

NOTICE 17-08

TAX CREDIT FOR LOW INCOME STUDENTS SCHOLARSHIP (JULY 1, 2017)

During the 2017 Legislative Session Senate Bill 19 was enacted. The Bill amends the tax credit that is available for certain contributions to a scholarship granting organization which provides eligible students with scholarships to pay all or a portion of the tuition to attend a qualified school in Kansas. Please see Notice 14-14 for additional information regarding this program and credit.

Section 96 of the Bill amends K.S.A. 72-99a02 to change the definition of an “eligible student”, effective July 1, 2018. As amended, subsection (d) provides:

(d) “Eligible student” means a child who:

(1)(A) ~~Qualifies as an at-risk pupil as defined in K.S.A. 72-6407, prior to its repeal~~ Is an at-risk student, as defined in section 4, and amendments thereto, and who is attending a public school; or (B) has been eligible to receive an educational scholarship under this program and has not graduated from high school or reached 21 years of age;

(2) resides in Kansas while eligible for an educational scholarship; and

(3) (A) was enrolled in any public school in the previous school year in which an educational scholarship is first sought for the child; or (B) is eligible to be enrolled in any public school in the school year in which an educational scholarship is first sought for the child and the child is under the age of six years.

As noted in the new language, Section 4 of the Bill defines the term “at-risk student”. It provides

(c)(1) “At-risk student” means a student who is eligible for free meals under the national school lunch act, and who is enrolled in a school district that maintains an approved at-risk student assistance program.

(2) The term “at-risk student” shall not include any student enrolled in any of the grades one through 12 who is in attendance less than full time, or any student who is over 19 years of age. The provisions of this paragraph shall not apply to any student who has an individualized education program.

Section 96 also amends K.S.A. 72-99a02 to change the definitions of “public school” and “qualified school”. As amended, subsections (g) and (h) provide:

(g) “Public school” means a school that ~~would qualify as either a title I focus school or a title I priority school as described by the state board under the elementary~~

~~and secondary education act flexibility waiver as amended in January 2013 and is operated by a school district, and identified by the state board as one of the lowest 100 performing schools with respect to student achievement among all schools operated by school districts for the current school year.~~

(h) “Qualified school” means any nonpublic school that provides education to elementary or secondary students, has notified the state board of its intention to participate in the program and complies with the requirements of the program. On and after July 1, 2020, a qualified school shall be accredited by the state board or a national or regional accrediting agency that is recognized by the state board for the purpose of satisfying the teaching performance assessment for professional licensure.

The scholarship program is financed through a tax credit in an amount equal to 70% of the amount contributed for scholarships. Under prior law, the credit could be claimed against corporate income, premium (insurance companies) or privilege (financial institutions) tax liability. Effective for tax years commencing after December 31, 2016, the credit is also available to individual income taxpayers. Contributions from individual income taxpayers can begin on July 1, 2017. Also effective for tax years commencing after December 31, 2016, the total amount of contributions for any taxpayer cannot exceed \$500,000 for any tax year. The new language, which amends K.S.A. 2016 Supp. 72-99a07(a) provides:

(a) (1) There shall be allowed a credit against the corporate income tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax liability imposed upon a taxpayer pursuant to the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and the premium tax liability imposed upon a taxpayer pursuant to the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for tax years commencing after December 31, 2014, and ending before January 1, 2017, an amount equal to 70% of the amount contributed to a scholarship granting organization authorized pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and amendments thereto.

(2) There shall be allowed a credit against the tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax liability imposed upon a taxpayer pursuant to the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and the premium tax liability imposed upon a taxpayer pursuant to the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for tax years commencing after December 31, 2016, an amount equal to 70% of the amount contributed to a scholarship granting organization authorized pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and amendments thereto. In no event shall the total amount of contributions for any taxpayer allowed under this subsection exceed \$500,000 for any tax year.

Taxpayer Assistance

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

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