

SESSION OF 2021

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2237

As Amended by Senate Committee on
Assessment and Taxation

Brief*

HB 2237, as amended, would extend the sunset on the Rural Opportunity Zone (ROZ) student loan repayment program from July 1, 2021, to July 1, 2026. The bill would also extend the sunset on the income tax credit and reporting requirements for the Secretary of Commerce from January 1, 2022, to January 1, 2027. The bill would also make a technical update.

The bill would change the definition of “rural opportunity zone” from a list of 77 counties to any county with a population less than or equal to 40,000.

The bill also would expand the eligibility for the ROZ income tax credit to include individuals who move to a rural opportunity zone on or after July 1, 2021, and prior to January 1, 2026, from a metropolitan county within Kansas, which would be defined to be Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, and Wyandotte counties.

Background

The bill was introduced by the House Committee on Financial Institutions and Rural Development at the request of Representative Kelly.

*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>

House Committee on Financial Institutions and Rural Development

In the House Committee hearing, **proponent** testimony was provided by Representative Kelly and the Executive Director of the Montgomery County Action Council. The proponents stated the bill is a precaution to ensure the continuance of the ROZ program until other changes can be made through forthcoming legislation.

Written-only **proponent** testimony was provided by the directors and executive director of Gove County Economic Development, Greeley County Community Development, Kearny County Community Development, Republic County Economic Development, and Scott County Development Committee, Inc. Additional written-only **proponent** testimony was provided by representatives of the Kansas Hospital Association and League of Kansas Municipalities.

Neutral testimony was provided by the Legislative and Policy Director of the Department of Commerce, who provided a copy of the 2020 Annual Report on the ROZ program. According to the report, 55 of the eligible 77 Kansas counties offer student loan repayment; 20 counties only offer the income tax waiver.

No other testimony was provided.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Representative Kelly and representatives of the Kansas Department of Commerce and the Montgomery County Action Council. The proponents stated the bill is a precaution to ensure the continuance of the ROZ program until other changes can be made through forthcoming legislation.

Written-only **proponent** testimony was provided by the directors and executive director of Gove County Economic Development, Greeley County Community Development, Kearny County Community Development, Republic County Economic Development, and Scott County Development Committee, Inc. Additional written-only **proponent** testimony was provided by representatives of the Kansas Hospital Association and League of Kansas Municipalities.

No other testimony was provided.

The Senate Committee amended the bill to increase the sunset extension from two years to five years, to change the definition of rural opportunity zone, and to expand eligibility for the ROZ income tax credit.

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 \$2,870,802 in FY 2023 and \$3,157,882 in FY 2024 because of the extension of the state income tax credit into tax year 2022 and tax year 2023. The agency indicates it would require a total of \$7,815 from the SGF in FY 2022 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the agency. In addition, if the combined effect of implementing the bill and other enacted legislation exceeds the agency's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the agency's current budget may be required.

The Department of Commerce indicates it is currently responsible for administering the student loan forgiveness component of the ROZ program. For FY 2021, the agency's budget includes \$950,000 from the Economic Development

Initiatives Fund to fund the obligations of the student loan forgiveness component of the ROZ program. Under current law, the student loan forgiveness obligations would continue through FY 2026. The agency indicates eliminating the sunset for the student loan forgiveness component of the bill would provide an additional two fiscal years of student loan repayment assistance and administration in FY 2027 and FY 2028.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2022 Governor's Budget Report*.

A fiscal note on the amended bill was not immediately available.

Rural opportunity zones; Kansas Income Tax Act; sunset