



2107 Industrial Dr., McPherson, KS 67460, P: 620-241-6693 F: 620-241-6699 www.mcds-ks.org

March 31th 2017

Honorable Representative Steven Johnson
Chairperson
Kansas House Taxation Committee
Kansas State Capital Building
Room 346-S
300 SW 10th Street
Topeka, Ks. 66612

RE: HB 2416

Dear Representative Johnson and Distinguished Members of the Committee:

I am providing written testimony on behalf of Multi Community Diversified Services a community service organization that has provided services to persons with intellectual and developmental disabilities for over 42 years. I also represent Cartridge King of Kansas, a company that was created over 22 years ago to provide employment to persons with significant disabilities in an environment that offers supports that they may not find in a typical community job placement.

House Bill 2416 provides for a 15% tax credit on the purchase of products and services produced by persons who are blind or severely disabled in Kansas. It is the intent of this bill to move persons with severe disabilities off of Medicaid and the Home and Community Based Waiver to gainful, community employment with companies that are:

1. Non-profit.
2. Have a primary purpose of employing persons who are blind or severely disabled.
3. Pay minimum wage or better.
4. Offer health insurance or contribute towards the cost of insurance.
5. Produce products and services that are cost and quality competitive with what is available in the marketplace.

The benefits to the state are many:

1. State General Fund savings of over .45 cents on every dollar of Medicaid spent on waiver services.
2. Additional state income tax revenue for wages paid to employees.
3. The Capture of sales tax revenue for purchases made in state vs. out of state (if no use tax paid).



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4. The turn of dollars kept in the state of Kansas as wages paid. I.E. additional sales tax dollars received, etc....
5. Individuals who are now covered under commercial health insurance not Medicaid.

Intangible benefits:

1. Increased self-esteem for individuals who now work.
2. Reductions in behaviors and hospitalizations for individuals who can now work and provide for themselves and their families.
3. The state and society benefits when individuals can be more productive.

This bill is a rare win for everyone involved. Please support the passage of HB 2416.

Sincerely,

Doug Wisby
President/CEO
MCDS/ Cartridge King of Kansas.

HOUSE BILL No. 2416

By Committee on Taxation

3-30

1 AN ACT concerning income taxation; relating to credits; certain purchases
2 of goods and services from qualified vendors that provide employment
3 to individuals who are blind or severely disabled; qualifications,
4 procedures and limitations.
5

6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. (a) For tax year 2017 and all tax years thereafter, a credit
8 shall be allowed against the tax imposed by the Kansas income tax act in
9 an amount equal to 15% of the amount for expenditures of goods and
10 services purchased by the taxpayer from a qualified vendor on and after
11 January 1, 2017, as certified by the secretary of commerce as provided in
12 subsection (c). The amount of such credit awarded for each taxpayer shall
13 not exceed \$500,000 per qualified vendor per tax year.

14 (b) The tax credit allowed by this section shall be deducted from the
15 taxpayer's income tax liability for the tax year in which the expenditures
16 were made by the taxpayer. If the amount of such tax credit exceeds the
17 taxpayer's income tax liability for such tax year, the taxpayer may carry
18 over the amount that exceeds such tax liability for deduction from the
19 taxpayer's liability in the next succeeding tax year or years until the total
20 amount of the tax credit has been deducted from tax liability, except that
21 no such tax credit shall be carried over for deduction after the fourth tax
22 year succeeding the tax year in which the expenditures were incurred.

23 (c) The secretary of commerce shall annually certify that
24 expenditures for goods and services purchased by a taxpayer subject to the
25 tax credit provided in this section were made from a qualified vendor, and
26 provide such certification to the secretary of revenue. The secretary of
27 commerce is hereby authorized to promulgate rules and regulations for
28 establishing criteria based on the provisions of K.S.A. 75-3317 et seq., and
29 amendments thereto, for evaluating whether purchases by taxpayers from a
30 qualified vendor should be certified as provided in this section, with the
31 assistance and approval of the secretary of revenue.

32 (d) As used in this section:

33 (1) "Certified business" means any business certified by the
34 department of administration that is a sole proprietorship, partnership,
35 association or corporation domiciled in Kansas, or any corporation, even if
36 a wholly owned subsidiary of a foreign corporation, that:

- 1 (A) Does business primarily in Kansas or substantially all of its
2 production in Kansas;
- 3 (B) employs at least 10% of its employees who are individuals with
4 disabilities and reside in Kansas;
- 5 (C) offers to contribute at least 75% of the premium cost for
6 individual health insurance coverage for each employee. The department
7 of administration shall require a certification of these facts; and
- 8 (D) does not employ individuals under a certificate issued by the
9 United States secretary of labor under 29 U.S.C. § 214(c);
- 10 (2) "individuals with disabilities" or "individual with a disability"
11 means any individual who:
- 12 (A) Is certified by the Kansas department for aging and disability
13 services or by the Kansas department for children and families which
14 administers the rehabilitation services program as having a physical or
15 mental impairment which constitutes a substantial barrier to employment;
- 16 (B) works a minimum number of hours per week for a certified
17 business necessary to qualify for health insurance coverage offered
18 pursuant to subsection (d)(1); and
- 19 (C) (i) is receiving services, has received services or is eligible to
20 receive services under a home and community based services program, as
21 defined by K.S.A. 39-7,100, and amendments thereto;
- 22 (ii) is employed by a charitable organization domiciled in the state of
23 Kansas and exempt from federal income taxation pursuant to section
24 501(c)(3) of the federal internal revenue code of 1986, as amended; or
- 25 (iii) is an individual with a disability pursuant to the disability
26 standards established by the social security administration as determined
27 by the Kansas disability determination services under the Kansas
28 department for children and families; and
- 29 (3) "qualified vendor" means an entity that:
- 30 (A) Is a "qualified vendor" pursuant to K.S.A. 75-3317, and
31 amendments thereto, or is a "certified business" that is also a nonprofit
32 organization pursuant to K.S.A. 75-3740, and amendments thereto;
- 33 (B) pays minimum wage or above to all their employees in a manner
34 that meets the definition of "competitive employment" pursuant to K.S.A.
35 44-1136, and amendments thereto;
- 36 (C) meets the definition of employing all of their workers in an
37 "integrated setting" pursuant to K.S.A. 44-1136, and amendments thereto;
38 and
- 39 (D) offers a qualified company-sponsored insurance plan under the
40 affordable care act or pays the required subsidy to the internal revenue
41 service for employees who purchase insurance through the open market, if
42 a company-sponsored plan is not offered. If any such company is not
43 covered under the affordable care act, and does not offer a company-

1 sponsored insurance plan, such company must offer assistance to the
2 employee to cover at least 75% of their health insurance costs through a
3 health savings account or other legal and appropriate methodology.

4 Sec. 2. This act shall take effect and be in force from and after its
5 publication in the statute book.