

SESSION OF 2005

SUPPLEMENTAL NOTE ON SENATE BILL NO. 138

As Amended by House Committee of the Whole

Brief*

SB 138, as amended, would enact an income tax credit for tax years 2005-2007 for business firms that enter into partnership agreements with school districts to employ teachers during times when schools are not regularly in session. In order for the business firms to qualify for the credits, the teachers, who would be required to hold Kansas teaching certificates with endorsements in mathematics, science, physics, chemistry or biology, also would be required to be employed in positions requiring math or science skills commensurate with the classes they regularly teach. A business firm would be prohibited from claiming credits relative to the employment of individuals who are household or family members of owners, directors, officers, or other employees of the firm.

The tax credits, which would sunset after tax year 2007, would be provided in amounts equal to 25 percent of amounts paid to eligible teachers under the partnership agreements; except that credits equal to 30 percent of amounts paid would be available when the teachers are hired from rural, underserved, or underperforming urban districts.

The tax credits, which would be limited to \$0.5 million statewide in any given fiscal year, would not be refundable and could not be carried forward against a future tax year's liability. Additional language would under normal circumstances also limit the amount claimed for a fiscal year by business firms in each congressional district to \$0.125 million. An exception to this latter limitation would be provided when the credits claimed in one or more of the other congressional districts are less than the \$0.125 million cap. Under such circumstances, the methodology for the reallocation of unused credits would be provided by rules and regulations adopted by the Secretary of Revenue.

*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>

Business firms seeking to claim credits would be required to submit copies of the partnership agreements and additional information to the Secretary of Revenue. The agreements would be required to contain descriptions of the teachers' duties sufficient to determine that the teachers were being employed in the proper capacity necessary for the business firms to qualify for the credits. The Secretary of Revenue would be required to submit an annual report to the Chairperson of the Legislative Educational Planning Committee (LEPC) regarding utilization of the tax credits.

A business firm would be required to repay to the state credits associated with amounts paid to teachers who voluntarily leave the employ of the school districts within one year to be employed by the business firm.

SB 138 would also establish the Mathematics and Science Teacher Scholarship Program. These provisions would sunset in FY 2010.

Qualified applicants would receive a scholarship of \$2,500 per semester for not more than two years. The program is limited to 50 new awards each year. In order to be eligible, a student must be a Kansas resident, enrolled in a program leading to certification as a math or science teacher for grades six through 12; and have demonstrated scholastic ability through grade point average and other measures as determined by the Board of Regents. Preference would be given to students who have completed at least 60 hours in their course of study.

The bill would require a service obligation of the student. The individual must teach math and science in grades six through 12 in Kansas for not less than four years if teaching full-time or a period equivalent to four years if teaching part-time. If the student does not fulfill the obligation, he or she must repay the amounts received with interest.

Background

Proponents for the bill included Senator Jordan and a representative of The Kansas Chamber. The Senate Committee added language to the bill that would require the teacher to be placed in a position within

the business that required math or science skills commensurate with the classes that the teacher regularly teaches during times school is not in session.

The Senate Committee of the Whole amended the bill by limiting the amount of tax credit for any one fiscal year to \$0.5 million.

The House Taxation Committee amended the bill to include the provisions that would under normal circumstances limit the amount of credit claimed in each congressional district to \$0.125 million; require businesses to submit certain information to the Secretary of Revenue prior to receiving approval for the credits; sunset the credits after tax year 2007; enact a "clawback" provision requiring repayment to the state of certain credits granted relative to the employment of teachers who subsequently leave the employ of school districts to work for the business firms; require the Secretary of Revenue to submit an annual report to the LEPC; and prohibit credits from being claimed in association with the employment of teachers who are household or family members of other employees of the business firms.

The House Committee of the Whole amended the bill to include the provisions of HB 2055 which would establish the Mathematics and Science Teacher Scholarship Program. The fiscal note on HB 2055 as introduced stated a fiscal impact of \$250,000 in the first year and \$500,000 per year after that.

The latest fiscal note from the Department of Revenue indicates that the bill would be expected to reduce FY 2006 receipts by \$0.5 million.