

**Kansas Department of Commerce  
Proponent Testimony on HB 2328  
David Soffer, Legislative & Policy Director  
Prepared for House Commerce, Labor and Economic Development  
March 22, 2021, 1:30 p.m.**

Thank you for allowing us to testify as proponent of HB 2328. This bill creates the aviation tax credit.

Aviation has long been a staple of the Kansas economy, especially in South Central Kansas. We are the air capital of the world and we are extremely proud of that title. Before 2020, the aerospace industry committed \$7 billion to the Kansas GDP and almost \$2.3 billion in annual exports. With the one of the top concentrations of aviation workers in the nation, many of our state's households depend on a strong aviation industry.

While many immediately recognize the effects COVID-19 has had on our aviation industry, it's important to remember this was not the first gut punch to this sector. The grounding of the 737-MAX was incredibly damaging to the industry and our state as a whole. Our aviation businesses have been fighting these challenges since 2019. That's two years of severe difficulties and resilience just trying to survive.

This is why we believe there is no greater time than now to support the aviation tax credit. This bill, first introduced in 2019, passed the House 106-18. This is a solid proposal which will benefit both the employer and the employee and keep our aviation sector strong well into the future.

The bill is split into three different tax credits:

The first would be a training tax credit. A company would be allowed to claim a credit against their liability for tuition reimbursed to an employee. The credit may be claimed only if the qualified employee has been awarded an a degree or certificate from an accredited program, an applied science program or career technical education program within a year prior to or at the start of and may be claimed each year thereafter that the employee remains employed up to the fourth year of employment. The credit is equal to 50% of the tuition reimbursed during the year. The credit can't be carried over.

The second would be a tax credit for hiring aviation employees. The way it would work is the company would be eligible for a tax credit for the first through the fifth years of employment, so

long as those years are consecutive. The credit would be in an amount equal to 10% of the compensation paid, so long as it does not exceed \$15,000.

The third would be a tax credit that specifically targets aviation employees. Similar to the above, a taxpayer would be able to receive a tax credit in the five immediate years they are employed by an aviation company. The amount would be \$5,000. Unlike the other credits, this one may be carried over. However, it would end after the fifth year.

We want to thank the Committee for allowing us to testify in support of HB 2328. We encourage the Committee to move fast on HB 2328 and report it favorable for passage.