

SESSION OF 2014

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2417

As Amended by Senate Committee on
Assessment and Taxation

Brief*

HB 2417, as amended, would add four additional counties to the definition of "rural opportunity zone" (ROZ) as defined in KSA 2013 Supp. 24-50,222 and bring the total number of designated counties to 77. The additional counties would be Cherokee, Labette, Montgomery, and Sumner.

The ROZ program would be restricted somewhat relative to individuals who establish domicile in ROZ counties on and after July 1, 2014, such that persons employed by public entities would not be eligible for an income tax exemption otherwise available to certain persons employed in for-profit businesses and cooperatives.

Background

The ROZ program is an economic development program designed to attract financial investment, business development, and job growth in rural areas of the state. The program offers an individual who relocates from outside the state to a county that has been designated a rural opportunity zone the ability to participate in a student loan forgiveness program and receive an income tax exemption (administered as a 100 percent state income tax credit) through tax year 2016.

Representatives Proehl, Kelly, and Peck all testified in support of the bill, citing the economic development impact this would have on the counties that would be added to the definition of rural opportunity zone, and Representative Houser submitted written testimony in support of the bill.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Representative Kelly also submitted letters received by the Department of Commerce from the three counties, several cities, and some large industries and medical facilities in his area noting the positive impact this program would have on the newly designated counties. Representatives from the Department of Commerce and CRV Energy also spoke in support of the bill. In addition, a representative of the Sumner County Economic Development Commission submitted testimony asking the Committee to consider adding Sumner County to the definition. There was no neutral or opponent testimony.

The House Committee on Agriculture and Natural Resources Budget amended the bill to include Sumner County in the definition of rural opportunity zone.

The Senate Assessment and Taxation Committee amended the bill to include provisions from SB 363 relating to excluding employees of public entities from receiving the ROZ income tax exemption; as well as language clarifying that employees of cooperatives would not be excluded.

The Department of Commerce has indicated the agency would anticipate an additional \$0.1 million in State General Fund (SGF) resources would be necessary as a result of the expansion of the student loan program to the four additional counties.

The Department of Revenue has indicated SGF income tax receipts would be expected to decrease by \$0.8 million in FY 2015 and \$2.5 million in FY 2016, and thereafter, as a result of the addition of the four counties.

A fiscal note on the Senate Assessment and Taxation Committee version of the bill was not immediately available, although it would be expected to decrease the original fiscal note slightly because of the extent to which the program would no longer be available prospectively for certain employees of public entities.