

AVIATION TAX CREDITS

Webinar



Disclaimer

- This information is not to be construed as tax or legal advice.
- Consultation with your tax or legal advisor is recommended.
- The Kansas Department of Revenue may issue further guidance through rules and regulations.



Subject Matter Experts

- Jason Watkins, Founder & President, Watkins Public Strategies
Contracted Legislative Consultant, Wichita Chamber
- Andrew Wiens, Vice President of Government Relations, Wichita
Regional Chamber of Commerce



Overview of the Kansas Aviation Tax Credits

- Background and legislative intent: new tools to assist aviation and aerospace employers recruit, hire and educate employees
- House Bill 2239: multiple tax provisions – including Kansas Aviation Tax Credits
 - Passed Kansas Legislature April 1
 - Signed by Governor Laura Kelly April 14
- The aviation tax credits portion of HB 2239 creates one tax credit for aviation employees and two tax credits for aviation employers, all beginning in the 2022 tax year.



Three Aviation Components

- Employee Recruitment
- Employer Hiring Incentive
- Employer Tuition Reimbursement Incentive



Employee Recruitment

- \$5,000-per-year state income tax credit from 2022-2026
- Applies to qualifying newly hired aviation employees
- Tax credit can be claimed each year through 2026—totaling up to \$25,000 in take-home pay directly for the employee
- If employee's state tax liability is less than \$5,000 in any given year, the remaining tax credit balance can be carried forward and used in any of the four tax years following the year in which the tax credit was first allowed.



Employee Recruitment

Why it matters to you: Employee recruitment

- Higher take-home pay for new employees working for an aviation employer
- Your business can use this new state incentive as a recruitment tool for new hires



Employee Recruitment

Who qualifies?

- Hired on, or after, Jan. 1, 2022
- Employee must have a degree or technical certificate from a qualified program:
 - Undergraduate or graduate degree
 - Technical degree, or
 - Certificate from a qualified program by a university, college, community college, technical college, technology institute, or certain high school career and technical education programs
- Applies to in-state or out-of-state employees and schools



Example

- Gilbert was hired in May 2022 as a credentialed sheet metal mechanic by “Airplanes R US,” a qualifying Kansas aviation business, and he meets all the qualifications to claim the Kansas Aviation Tax Credit.
- Without any overtime, he expects to earn about \$35,000. Assuming Gilbert files taxes as single with no dependents, he could expect to receive about \$1,330 from the Kansas Aviation Tax Credit in the first year. That works out to be equivalent to a \$0.64 per hour after-tax pay increase or more than \$100 in take-home pay per month.



Example

- When he files his 2022 taxes, he would still have \$3,670 in unused tax credits to claim in any of the following four years.
- As long as Gilbert meets all the qualifications in 2023, 2024, 2025, and 2026, he will receive an additional \$5,000 tax credit each of those years to apply toward his state tax liability.
- **Takeaway:** Airplanes R US was able to recruit a skilled employee due to the increased take-home pay available through the Kansas Aviation Tax Credit.



Three Aviation Components

- Employee Recruitment
- Employer Hiring Incentive
- Employer Tuition Reimbursement Incentive



Employer Hiring Incentive

- Nonrefundable tax credit for aviation employers
- Credit equals 10% of compensation paid for each qualified employee capped at \$15,000 per year, per qualifying new employee
- Can be claimed in each of the first five years of employment
 - Up to \$75,000 in credits per employee from 2022-2026



Employer Hiring Incentive

- Applied against employer's income tax liability after all other credits allowed
- Credit is not refundable and may not be carried forward
- Available for qualifying new employees hired between 2022-2026



Three Aviation Components

- Employee Recruitment
- Employer Hiring Incentive
- Employer Tuition Reimbursement Incentive



Employer Tuition Reimbursement Incentive

- Nonrefundable income tax credit for tuition reimbursed to qualified employees, capped at 50% of the total reimbursement
- Employer credit can be claimed if the qualified employee graduates from a qualified program within one year prior to OR following the commencement of employment



Employer Tuition Reimbursement Incentive

- Employer credit can be claimed each year for up to four years that the qualifying employee remains employed
- Applied against the employer's income tax liability after all other credits allowed
- Credit is not refundable and may not be carried forward



Example 1

- Monique is an engineering graduate and is hired at “Airplanes R US,” a qualifying Kansas aviation business that offers tuition reimbursement.
- She has \$40,000 in college debt.
- Airplanes R US reimburses Monique \$5,000 each year for four years as part of its tuition reimbursement program.



Example 1

- Airplanes R US would be eligible for a \$2,500 Kansas income tax credit for each of the four years, totaling \$10,000 in employer credits.

Takeaway: Airplanes R US was able to offer Monique \$20,000 in tuition reimbursement but at a net cost of only \$10,000 over four years.



Example 2

- Jack is hired at “Airplanes R US,” a qualifying Kansas aviation business that offers tuition reimbursement.
- He has no post-secondary education and is hired for a low-skilled position. However, within his first year hired, Jack earns his sheet metal mechanic technical certification from WSU Tech and now has \$5,000 in college debt.



Example 2

- Airplanes R US promotes Jack to a sheet metal mechanic and reimburses him \$5,000 as part of its tuition reimbursement program.
- Airplanes R US would be eligible for a \$2,500 Kansas income tax credit.

Takeaway: Airplanes R US was able to retain a newly-skilled employee but at a net cost of only \$2,500.



Questions?

- www.aircapitaloftheworld.com/taxcredits
- As a reminder, the Kansas Department of Revenue may issue further guidance through rules and regulations. We may pass along general and unattributed concerns and questions to the administration in the meantime, as appropriate.



Subject Matter Expert

- Keith Lawing, President & CEO, Workforce Alliance of South Central Kansas



Workforce Centers of South Central Kansas



A network of one-stop centers with access to multiple Local, State and Federal employment and training services in south central Kansas

Wichita Workforce Center
2021 N. Amidon, #1100
Wichita, KS 67203
316.771.6800

Butler Workforce Center
524 N. Main
El Dorado, KS 67042
316.321.2350

**Cowley College,
Galle-Johnson Hall**
125 S. 2nd
Arkansas City, KS 67156
620.221.7790

Sumner Workforce Center
123 N. Jefferson Street
Wellington, KS 67152
620.326.2659



Workforce Center Employer Services

Recruitment and Hiring

- Job postings on KANSASWORKS.com
- Host or coordinate job fairs
- Centralized location to accept applications
- Applicant screening
- Referral of qualified candidates
- Skills assessments and testing
- Professional interviewing facilities
- Labor market information
- OFCCP Compliance

Business Closings or Layoffs

- Layoff Aversion strategies
- Rapid Response
- Trade Adjustment Assistance

Training

- Training needs assessment
- On-the-Job Training
- Registered Apprenticeship
- Coordination of training providers
- Facilitating the delivery of training programs
- Assistance accessing training funds:
 - Kansas Industrial Training
 - Kansas Industrial Retraining
 - Workforce Innovation and Opportunity Act

Credits and Incentives

- Work Opportunity Tax Credit
- Federal Bonding



One Workforce Grant

One Workforce provides funding for employer led training, including in-house or custom programs, or scholarships to local colleges and universities based on employer needs in Information Technology/Computer Science or Advanced Manufacturing occupations

Up to \$6,000 per Qualified New Hire for Employer Led On-site Training

Up to \$6,000 in tuition assistance scholarships to Technical or Community Colleges for technical certificate or associate degree programs

Up to \$13,000 in tuition assistance scholarships to Universities for undergrad or graduate degree programs



Closing Remarks

- www.aircapitaloftheworld.com/taxcredits
- This webinar was also recorded for your convenience. The link will be posted at www.aircapitaloftheworld.com/taxcredits.
- Contact information for follow-up questions, in the meantime:
 - Andrew Wiens, Vice President of Government Relations, Wichita Regional Chamber of Commerce
 - awiens@wichitachamber.org
 - 316-268-1135



Disclaimer

- This information is not to be construed as tax or legal advice.
- Consultation with your tax or legal advisor is recommended.
- The Kansas Department of Revenue may issue further guidance through rules and regulations.



AVIATION TAX CREDITS

Webinar



Greater Wichita
Partnership