

NOTICE 25-02

KANSAS AFFORDABLE HOUSING TAX CREDIT

AND

KANSAS HOUSING INVESTOR TAX CREDIT

(JULY 3, 2025)

During the 2025 Legislative Session, House Bill 2289 was passed and signed into law. Section 1 of the Bill amended K.S.A. 79-32,306, to make changes to the Kansas Affordable Housing Tax Credit. Section 2 of the Bill amended K.S.A. 79-32,313 to make changes to the Kansas Housing Investor Tax Credit.

Kansas Affordable Housing Tax Credit Act

The Kansas Affordable Housing Tax Credit Act, which provides a tax credit for a qualified low-income housing project, was enacted in 2022 and is found in K.S.A. 79-32,306. The various provisions of the Act are explained in Notice 23-08, Kansas Affordable Housing Tax Credit Act. Section 1 of 2025 Legislative Session House Bill 2289 amends the statute to limit the aggregate amount of the credit, discontinue awards of new Kansas credits for qualified developments that are receiving a 4% federal tax credit after November 15, 2025, and discontinue awards of new Kansas credits for qualified developments that are receiving a 9% federal tax credit after qualified allocation plan year 2028. Qualified developments receiving credits prior to those dates will continue to receive previously awarded credits.

New subsection (i)(1) establishes new limits on the aggregate amount of credit that can be awarded for a particular qualified allocation plan year. It sets these limits at \$25,000,000 for qualified allocation plan year 2025, and at \$8,800,000 for qualified allocation plans adopted for years 2026, 2027, and 2028.

New subsection (i)(1) also limits the award of new credits by the Kansas Housing Resources Corporation (KHRC). In this regard, new subsection (i)(1) provides, in part:

On and after November 15, 2025, the KHRC shall not accept any application for, or award any additional allocation of, credit under this act to a qualified development receiving a 4% federal tax credit, which is defined as a qualified development financed by tax-exempt bonds as provided under section 42(h)(4) of the federal internal revenue code. The KHRC shall continue to award credit under this act to qualified developments receiving 9% federal tax credits in accordance with the provisions of this act for the 2026, 2027 and 2028 qualified allocation plans. A qualified development receiving a 4% federal tax credit awarded a credit allocation under this act by the KHRC on or before November 14, 2025, pursuant to the 2025 qualified allocation plan

or any previous qualified allocation plan, shall continue to receive the awarded credit throughout the authorized credit period and any applicable carry forward period.

New subsection (i)(2) also addresses, and limits, the awarding of new credits. It also provides for the continuation of receipt of an awarded credit throughout the authorized credit period and any applicable carry forward period. Specifically, new subsection (i)(2) provides:

(2) Subsequent to awards for the 2028 qualified allocation plan, the KHRC shall not accept any application for, or award any additional allocation of, credit under this act in any amount to a qualified development. No credits under this act shall be allocated or awarded after the 2028 qualified allocation plan or after December 31, 2028. A qualified development receiving a 9% federal tax credit awarded a credit allocation under this act by the KHRC pursuant to the 2028 qualified allocation plan or any previous qualified allocation plan shall continue to receive the awarded credit throughout the authorized credit period and any applicable carry forward period.

Kansas Housing Investor Tax Credit

The Kansas Housing Investor Tax Credit Act, which was enacted to bring housing investment dollars to certain communities that lack adequate housing, was enacted in 2022 and is found in K.S.A. 79-32,313. The various provisions of the Act are explained in Notice 23-07, Kansas Housing Investor Tax Credit Act. Section 2 of 2025 Legislative Session House Bill 2289 amends the statute to provide when transferred credits may be claimed.

Section 2 of the Bill amends subsection (d) of the statute to clarify the credit that has been transferred can be claimed by the transferee beginning in the year the cash investment was originally made by the qualified investor. It also adds new subsection (g) which provides the provisions of subsection (d) shall apply retroactively to any credits issued for tax year 2022 and all tax years thereafter.

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