Policy & Research
915 SW Harrison St
Topeka KS 66612-1588

Phone: 785-296-3081
FAX: 785-296-7928
www.ksrevenue.org

Nick Jordan, Secretary
Richard Cram, Director

Department of Revenue

Sam Brownback, Governor

**NOTICE 11-03**

# RURAL OPPORTUNITY ZONES
# SB 198

The 2011 Legislative Session passed Senate Bill 198 which designates 50 counties in Kansas as Rural Opportunity Zones (ROZ). As part of the bill, certain out-of-state taxpayers who relocate to these counties are effectively provided an income tax exemption.

The counties which have received the ROZ designation are:

Barber, Chautauqua, Cheyenne, Clark, Cloud, Comanche, Decatur, Edwards, Elk, Gove, Graham, Greeley, Greenwood, Hamilton, Harper, Hodgeman, Jewell, Kearny, Kingman, Kiowa, Lane, Lincoln, Logan, Marion, Mitchell, Morton, Ness, Norton, Osborne, Pawnee, Phillips, Pratt, Rawlins, Republic, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stafford, Stanton, Trego, Thomas, Wallace, Washington, Wichita, Wilson and Woodson.

The income tax provisions in the Bill provide that for tax years 2012 through 2016 a resident individual taxpayer will receive as a credit against their tax liability an amount equal to their income tax liability when the resident individual:

1. Establishes domicile in a rural opportunity zone on or after July 1, 2011, and prior to January 1, 2016, and was domiciled outside Kansas for five or more years immediately prior to establishing their domicile in a rural opportunity zone in Kansas;
2. Had Kansas source income (as defined by K.S.A. 79-32,109(h)) of less than $10,000 in any one year for five or more years immediately prior to establishing their domicile in a rural opportunity zone in Kansas; and
3. Was domiciled in a rural opportunity zone during the entire taxable year for which such credit is claimed.

A resident individual may claim this credit for not more than five consecutive years following establishment of their domicile in a rural opportunity zone. This assumes the individual establishes domicile in a rural opportunity zone after July 1, 2011 and prior to January 1, 2012. If an individual establishes their domicile in a rural opportunity zone at a later date, the number of years for which they can claim the credit will be reduced. The last opportunity to claim the credit will be on the individual's 2016 tax year return, which will be filed in 2017.

A taxpayer may choose to apply any Kansas income tax credits for which they are eligible in the manner or order most favorable to them. For taxpayers eligible to claim the ROZ credit, the most favorable treatment for the taxpayer would be to claim the ROZ credit, in the amount of

their Kansas income tax liability, before any other credits are claimed. Other credits that are refundable or that can be carried forward would then be claimed.

With regard to the ROZ credit, if use of the credit results in a refund the maximum amount of that refund will be equal to the amount withheld from the resident individual's wages or payments other than wages, or paid by the resident individual as estimated taxes. Other, refundable credits would be in addition to this amount.

No credit shall be allowed if:

1. The resident individual's income tax return on which the credit is claimed is not timely filed, including any extension; or
2. The resident individual is delinquent in filing any return with, or paying any tax due to, the state of Kansas or any political subdivision thereof; or
3. The resident individual does not establish such individual's domicile in a rural opportunity zone prior to January 1, 2016.

Determining where an individual is domiciled depends on the facts of each situation. The Kansas Department of Revenue will apply Kansas Administrative Regulation (K.A.R.) 92-12-4a in answering any questions of domicile that may arise.

**Taxpayer Assistance**

Additional copies of this notice, forms or publications are available from our web site, **www.ksrevenue.org**. If you have questions about income tax, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
915 SW Harrison St., 1st Floor
Topeka, KS 66612-1588
Phone: 785-368-8222
Fax: 785-291-3614