

Proposed

Office of Research and Analysis
915 SW Harrison St.
Topeka, KS 66612-1588



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

Samuel M. Williams, Secretary
Kathleen Smith, Director

Sam Brownback, Governor

**State of Kansas
Department of Revenue
Notice of Hearing on Proposed Administrative Regulations**

A public hearing will be conducted by the Department of Revenue at 9:00 a.m. on Wednesday, November 29, 2017, in the Legal Conference Room on the fourth floor of the Mills Building, 109 SW 9th St, Topeka to consider the revision of low income scholarship tax credit regulations. Copies of these proposed regulations may be found at <https://www.ksrevenue.org/prproposedregulations.html>.

This 60-day notice of the public hearing shall constitute a public comment period for the purpose of receiving written comments from the public on the proposed regulations. All interested parties may submit written public comments on the proposed regulations prior to the hearing to Justin Carroll, Financial Economist, Office of Research and Analysis, Docking State Office Building, 915 SW Harrison, Topeka, Kansas 66612 or through e-mail at justin.carroll@ks.gov.

All interested parties will be given a reasonable opportunity to present their views, either orally or in writing or both, concerning the adoption of the proposed regulations. In order to give all parties an opportunity to present their views, it may be necessary to request that each participant limit any oral presentation to five minutes.

Any individual with a disability may request accommodation in order to participate in the public hearing and may request the proposed regulations and economic impact statements in an accessible format. Requests for accommodation to participate in the hearing should be made at least five working days in advance of the hearing by contacting Justin Carroll at (785) 296-8042 or TTY (785) 296-6461. Disabled parking is located on the north side of the Mills Building on either side of 9th St. The north entrance to the Mills Building is accessible.

These regulations are proposed for adoption on a permanent basis. A summary of the proposed regulations and the economic impact follows:

**Kansas Department of Revenue
Article 12. Income Taxation**

Adoption of K.A.R. 92-12-146. K.A.R. 92-12-146 provides types of contributions eligible for the program as well as taxpayers who can make contributions.

Adoption of K.A.R. 92-12-148. K.A.R. 92-12-148 refers to the tax credit application contributors are required to fill out.

RECEIVED

SEP 14 2017

KRIS W. KOBACH
SECRETARY OF STATE

Adoption of K.A.R. 92-12-149. K.A.R. 92-12-149 outlines how scholarship-granting organizations submit quarterly reports.

Proposed

Economic Impact:

Private businesses currently structured as a pass-through entity will now be able to make contributions to the program. Private citizens will now be able to make contributions to the program.

The fiscal impact of 2017 SB 19 for the changes made to this program is anticipated to be approximately \$9.5 million. The program currently awards approximately \$500,000 in tax credits each year but could reach the cap of \$10.0 million due to expanding program eligibility.

RECEIVED

SEP 14 2017

KRIS W. KOBACH
SECRETARY OF STATE

92-12-146. Definitions. (a) "Contribution," as defined in ~~L. 2014, ch. 93, sec. 56~~
K.S.A. 2016 Supp. 72-99a02 and amendments thereto, shall include any donation of cash,
stocks and bonds, personal property, or real property.

(1) Stocks and bonds shall be valued at the stock market price on the date of the
transfer.

(2) Personal property shall be valued at the lesser of its fair market value or the
cost to the donor. The value may include costs incurred in making the donation but shall
not include sales tax. If the donor received the personal property as a gift or inheritance
and the item is considered a rare and valuable antique or work of art, an independent
appraisal may be necessary in determining the fair market value.

(3) The donation of real property shall be allowable for tax credit if title to the real
property is in fee simple absolute and is clear of any encumbrances. The amount of tax
credit allowable for donations of real property shall be based upon the lesser of two
current, independent appraisals conducted by state-licensed appraisers.

(b) "Contributor" shall mean any of the following entities making a contribution:

(1) A ~~C corporation~~ taxpayer filing an income tax return pursuant to the Kansas
income tax act, and amendments thereto;

(2) a taxpayer filing a privilege tax return pursuant to K.S.A. 79-1105c et seq.,
and amendments thereto; or

(3) a taxpayer filing an insurance premium tax return pursuant to K.S.A. 40-252,
and amendments thereto. (Authorized by and implementing ~~L. 2014, ch. 93, sec. 61~~
K.S.A. 2016 Supp. 72-99a07, as amended by L. 2017, ch. 95, sec. 97; effective Dec. 5,
2014; amended P-_____.)

RECEIVED

SEP 14 2017

KRIS W. KOBACH
SECRETARY OF STATE

APPROVED

AUG 25 2017

ATTORNEY GENERAL

APPROVED

AUG 10 2017

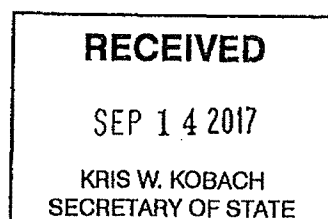
DEPT. OF ADMINISTRATION

~~Proposed~~

92-12-148. Tax credit application. (a) Each contributor making a contribution to a scholarship-granting organization shall complete a tax credit application with the scholarship-granting organization on a form furnished by the secretary. Each application shall include the following information:

- (1) The name, address, and either the social security number or the employer identification number of the contributor;
- (2) the name of the scholarship-granting organization to which the contribution is being made;
- (3) the amount and type of the contribution;
- (4) the date of the contribution; and
- (5) any other supporting documentation that the secretary requires to review the tax credit application.

(b) Each scholarship-granting organization shall submit the completed tax credit application and supporting documentation to the secretary for review. The application, including the supporting documentation, may be filed by electronic means in a manner approved by the secretary. The scholarship-granting organization shall receive written notification from the secretary when the application is approved or denied. The scholarship-granting organization shall provide a copy of this approval or denial to the contributor that has made the contribution. (Authorized by and K.S.A. 2016 Supp. 72-99a07, as amended by L. 2017, ch. 95, sec. 97; implementing L. 2014, ch. 93, sec. 61 K.S.A. 2016 Supp. 72-99a07, as amended by L. 2017, ch. 95, sec. 97, and K.S.A. 2016 Supp. 79-32,265; effective Dec. 5, 2014; amended P-_____.)



APPROVED
SEP 01 2017
ATTORNEY GENERAL

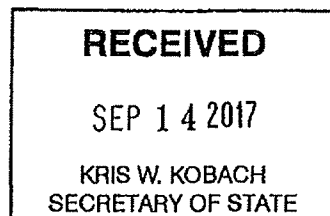
APPROVED
SEP 01 2017
DEPT. OF ADMINISTRATION

Proposed

92-12-149. Quarterly reports. Each scholarship-granting organization shall submit a quarterly report indicating the amount of contributions qualifying for tax credits. This report shall be submitted to the secretary on a form furnished by the secretary. Any quarterly report may be filed by electronic means in a manner approved by the secretary. A quarterly report shall be submitted on or before the tenth day following the end of each calendar quarter even if no qualifying contributions are received in that quarter. Each quarterly report shall include the following information:

- (a) The name and either the social security number or the employer identification number of each contributor in that quarter;
- (b) the amount and type of each contribution received in that quarter;
- (c) the total amount of qualified tax credits based on the contributions received in that quarter;
- (d) the total amount of tax credits that remain from the scholarship-granting organization's annual allocation; and
- (e) any documentation that the secretary requires to support the quarterly report.

(Authorized by and K.S.A. 2016 Supp. 72-99a07, as amended by L. 2017, ch. 95, sec. 97; implementing L. 2014, ch. 93, sec. 61 K.S.A. 2016 Supp. 72-99a07, as amended by L. 2017, ch. 95, sec. 97, and K.S.A. 2016 Supp. 79-32,265; effective Dec. 5, 2014; amended P-_____.)



APPROVED
SEP 01 2017
ATTORNEY GENERAL

APPROVED
SEP 01 2017
DEPT. OF ADMINISTRATION

Proposed

Office of Research and Analysis
915 SW Harrison St
Topeka, KS 66612



Phone: 785-296-3081
Fax: 785- 296-7928
www.ksrevenue.gov

Samuel M. Williams, Secretary
Kathleen Smith, Director

Sam Brownback, Governor

**KANSAS DEPARTMENT OF REVENUE
ECONOMIC IMPACT STATEMENT
K.A.R. 92-12-146, 92-12-148, & 92-12-149**

I. Summary of Proposed Regulations.

K.A.R. 92-12-146, 92-12-148, and 92-12-149 amend the low income scholarship tax credit program to allow for individual taxpayers to make contributions.

II. Reason or Reasons the Proposed Regulation is Required, Including Whether or not the Regulation is Mandated by Federal Law.

2017 SB 19 amended the low income scholarship tax credit program to allow for individual taxpayers to make contributions to qualified scholarship granting organizations (SGOs) for tax credits. The regulations need to be updated to allow for this program change.

III. Anticipated Economic Impact upon the Kansas Department of Revenue.

The adoption of these regulations will require additional work in anticipation of receiving more contributions and issuing more tax credits. No additional FTEs were requested.

IV. Anticipated Financial Impact upon other Government Agencies and upon Private Business or Individuals.

Private businesses currently structured as a pass-through entity will now be able to make contributions to the program. Private citizens will now be able to make contributions to the program.

The fiscal impact of 2017 SB 19 for the changes made to this program is anticipated to be approximately \$9.5 million. The program currently awards approximately \$500,000 in tax credits each year but could reach the cap of \$10.0 million due to expanding program eligibility.

V. Description of any Less Costly or Less Intrusive Methods that were Considered by the Department of Revenue for Achieving the State Purpose of the Regulation and the Reason that those Methods were Rejected in Favor of the Proposed Regulation.

None.

RECEIVED

SEP 14 2017

KRIS W. KOBACH
SECRETARY OF STATE