee on Commerce

In the Senate Committee hearing, **proponent** testimony was provided by representatives of the Kansas Chamber of Commerce, Kansas Department of Labor, and the Kansas State Council of the Society of Human Resource Management. The proponents generally stated the bill would make necessary technical changes to statutes and improve the functionality of the My Reemployment Plan program. Written-only proponent testimony was provided by a representative of the Overland Park Chamber of Commerce. No other testimony was provided.

The Senate Committee amended the bill to clarify which individuals are exempt from participation in the My Reemployment Plan. [*Note: The amendment was amended by the Conference Committee.*]

Fiscal Information

HB 2219

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*.

HB 2703

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Departments of Commerce and Labor indicate enactment of the bill would have no fiscal effect.

Labor; unemployment; My Reemployment Plan; tax credits; targeted employment; developmental disabilities

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