

HOUSE BILL No. 2498

By Special Committee on Assessment and Taxation

1-4

AN ACT concerning income taxation; relating to employer health insurance or care credit; sale or assignment; amending K.S.A. 40-2246 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 40-2246 is hereby amended to read as follows: 40-2246. (a) A credit against the taxes otherwise due under the Kansas income tax act shall be allowed to an employer for amounts paid during the taxable year for purposes of this act on behalf of an eligible employee as defined in K.S.A. 40-2239 and amendments thereto to provide health insurance or care.

(b) The amount of the credit allowed by subsection (a) shall be \$35 per month per eligible covered employee or 50% of the total amount paid by the employer during the taxable year, whichever is less, for the first two years of participation. In the third year, the credit shall be equal to 75% of the lesser of \$35 per month per employee or 50% of the total amount paid by the employer during the taxable year. In the fourth year, the credit shall be equal to 50% of the lesser of \$35 per month per employee or 50% of the total amount paid by the employer during the taxable year. In the fifth year, the credit shall be equal to 25% of the lesser of \$35 per month per employee or 50% of the total amount paid by the employer during the taxable year. For the sixth and subsequent years, no credit shall be allowed.

(c) If the credit allowed by this section is claimed, the amount of any deduction allowable under the Kansas income tax act for expenses described in this section shall be reduced by the dollar amount of the credit. The election to claim the credit shall be made at the time of filing the tax return in accordance with law. If the credit allowed by this section exceeds the taxes imposed under the Kansas income tax act for the taxable year, that portion of the credit which exceeds those taxes shall be refunded to the taxpayer.

(d) Any amount of expenses paid by an employer under this act shall not be included as income to the employee for purposes of the Kansas income tax act. If such expenses have been included in federal taxable income of the employee, the amount included shall be subtracted in ar-

1 riving at state taxable income under the Kansas income tax act.

2 (e) *Any employer, hereinafter designated the assignor, may sell, as-*
3 *sign, convey or otherwise transfer tax credits allowed and earned pur-*
4 *suant to this section. The taxpayer acquiring credits, hereinafter desig-*
5 *nated the assignee, may use the amount of the acquired credits to offset*
6 *up to the amounts provided for in subsection (b) of its income tax liability*
7 *for the taxable year in which such acquisition was made. Unused credit*
8 *amounts claimed by the assignee may be carried forward for up to five*
9 *years, except that all such amounts shall be claimed within 10 years fol-*
10 *lowing the tax year in which the contribution was made. The assignor*
11 *shall enter into a written agreement with the assignee establishing the*
12 *terms and conditions of the agreement and shall perfect such transfer by*
13 *notifying the commissioner of insurance in writing within 90 calendar*
14 *days following the effective date of the transfer and shall provide any*
15 *information as may be required by the commissioner to administer and*
16 *carry out the provisions of this section. The amount received by the as-*
17 *signor of such tax credit shall be taxable as income of the assignor, and*
18 *the excess of the value of such credit over the amount paid by the assignee*
19 *for such credit shall be taxable as income of the assignee. This subsection*
20 *shall apply to all taxable years commencing after December 31, 2003.*

21 (f) This section shall apply to all taxable years commencing after De-
22 cember 31, 1999.

23 Sec. 2. K.S.A. 40-2246 is hereby repealed.

24 Sec. 3. This act shall take effect and be in force from and after its
25 publication in the statute book.

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