

INSTRUCTIONS FOR SCHEDULE K-26

GENERAL INFORMATION

K.S.A. 79-32,290 provides tax credits against income tax for certain qualified aviation and aerospace employers for tuition or certain program specific course fee reimbursements paid to a qualified employee, for compensation paid to qualified employees in each of the first five years of employment, and for individuals who become qualified employees of aviation or aerospace employers.

“Aerospace” means relating to vehicles or objects for the purpose of suborbital, orbital or space flight, whether for private or public, or civil or defense-related purposes.

“Aviation” means relating to vehicles or objects, except parachutes, for the purpose of controlled flight through the air, regardless of how propelled or controlled, or whether manned or unmanned, whether for private or public, or civil or defense-related purposes.

“Aviation sector” means a private or public organization engaged in the manufacture of aviation or aerospace hardware or software, aviation or aerospace maintenance, aviation or aerospace repair and overhaul, supply of parts to the aviation or aerospace industry, provision of services and support relating to the aviation or aerospace industry, research and development of aviation or aerospace technology and systems, and the education and training of aviation or aerospace personnel.

“Compensation” means payments in the form of contract labor for which the payor is required to provide a federal tax form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee or full-time employee, or salary or other remuneration. “Compensation” does not include employer-provided retirement, medical or healthcare benefits, reimbursement for travel, meals, lodging or any other expense.

“Institution” means a state educational institution, municipal university, institute of technology, community college or technical college, as those terms are defined in K.S.A. 74-3201b, and amendments thereto, or an educational institution, municipal university, institute of technology, community college or technical college within the meaning of those terms as defined in K.S.A. 74-3201b, and amendments thereto, but located in or established under the laws of another state or any other public or private college or university that is accredited by a regional accrediting body, the engineering accreditation commission of the accreditation board for engineering and technology (ABET) or the federal aviation administration.

“Qualified employee” means any person newly employed on a full-time basis by or first contracting with a qualified employer on a full-time basis on or after January 1, 2022, who has been awarded an undergraduate or graduate degree, or a technical degree or certificate from a qualified program by an institution.

“Qualified employer” means a sole proprietorship, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity or public entity whose principal business activity involves the aviation sector.

“Qualified program” means: (1) A program that has been accredited by the engineering accreditation commission of the accreditation board for engineering and technology (ABET), the federal aviation administration or a regional accrediting body and that awards an undergraduate or graduate degree; or (2) a program within the meaning of an associate of applied science degree program or career technical education program, within the meaning of those programs as defined in K.S.A. 74-32,407, and amendments thereto, whether a state or out-of-state program that results in the awarding of a degree or certificate that prepares the graduate for gainful employment with a qualified employer.

“Tuition” means the amount paid for enrollment, program specific course fees and instruction in a qualified program that includes both amounts paid during participation in a qualified program or tuition debt upon completion of a qualified program. “Tuition” does not include the cost of books, fees, other than program specific course fees, or room and board.

Qualified employers whose principal business activity involves the aviation sector are allowed to receive a nonrefundable income tax credit, beginning in tax year 2022, for tuition or certain program specific course fee reimbursements paid to a full-time “qualified employee.” To qualify for the credit the qualified employee must have graduated from an accredited engineering or technology undergraduate or graduate degree program, an associate of applied science degree program, or a career technical program. The credit can be claimed if the qualified employee, within one year prior to or following the commencement of employment with a qualified employer, graduated from a qualified program. The credit is capped at 50% of the total amount of tuition reimbursement paid and can be claimed each year, up to the fourth year of the qualified employee’s employment with the qualified employer. The credit is applied against the qualified employer’s income tax liability after all other credits have been allowed, is not refundable, and, once created in a particular tax year, cannot be carried forward.

Beginning with tax year 2022, a nonrefundable tax credit is allowed for qualified employers in an amount equal to 10% of the compensation paid to qualified employees in each of the first five years of employment, not to exceed \$15,000 per year. The credit cannot be claimed after the fifth year of employment. Compensation does not include benefits or reimbursable expenses. The credit is applied against the qualified employer’s income tax liability after all other credits have been allowed, is not refundable, and, once created in a particular tax year, cannot be carried forward.

Beginning with tax year 2022, a nonrefundable tax credit is allowed for employees who become qualified employees during the taxable year. A credit will be allowed for the first year the taxpayer becomes a qualified employee, and for each of the next four years during which the employee achieves the status of a qualified employee. The maximum amount of the credit is \$5,000 per year. The credit should be deducted from the employee’s income tax liability for the taxable year in which the employee is or has been a qualified employee. Employees with income tax liability of less than \$5,000 are eligible to carry any unused credit

forward for up to four additional tax years following the year in which the credit is first allowed.

A person who is newly employed by or contracts with a qualified employer in the aviation sector in the state of Kansas includes a person taking their first job in the Kansas aviation sector, a person moving into the state of Kansas for a job in the Kansas aviation sector, and a person returning to the Kansas aviation sector after an absence. It does not include a person already employed in the Kansas aviation sector or a person who was already employed in the Kansas aviation sector immediately preceding their employment or contracting with another qualified employer.

No new tax credits are to be issued or earned after December 31, 2026.

K.S.A. 74-50,227 requires the collection of certain tax incentive information for publication on a database managed by the Kansas Department of Commerce. Information collected will include the name and address, including county of the recipient receiving the benefits from the tax incentive program, the annual amount of incentive claimed, distributed or received, qualification criteria for the incentive, and required benchmarks for continued participation in the program and progress made towards the benchmarks.

SPECIFIC INSTRUCTIONS

Complete the information regarding the taxpayer claiming the credit.

If you are filing as a qualified employee complete only Part A.

If you are filing as a qualified employer complete only Parts B and C.

PART A - QUALIFIED EMPLOYEE CREDIT

Complete the information regarding the qualified employee. Enter the name of the qualified employer, the date when employment commenced and when employment ended. If the qualified employee is still employed, enter "N/A".

LINE 1 - This is the statutory amount of the qualified employee credit.

LINE 2 - Enter the amount of qualified employee credit carried forward from the prior year.

LINE 3 - Add lines 1 and 2. This is the total qualified employee credit available in the current year.

LINE 4 - Enter the qualified employee's current Kansas tax year liability after all credits other than this credit.

LINE 5 - Enter the lesser of line 3 or 4 here, and on the appropriate line of Form K-40. This is the current year qualified employee tax credit.

LINE 6 - Subtract line 5 from line 3. This is the amount of credit to carry forward to next year.

PART B - TOTAL QUALIFIED EMPLOYER CREDIT

LINE 7 - Enter the amount of the employer credit for compensation paid to all qualified employees from line 18, Part C.

LINE 8 - Enter the amount of the employer credit for tuition reimbursement paid to all qualified employees from line 27, Part C.

LINE 9 - Add lines 7 and 8. This is the total qualified employer's credit for the current year and should be entered on the appropriate line of Form K-40, K-41, K-120 or K-120S.

PART C - QUALIFIED EMPLOYER'S EMPLOYEE INFORMATION

Complete the information regarding the qualified employee. Enter the date when employment commenced and when employment ended. If the qualified employee is still employed, enter "N/A".

COMPENSATION

LINE 10 - Enter the amount of compensation paid to the qualified employee in the current year.

LINE 11 - The authorized credit percentage is 10% of compensation paid.

LINE 12 - Multiply line 10 by line 11. This is the available credit.

LINE 13 - The credit amount may not exceed \$15,000 annually for each qualified employee.

LINE 14 - Enter the lesser of line 12 or line 13. This is the total credit after the limitation.

LINE 15 - Enter your proportionate share percentage.

Pass-through entities that HAVE NOT elected to be taxed at the entity level:

Partners, shareholders or members, enter the percentage that represents your proportionate share in the partnership, S corporation, LLC or LLP.

Pass-through entities that HAVE elected to be taxed at the entity level:

If Electing pass-through entity, enter the percentage that represents the proportionate share of all "electing pass-through entity owners." Partners, shareholders or members that are NOT "electing pass-through entity owners" (i.e. other pass-through entities and C corporations), enter the percentage that represents your proportionate share in the partnership, S corporation, LLC or LLP.

All other taxpayers, enter 100%.

LINE 16 - Multiply line 14 by line 15. This is your share of the credit.

LINE 17 - Enter your total Kansas tax liability for the current year after all other credits have been allowed.

LINE 18 - Enter the lesser of line 16 or line 17. This is the qualified employer's credit for compensation for this employee. Combine this amount with the amount for other qualified employees and enter the result on Part B, line 7.

TUITION REIMBURSEMENT

Check the box to indicate when the tuition reimbursement was paid.

Complete the information regarding the qualified employee and the qualified program. Provide the name and address of the entity providing the program, the program / course name, and a description of the program / course. Enter the date on which the qualified employee was awarded a degree or certificate and check the box for the type of degree earned.

LINE 19 - Enter the amount of tuition reimbursement paid to the qualified employee.

LINE 20 - The authorized credit percentage is 50% of the tuition reimbursed during the tax year.

LINE 21 - Multiply line 19 by line 20. This is the available credit.

LINE 22 - Enter the average annual amount of tuition paid by a qualified employee for enrollment and instruction in a qualified program.

LINE 23 - The credit amount may not exceed 50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program. Enter the lesser of line 21 or line 22.

LINE 24 - Enter your proportionate share percentage.

Pass-through entities that HAVE NOT elected to be taxed at the entity level

Partners, shareholders or members, enter the percentage that represents your proportionate share in the partnership, S corporation, LLC or LLP.

Pass-through entities that HAVE elected to be taxed at the entity level

Electing pass-through entity, enter the percentage that represents the proportionate share of all "electing pass-through entity owners". Partners, shareholders or members that are NOT "electing pass-through entity owners" (i.e. other pass-through entities and C corporations), enter the percentage that represents your proportionate share in the partnership, S corporation, LLC or LLP.

All other taxpayers, enter 100%.

LINE 25 - Multiply line 23 by line 24. This is your share of the credit.

LINE 26 - Enter your total Kansas tax liability for the current year after all other credits have been allowed.

LINE 27 - Enter the lesser of line 25 or line 26. This is the qualified employer's credit for tuition reimbursement for this employee. Combine this amount with the amount for other qualified employees and enter the result on Part B, line 8.

TAXPAYER ASSISTANCE

For assistance in completing this schedule contact the Kansas Department of Revenue:

Taxpayer Assistance Center
Scott Office Building
120 SE 10th Ave
PO Box 750260
Topeka KS 66699-0260

Phone: 785-368-8222
Fax: 785-291-3614

Additional copies of this credit schedule and other tax forms are available from our website at: **ksrevenue.gov**