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NOTICE 22-14

KANSAS TARGETED EMPLOYMENT ACT

(DECEMBER 13, 2022)

During the 2022 Legislative Session House Bill 2703 was passed and signed into law. New Sections 1 through 6 of the Bill are known as the Kansas targeted employment act. The act establishes a tax credit for businesses that employ individuals who are Kansas residents with developmental disabilities.

New Section 2 of the Bill defines certain terms. Subsection (d) and (f) defines the term "eligible individual" and "targeted employment business" by stating:

> (d) "Eligible individual" means an individual, including a high school student, who is a Kansas resident, is employed by an employer in a competitive integrated setting, has a developmental disability that has been documented as required by the secretary for aging and disability services and who has agreed to provide the secretary for aging and disability services, or the secretary's designee, information required by the secretary pursuant to the Kansas targeted employment act, or to permit the secretary of revenue to provide such information to the secretary for aging and disability services.
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> (f) "Targeted employment business" means those employers employing eligible individuals in competitive integrated employment in a competitive integrated setting and who are authorized to do business in Kansas. In order to qualify as a "targeted employment business," the employer must pay earned income to an eligible individual in a calendar year. "Targeted employment business" does not include a community service provider.

New Section 3 provides that for tax years 2022 through 2027, a tax credit can be claimed against the income, privilege, or premium tax liability of a "targeted employment business," or by a taxpayer outsourcing work to a targeted employment business. For every hour of work provided by an "eligible individual" the targeted employment business earns a tax credit equal to 50% of the wages paid to the eligible individual on an hourly basis, not to exceed $7.50 per hour. The wage rate used cannot be more than a reasonable or usual and customary market wage rate for a similar job.

The credit is not refundable, cannot be carried forward, and can only be used once each taxable year against the tax liability imposed by only one of the income, privilege, or premium taxes. New Section 3 also provides the maximum amount of all tax credits allowed in each tax year under the Kansas targeted employment act shall be $5,000,000.

New Sec. 4 provides any targeted employment business seeking to qualify for a tax credit is to provide to the secretary of revenue the names of each eligible individual employed and the wage rate per hour, hours worked, and gross wages paid, minus any compensation for leave, for each eligible individual and such other information as the secretary of revenue may require. This information should be provided by completing and submitting Kansas Schedule K-69 with the taxpayer's 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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