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NOTICE 22-10

AVIATION AND AEROSPACE TAX CREDITS

(OCTOBER 28, 2022)

During the 2022 Legislative Session House Bill 2239 was passed and signed into law. New Sections 10-15 of the Bill create new income tax credits 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.

New Section 10 of the Bill defines a "qualified employer" to be "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". The term "qualified employee" is defined as "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."

New Section 11 of the Bill allows qualified employers whose principal business activity involves the aviation sector 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.

New Section 12 of the Bill also creates, beginning with tax year 2022, a nonrefundable tax credit for qualified employers for 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 5th 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.

New Section 13 of the Bill creates, beginning with tax year 2022, a nonrefundable tax credit 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 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.

New Section 15 of the Bill provides that no new tax credits are to be issued or earned after December 31, 2026.

To claim the credit, the taxpayer should complete Kansas Schedule K-26 and submit it with their tax return.

TAXPAYER ASSISTANCE

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

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