

REVISED
SESSION OF 2022

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2237

As Amended by Senate Committee of the Whole

Brief*

HB 2237, as amended, would amend law related to the Rural Opportunity Zone (ROZ) student loan repayment program and the child day care services income tax credit.

Rural Opportunity Zone Program

The bill would extend the sunset on the ROZ student loan repayment program from July 1, 2023, 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, 2024, to January 1, 2027. The bill would also make a technical update.

The bill also would expand the eligibility for the ROZ income tax credit to include individuals who move to an ROZ 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.

Child Day Care Services Credit

The bill would allow any income or privilege taxpayer to claim the child day care services credit and would permit taxpayers to claim 50 percent of expenditures paid to an organization providing child care to the taxpayer's employees

*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>

beginning in tax year 2021. Current law limits the credit to corporation income taxpayers and does not permit the credit for payments made to organizations.

Background

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

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.

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to add provisions related to the child day care tax credit and adopted a technical amendment to remove provisions of the bill that were previously enacted into law.

Fiscal Information

According to the Department of Revenue, enactment of the bill would have the following effect on state receipts.

(Dollars in millions)

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Rural Opportunity Zones	\$ (0.9)	\$ (1.0)	\$ (6.6)
Child Day Care Services Tax Credit	(0.1)	(0.1)	(0.1)
TOTAL	<u>\$ (1.0)</u>	<u>\$ (1.1)</u>	<u>\$ (6.7)</u>

Taxation; rural opportunity zones; child day care services tax credit