

HOUSE BILL No. 2237

AN ACT concerning economic development; enacting the Kansas affordable housing tax credit act and the Kansas housing investor tax credit act; providing tax credits for qualified housing projects; establishing an older structures tax credit; increasing the amount of the historic structures tax credit for qualified expenditures incurred for structures in cities with a certain population; enacting the Kansas rural home loan guarantee act; guaranteeing a certain portion of home loans with moneys from the state housing trust fund; authorizing certain unique residential real property appraisals in rural counties to be conducted without completing the sales comparison approach to value; allowing the use of bond proceeds under the Kansas rural housing incentive district act for residential vertical development and renovation of certain buildings within economically distressed urban areas; relating to the child day care services assistance tax credit; providing a credit for employer payments to an organization providing access to employees for child day care services and expanding eligible taxpayers; amending K.S.A. 79-32,190 and 79-32,211 and K.S.A. 2021 Supp. 12-5242 and 12-5249 and repealing the existing sections.

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

New Section 1. The provisions of sections 1 through 6, and amendments thereto, shall be known and may be cited as the Kansas affordable housing tax credit act.

New Sec. 2. As used in sections 1 through 6, and amendments thereto:

(a) "Act" means the provisions of sections 1 through 6, and amendments thereto;

(b) "allocation certificate" means a statement issued by the KHRC certifying that a given development is eligible for the credit and specifying the amount of the credit allowed;

(c) "credit" means the Kansas affordable housing tax credit allowed pursuant to this act;

(d) "credit period" means the credit period as defined in section 42(f)(1) of the federal internal revenue code;

(e) "director" means the director of taxation pursuant to K.S.A. 75-5102, and amendments thereto;

(f) "federal tax credit" means the federal low-income housing tax credit provided by section 42 of the federal internal revenue code;

(g) "KHRC" means the Kansas housing resources corporation, a not-for-profit subsidiary of the Kansas development finance authority incorporated pursuant to K.S.A. 74-8904(v), and amendments thereto;

(h) "pass-through entity" means any: (1) limited liability company; (2) limited partnership; or (3) limited liability partnership;

(i) "pass-through certification" means a certification provided to the director by any pass-through entity allocating a credit to its partners or members, certifying the amount of credit to be allocated to each partner or member of such pass-through entity;

(j) "qualified allocation plan" means the qualified allocation plan adopted by the KHRC pursuant to section 42(m) of the federal internal revenue code;

(k) "qualified development" means a "qualified low-income housing project," as that term is defined in section 42 of the federal internal revenue code that is located in Kansas and is determined by the KHRC to be eligible for a federal tax credit whether or not a federal tax credit is allocated with respect to such qualified development; and

(l) "qualified taxpayer" means an individual, a person, firm, corporation, or other entity that owns an interest, direct or indirect, in a qualified development and is subject to the taxes imposed by the Kansas income tax act, the privilege taxes imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premium taxes imposed pursuant to K.S.A. 40-252, and amendments thereto.

New Sec. 3. (a) For all taxable years commencing after December 31, 2022, there shall be allowed a credit against the income tax liability imposed pursuant to the Kansas income tax act, the privilege tax liability imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premium tax liability imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for each qualified

development for each year of the credit period, in an amount equal to the federal tax credit allocated or allowed by the KHRC to such qualified development, except that there shall be no reduction in the credit allowable in the first year of the credit period due to the calculation in section 42(f)(2) of the federal internal revenue code.

(b) The KHRC shall issue an allocation certificate to an owner of a qualified development to which a credit has been allocated. The KHRC shall issue an allocation certificate to the qualified development simultaneously with issuance of federal form 8609 with respect to the federal tax credits.

(c) All allocations shall be made pursuant to the qualified allocation plan.

(d) If an owner of a qualified development receiving an allocation of a credit is a pass-through entity, the owner may allocate the credit among its partners or members in any manner agreed to by such persons regardless of whether: (1) Any such person is allocated or allowed any portion of any federal tax credit with respect to the qualified project; (2) the allocation of the credit under the terms of the agreement has substantial economic effect within the meaning of section 704(b) of the federal internal revenue code; or (3) any such person is deemed a partner for federal income tax purposes, if the partner or member would be considered a partner or member under applicable state law governing such entity and has been admitted as a partner or member on or prior to the date for filing the qualified taxpayer's tax return, including any amendments to such tax return, with respect to the year of the credit. In the case of multiple tiers of pass-through entities, the credit may be so allocated through any number of pass-through entities in any manner agreed by the owners of such pass-through entities, none of which shall be considered a transfer. Any pass-through entity allocating a credit to its partners or members shall attach a pass-through certification to its tax return annually. Each partner or member shall be allowed to claim or further allocate such amount subject to any restrictions set forth in this act.

(e) An owner of a qualified development to which a credit has been allocated and each qualified taxpayer to which such owner has allocated a portion of such credit, if any, shall file with their state income, privilege or premium tax return a copy of the allocation certificate issued by the KHRC with respect to such qualified development and a copy of any pass-through certification, as prescribed by the director.

(f) No credit shall be allocated pursuant to this act unless the qualified development is the subject of a recorded restrictive covenant requiring the development to be maintained and operated as a qualified development and is in accordance with the accessibility and adaptability requirements of the federal tax credits and title VIII of the civil rights act of 1968, as amended by the fair housing amendments act of 1988, for a period of 15 taxable years, or such longer period as may be agreed to between the KHRC and the owner of the qualified development, beginning with the first taxable year of the credit period.

(g) The allocated credit amount may be taken against the income, privilege or premium taxes imposed for each taxable year of the credit period. Any amount of credit that exceeds the income, privilege or premium tax liability of a qualified taxpayer for a taxable year may be carried forward as a credit against subsequent years' tax liability up to 11 tax years following the tax year in which the allocation was made and shall be applied first to the earliest years possible. Any amount of the credit that is not used shall not be refunded to the taxpayer.

(h) Unless otherwise provided in this act or the context or law requires otherwise, the KHRC shall determine eligibility for a credit and allocate credits in accordance with the standards and requirements set forth in section 42 of the federal internal revenue code. Any combination of federal tax credits and credits allowed pursuant to this act shall be the least amount necessary to ensure the financial feasibility of a qualified development.

New Sec. 4. If, under section 42 of the federal internal revenue code, a portion of any federal tax credit taken on a qualified development is required to be recaptured or is otherwise disallowed during the credit period, the qualified taxpayer that claimed the credit pursuant to this act with respect to such qualified development shall also be required to recapture a portion of any credits authorized by this act. The percentage of credits subject to recapture shall be equal to the percentage of federal tax credits subject to recapture or otherwise disallowed during such period. Any credits recaptured or disallowed shall increase the tax liability of the qualified taxpayer who claimed the credits and shall be included on the tax return of the qualified taxpayer submitted for the taxable year in which the recapture or disallowance event is identified.

New Sec. 5. The KHRC and the director, in consultation with each other, shall promulgate rules and regulations necessary for their respective administration of this act.

New Sec. 6. (a) The KHRC, in consultation with the director, shall monitor and oversee compliance with the provisions of this act and shall report specific occurrences of noncompliance to the director.

(b) For each allocation year, the KHRC shall submit a written report to the legislature on or before December 31 of each year and make such report available to the public. The report shall:

(1) Specify the number of qualified developments that have been allocated credits during the allocation year and the total number of units supported by each development;

(2) describe each qualified development that has been allocated credits including, without limitation, the geographic location of the development, the household type and any specific demographic information available about residents intended to be served by the development, the income levels intended to be served by the development, and the rents or set-asides authorized for each development; and

(3) provide housing market and demographic information that demonstrates how the qualified developments supported by the credits are addressing the need for affordable housing within the communities they are intended to serve as well as information about any remaining disparities in the affordability of housing within those communities.

New Sec. 7. (a) The purpose of the Kansas housing investor tax credit act is to bring housing investment dollars to communities that lack adequate housing. Development of suitable residential housing will complement economic development of rural and urban areas that lack adequate housing resources and enable such communities to attract businesses, employees and new residents.

(b) Sections 7 through 12, and amendments thereto, shall be known and may be cited as the Kansas housing investor tax credit act.

New Sec. 8. As used in the Kansas housing investor tax credit act, sections 7 through 12, and amendments thereto:

(a) "Act" means the Kansas housing investor tax credit act;

(b) "cash investment" means, as approved by the director, money or money equivalent in consideration for qualified securities;

(c) "city" means any city incorporated in accordance with Kansas law with a population of less than 70,000, as certified to the secretary of state by the division of the budget on the previous July 1 in accordance with K.S.A. 11-201, and amendments thereto;

(d) "corporation" means the Kansas housing resources corporation;

(e) "county" means any county organized in accordance with K.S.A. 18-101 et seq., and amendments thereto, with a population of less than 75,000, as certified to the secretary of state by the division of the budget on the previous July 1 in accordance with K.S.A. 11-201, and amendments thereto;

(f) "director" means the director of housing of the Kansas development finance authority;

(g) "Kansas investor" means an individual who is a resident of

Kansas or any business entity domiciled in Kansas, or any corporation, even if a wholly owned subsidiary of a foreign corporation, that does business primarily in Kansas or conducts substantially all of its business activities in Kansas, or a bank or other financial institution or association chartered or incorporated under the laws of Kansas that does business primarily in Kansas or conducts substantially all of its business activities in Kansas;

(h) "manufactured home" means a "manufactured home" as defined in K.S.A. 58-4202, and amendments thereto, that is installed on a permanent foundation. The permanent foundation shall be of a type not removable intact from the site, constructed of durable materials such as concrete, mortared masonry or treated wood, site built and shall have attachment points to anchor and stabilize the manufactured home to transfer all loads to the underlying soil or rock;

(i) "modular home" means a "modular home" as defined in K.S.A. 58-4202, and amendments thereto, that is installed on a permanent foundation. The permanent foundation shall include a basement or crawl space;

(j) "qualified housing project" means a project within a city or county for the construction of single-family residential dwellings, including, but not limited to, manufactured housing or modular housing, or multi-family residential dwellings or buildings, that is eligible for designation by the director as a project for the purposes of the tax credit allowed under this act. "Qualified housing project" does not include a project eligible for income or other tax credits designated for low-income housing under state or federal law, including, but not limited to, the low income housing tax credit pursuant to 26 U.S.C. § 42, or a project participating in tenant-based or project-based programs pursuant to section 8 of the United States housing act of 1937, 42 U.S.C. § 1437f;

(k) "qualified investor" means an investor that has made a cash investment in a qualified housing project and is eligible for a tax credit under this act. A "qualified investor" includes a natural person, a business or a bank or other financial institution or association and the project builder or developer; and

(l) "qualified securities" means a cash investment through any form or combination of forms of financial assistance, including equity or debt instruments or bank or financial institution or association loans pursuant to rules and regulations adopted by the director, and that with respect to any investment made for the purpose of receiving a tax credit under this act have been approved in form and substance by the director.

New Sec. 9. (a) There is hereby established the Kansas housing investor tax credit program within the Kansas housing resources corporation, to be administered by the director of housing. The purpose of tax credits issued under the Kansas housing investor tax credit program is to facilitate investment in suitable housing that will support the growth of communities that lack adequate housing by attracting new employees, residents and families and will support the development and expansion of businesses that are job and wealth creating enterprises.

(b) To achieve this purpose and to optimize the use of the limited resources of the state, the director is authorized to issue tax credits for qualified housing projects to qualified investors who make cash investments in such qualified housing projects and to project builders and developers. Such tax credits shall be issued for those qualified housing projects that, as determined by the director, are most likely to provide the greatest economic benefit to and best meet the needs of the community lacking adequate housing where the project is located. In issuing tax credits, the director shall give priority to Kansas investors.

(c) To be designated as a qualified housing project, the project builder or developer shall apply to the director. Such application shall be in a form and substance as required by the director and shall include:

(1) The name and address of the project builder or developer and

names of all principals or management;

(2) if the project builder or developer is seeking tax credits for such builder's or developer's cash investment in the project, information as required by the director for consideration of the request;

(3) a project plan, including a description of the project, timeline, housing to be constructed, intended market, costs and anticipated pricing for the housing and any other information that may be required by the director;

(4) a statement of the potential economic impact of the project;

(5) a description of all financing for the project, the amount of any tax credits requested and the earliest year in which the tax credits may be claimed;

(6) a statement of the amount, timing and projected use of the proceeds to be raised from qualified investors;

(7) the names, addresses and taxpayer identification numbers of all investors who may qualify for the tax credit. Such list of investors who may qualify for the tax credit shall be amended as any information on the list shall change; and

(8) such additional information as the director may require.

(d) In determining whether to designate a project as a qualified housing project, the director shall consider whether the project:

(1) Has the support of the community and the governing body of the city or county where such project is located;

(2) will enhance the ability of the community that lacks adequate housing to attract new businesses or expand existing business by providing suitable housing directly for employees or make such housing significantly more available, or will meet other significant housing needs of the community making the community attractive to new or expanding businesses or their employees, as determined by the director;

(3) has the financial support, management, planning and market to be successful;

(4) has an analysis or survey of the housing needs of the community provided by the project builder or developer or the governing body of the city or county where the project is located that, in the director's judgment, supports proceeding with the proposed project for the purposes of this act;

(5) has met all other requirements of this act to the satisfaction of the director; and

(6) has met such other requirements of the director as adopted in rules and regulations.

(e) If the director approves the application, the director shall enter into an agreement with the project builder or developer for the project prior to issuing any tax credits for the project. The agreement shall set forth the amount of tax credits to be issued for the project, the requirements for a cash investment and the issuance of tax credits. If the project builder or developer has been approved by the director for tax credits for the project builder's or developer's cash investment in the project, the agreement shall set forth the amount of credits so approved and the amount of credits remaining for issuance to other qualified investors. Such agreement shall require, as a condition of the issuance of tax credits, binding commitments by the project builder or developer to the corporation for:

(1) The reporting of progress and financial data, including investor information. The project builder or developer shall have the obligation to notify the director in a timely manner of any changes in the qualifications of the project or in the eligibility of investors to claim a tax credit;

(2) the right of access to the project and to the financial records of the project builder or developer;

(3) the provision of information for purposes of the economic development incentive program information database pursuant to K.S.A. 2021 Supp. 74-50,226, and amendments thereto;

(4) the repayment requirements upon loss of designation pursuant

to section 11, and amendments thereto; and

(5) any additional terms and conditions required by the director.

(f) To be eligible to receive tax credits, a qualified investor shall make a cash investment in the project in accordance with the agreement required by subsection (e). Each project builder or developer of a designated qualified housing project shall promptly report to the corporation the following information at the time such information becomes known to the builder or developer:

(1) The name, address and taxpayer identification number of each qualified investor who has made a cash investment in qualified securities in the project and has received tax credits for this investment during the preceding year and all other preceding years;

(2) the amounts of the cash investments by each qualified investor and a description of the qualified securities issued in consideration of such cash investments;

(3) the name, address and taxpayer identification number of each person to whom tax credits have been transferred by the original qualified investor; and

(4) any additional information as the director may require when requested.

(g) Any violation of the reporting requirements set forth in this section shall be grounds for loss of the designation as a qualified housing project, as provided by section 5, and amendments thereto.

(h) The reasonable costs of the administration of this act, the review of applications for certification as qualified housing projects and the issuance of tax credits to qualified housing projects as authorized by this act may be reimbursed in total or in part through fees paid by the qualified project, qualified investors or transferees of investors, according to a reasonable fee schedule adopted by the director.

(i) The state of Kansas shall not be held liable for any damages to any qualified investor that makes an investment in a qualified housing project.

(j) The director shall provide information regarding qualified housing projects and qualified investors to the secretary of revenue.

(k) The director shall adopt rules and regulations as necessary to implement the provisions of this act.

New Sec. 10. (a) (1) For tax year 2022 and all tax years thereafter, a credit against the income tax liability imposed pursuant to the Kansas income tax act, the privilege tax liability imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premium tax liability imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, shall be allowed to:

(A) A qualified investor for a cash investment in a qualified housing project that has been approved and issued a tax credit by the director. The tax credit may be claimed in its entirety in the taxable year the cash investment is made; and

(B) a project builder or developer of a qualified housing project that has been approved and issued a tax credit by the director.

(2) To claim such tax credit, the qualified investor or project builder or developer shall provide all information or documentation in the form and manner required by the secretary of revenue. If the amount of the credit exceeds the taxpayer's tax liability in any one taxable year, the remaining portion of the credit may be carried forward in the succeeding taxable years until the total amount of the credit is used, except that no credit may be claimed after four taxable years next succeeding the taxable year that such credit was issued, and any remaining credit shall be forfeited.

(b) (1) Tax credits may be issued by the director for a qualified housing project as follows:

(A) For qualified housing projects located in a county with a population of not more than 8,000, in an amount not to exceed \$35,000 per residential unit;

(B) for qualified housing projects located in a county with a population of more than 8,000 but not more than 25,000, in an amount not to exceed \$32,000 per residential unit; and

(C) for all other qualified housing projects, in an amount not to exceed \$30,000.

(2) A qualified housing project shall be limited to a total of 40 such residential units per year for both single-family and multi-family dwellings.

(3) Tax credits may be issued to a qualified investor in the amount of a cash investment of up to the total amount that may be issued by the director under this subsection for the qualified housing project, or as provided in the agreement required by section 9, and amendments thereto. Project builders or developers may apply to the director each year for tax credits for additional units or phases of a project. Qualified investors may be issued tax credits for cash investments in multiple qualified housing projects. Project builders or developers may apply and be approved for multiple qualified housing projects in the same tax year.

(4) The aggregate amount of tax credits that may be issued under this section shall not exceed \$13,000,000 each tax year, except that if the director issues an aggregate amount of tax credits in one tax year that is less than \$13,000,000, then the director may carry forward the difference and issue such amount of tax credits in the immediately succeeding tax year in addition to the statutory amount that may be issued under this section. Of the aggregate amount of tax credits issued in one tax year, the director shall allocate:

(A) Not less than \$2,500,000 in tax credits for qualified housing projects located in counties with a population of not more than 8,000;

(B) not less than \$2,500,000 in tax credits for qualified housing projects located in counties with a population of more than 8,000 but not more than 25,000; and

(C) up to \$8,000,000 in tax credits for qualified housing projects located in counties with a population of more than 25,000 but not more than 75,000.

(c) A cash investment in a qualified housing project shall be deemed to have been made on the date of acquisition of the qualified security, as such date is determined by the director.

(d) Any qualified investor without a current tax liability at the time of the investment in a qualified housing project that does not reasonably believe such investor will owe any such tax for the current taxable year and who receives a tax credit pursuant to this section shall be deemed to acquire an interest in the nature of a transferable credit limited to the amount of the credit issued to the qualified investor by the director. This interest may be transferred to any person whether or not such person is then a qualified investor and be claimed by the transferee as a credit against the transferee's Kansas tax liability in the same manner as the transferor beginning in the year the credit is transferred. The credit may be carried forward as permitted by subsection (a). No person shall be entitled to a refund for any interest on such tax credit that may be created under this section. Only the full amount of the tax credit for any one qualified housing project investment may be transferred and may only be transferred one time. A credit acquired by transfer shall be subject to the limitations prescribed in this section. Documentation of any credit acquired by transfer shall be provided by the taxpayer claiming such credit in the manner required by the secretary of revenue. The qualified investor transferring such credit shall provide the director and the secretary of revenue with the name, address and taxpayer identification number of each person to whom tax credits have been transferred and such other information as may be required by the director or the secretary of revenue.

(e) The secretary of revenue may adopt rules and regulations as necessary to implement and administer the provisions of this act.

New Sec. 11. (a) If the director determines that a project is not in substantial compliance with the requirements of this act or the

agreement executed pursuant to section 9, and amendments thereto, the director shall inform the project builder or developer of the project in writing that the project will lose designation as a qualified housing project in 120 days from the date of mailing of the notice unless such builder or developer corrects the deficiencies and becomes compliant with the requirements for designation.

(b) At the end of such 120-day period, if the project is still not in substantial compliance, the director shall send a notice of loss of designation to the project builder or developer, the secretary of revenue and all known qualified investors in the project. Loss of designation of a qualified housing project shall preclude the issuance of any additional tax credits with respect to the project, and the director shall not approve any subsequent application for such project as a qualified housing project. Upon loss of the designation as a qualified housing project, the project builder or developer shall repay any tax credits such taxpayer has claimed.

(c) Qualified investors other than the project builder or developer who have lawfully made a cash investment in a qualified housing project approved by the director shall not have tax credits disallowed solely due to the project losing its designation as a qualified housing project under this act.

New Sec. 12. (a) On or before January 31, 2023, and on or before January 31 of each year thereafter, the director shall transmit a report annually to the governor, the standing committee on commerce of the senate and the standing committee on commerce, labor and economic development of the house of representatives. Such report shall be based upon information received from each qualified housing project for which tax credits have been issued during the preceding year and shall describe the following:

(1) The manner in which the purpose, as described in this act, has been carried out;

(2) the total cash investments made for qualified securities in qualified housing projects during the preceding year and cumulatively since the enactment of this act;

(3) an estimate of jobs facilitated by housing developed through such investments; and

(4) an estimate of the multiplier effect on the Kansas economy of the investments. The amount of tax credits claimed in the previous fiscal year; a general description of the investors that benefited from the tax credits; and any aggregate job creation or capital investment in Kansas that resulted from the tax credits for a period of five years beginning from the date on which the tax credits were issued.

(b) The director shall conduct an annual review of the activities undertaken pursuant to this act to ensure that tax credits issued pursuant to this act are issued in compliance with the provisions of this act and rules and regulations adopted by the director.

New Sec. 13. K.S.A. 79-32,211, and amendments thereto, and sections 13 and 14, and amendments thereto, shall be known as and may be cited as the historic Kansas act.

New Sec. 14. (a) For all taxable years commencing after December 31, 2021, there shall be allowed a tax credit against the income, privilege or premium tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, or the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, in an amount equal to 10% of costs and expenses incurred for the restoration and preservation of a commercial structure at least 50 years old that does not receive tax credits pursuant to K.S.A. 79-32,211, and amendments thereto. An additional tax credit of 10% of the costs and expenses may be allowed for the installation of fire suppression materials or equipment by a taxpayer. The total amount of such costs and expenses shall be at least

\$25,000 but shall not exceed \$500,000. If the amount of such tax credit exceeds the taxpayer's income, privilege or premium tax liability for the year in which the rehabilitation was completed, such excess amount may be carried over for deduction from such taxpayer's income, privilege or premium tax liability in the next succeeding year or years until the total amount of the credit has been deducted from tax liability, except that no such credit shall be carried over for deduction after the 10th taxable year succeeding the taxable year in which the rehabilitation plan was placed in service.

(b) Any bank, savings and loan association or savings bank shall pay taxes on 50% of the interest earned on loans to taxpayers used for costs and expenses for the restoration and preservation of a commercial structure at least 50 years old or for the installation of fire suppression materials or equipment.

(c) If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company, or as the corporation, partnership or limited liability company mutually agree as provided in the bylaws or other executed agreement. Credits granted to a partnership, a limited liability company taxed as a partnership or other multiple owners of property shall be passed through to the partners, members or owners respectively pro rata or pursuant to an executed agreement among the partners, members or owners documenting any alternate distribution method.

(d) Any person, hereinafter designated the assignor, may sell, assign, convey or otherwise transfer tax credits allowed and earned pursuant to subsection (a). The taxpayer acquiring credits, hereinafter designated the assignee, may use the amount of the acquired credits to offset up to 100% of the assignee's income, privilege or premium tax liability for either the taxable year in which the costs and expenses were made. Unused credit amounts claimed by the assignee may be carried forward for up to five years, except that all such amounts shall be claimed within 10 years following the tax year in which the costs and expenses were made. The assignor shall enter into a written agreement with the assignee establishing the terms and conditions of the agreement.

(e) No person claiming a tax credit under this section may claim a tax credit for the same structure under K.S.A. 79-32,211, and amendments thereto.

(f) The aggregate amount of tax credits that may be claimed under this section shall not exceed \$10,000,000 each tax year.

(g) The director of taxation may adopt rules and regulations as necessary for the efficient and effective administration of the provisions of this section.

New Sec. 15. The provisions of sections 15 through 19, and amendments thereto, shall be known and may be cited as the Kansas rural home loan guarantee act.

New Sec. 16. As used in the Kansas rural home loan guarantee act:

- (a) "Act" means the Kansas rural home loan guarantee act;
- (b) "corporation" means the Kansas housing resources corporation;
- (c) "financial institution" means any bank, trust company, savings bank, credit union, savings and loan association or any other lending institution that is approved by the corporation;
- (d) "loan" means a transaction with a financial institution to provide the owner financing for the construction or renovation of a single-family home in a rural county; and
- (e) "rural county" means any county in this state with a population

of less than 10,000, as certified to the secretary of state pursuant to K.S.A. 11-201, and amendments thereto, on July 1 of the preceding year.

New Sec. 17. (a) The corporation is hereby authorized to enter into agreements with financial institutions to provide loan guarantees against risk of default for rural housing loans in accordance with the provisions of this act. Except as provided in section 18, and amendments thereto, for payment for a loan guarantee for which the state housing trust fund is liable, no claim against the state under this act shall be paid by the state, the corporation or any other state agency other than pursuant to an appropriation act of the legislature after such claim has been filed with and considered by the joint committee on special claims against the state.

(b) Eligible financial institutions shall apply all usual lending standards to determine the creditworthiness of eligible rural home loan borrowers. The financial institution originating the loan shall be responsible for monitoring the loan and, in case of any default, working with the borrower to obtain the collateral for the loan. The financial institution shall be in the first position and the state in second position to recover on the loan.

(c) The corporation shall administer the provisions of this act and shall adopt rules and regulations for the implementation or administration of this act including the development of an application process. The loan guarantee agreement with the corporation shall include reporting requirements and financial standards that are appropriate for the type of loan for the borrower. The corporation may enter into contracts that the corporation deems necessary for the implementation or administration of this act. The corporation may impose fees and charges as may be necessary to recover costs incurred for the administration of this act.

New Sec. 18. (a) Notwithstanding the provisions of K.S.A. 12-5256 or 74-8959, and amendments thereto, to the contrary, each agreement entered into by the corporation to guarantee against default on a loan transaction shall be backed by the state housing trust fund and shall receive prior approval by the corporation or the corporation's designee.

(b) Each loan transaction eligible for a guarantee under this act shall be for the construction or renovation of a single-family home in a rural county. Eligible costs may include land and building purchases, renovation and new construction costs, equipment and installation costs, predevelopment costs that may be capitalized, financing, capitalized interest during construction and consultant fees that do not include staff costs.

(c) The portion of the loan guaranteed by the corporation under this act shall be for the amount of the loan that exceeds 80% of the appraised value of the home. No loan amount above 125% of the appraised value of the home shall be guaranteed by the corporation under this act. The loan amount guaranteed by the corporation under this act shall not exceed \$100,000 per home.

(d) The total amount of loans guaranteed by the corporation under this act shall not exceed \$2,000,000.

(e) All fees and charges imposed by the corporation and other moneys received by the corporation under this act shall be remitted to the state treasurer in accordance with K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the state housing trust fund.

New Sec. 19. Beginning with the 2023 regular session of the legislature, the corporation shall prepare an annual report of the Kansas rural home loan guarantee act activity, including new loans, loan repayment status and other relevant information regarding activities under this act and shall submit such report at the beginning of each regular session of the legislature to the house of representatives committee on appropriations, or to the appropriate budget committee,

and the senate committee on ways and means, or to the appropriate subcommittee thereof or to the successors of such committees.

New Sec. 20. (a) In developing an appraisal of residential real property identified as unique in style or square footage, or both, located in a rural county for the purpose of a mortgage finance transaction, if the sales comparison approach cannot be developed for a credible opinion or indication of value due to a lack of available comparable sales within 30 miles, the appraiser may perform the appraisal without completing the sales comparison approach to value. In the appraisal report, the appraiser shall provide an explanation of the reasons for exclusion of the sales comparison approach and document efforts to obtain comparable sales or market data. A financial institution shall not decline to proceed with a mortgage finance transaction due to the exclusion of the sales comparison approach in accordance with this section unless the sales comparison approach is required in order for such mortgage finance transaction loan to be guaranteed or sold in the secondary market.

(b) As used in this section:

(1) "Financial institution" means a bank, national banking association, savings and loan association, savings bank, trust company, credit union, finance company or other lending institution; and

(2) "rural county" means any county in this state with a population of less than 10,000, as certified to the secretary of state pursuant to K.S.A. 11-201, and amendments thereto, on July 1 of the preceding year.

Sec. 21. K.S.A. 2021 Supp. 12-5242 is hereby amended to read as follows: 12-5242. Except as otherwise provided, as used in K.S.A. 12-5241 through 12-5251, *and amendments thereto*, and K.S.A. 2021 Supp. 12-5252 through 12-5258, and amendments thereto, ~~the following words and phrases shall have the following meanings unless a different meaning clearly appears from the context:~~

(a) "City" means *the city of Topeka or any city incorporated in accordance with Kansas law:*

(1) With a population of less than 60,000, as certified to the secretary of state by the director of the division of the budget on the previous July 1 in accordance with K.S.A. 11-201, and amendments thereto; *or*

(2) *for purposes of a project as defined in K.S.A. 12-5249(a)(11), and amendments thereto, within a qualified census tract, "city" includes any city with a qualified census tract located within the city.*

(b) "City housing authority" means any agency of a city created pursuant to the municipal housing law, K.S.A. 17-2337 et seq., and amendments thereto.

(c) "Corporation" means the Kansas housing resources corporation.

(d) "County" means any county organized in accordance with K.S.A. 18-101 et seq., and amendments thereto;:

(1) With a population of less than 80,000, as certified to the secretary of state by the director of the division of the budget on the previous July 1st in accordance with K.S.A. 11-201, and amendments thereto; *or*

(2) *for purposes of a project as defined in K.S.A. 12-5249(a)(11), and amendments thereto, within a qualified census tract, "county" includes any county with a qualified census tract located within the county.*

(e) "Developer" means the person, firm or corporation responsible under an agreement with the governing body to develop housing or related public facilities in a district.

(f) "District" means a rural housing incentive district established in accordance with this act.

(g) "Governing body" means the board of county commissioners of any county or the mayor and council, mayor and commissioners or board of commissioners, as the laws affecting the organization and status of cities affected may provide.

(h) "Housing development activities" means the construction or rehabilitation of infrastructure necessary to support construction of new residential dwellings and the actual construction of such residential dwellings, if such construction is conducted by a city housing authority.

(i) "Secretary" means the secretary of commerce of the state of Kansas.

(j) "*Qualified census tract*" means an economically distressed urban area that is a qualified census tract as defined and designated by the United States department of housing and urban development.

(k) "Real property taxes" means and includes all taxes levied on an ad valorem basis upon land and improvements thereon.

~~(l)~~ (l) "Taxing subdivision" means the county, the city, the unified school district, and any other taxing subdivision levying real property taxes, the territory or jurisdiction of which includes any currently existing or subsequently created rural housing incentive district.

Sec. 22. K.S.A. 2021 Supp. 12-5249 is hereby amended to read as follows: 12-5249. (a) Any city or county ~~which~~ *that* has established a rural housing incentive district may use the proceeds of special obligation bonds issued under K.S.A. 12-5248, and amendments thereto, or any uncommitted funds derived from those sources of revenue set forth in K.S.A. 12-5248(a)(1), and amendments thereto, to implement specific projects identified within the rural housing incentive district plan including, without limitation:

- (1) Acquisition of property within the specific project area or areas as provided in K.S.A. 12-5247, and amendments thereto;
- (2) payment of relocation assistance;
- (3) site preparation;
- (4) sanitary and storm sewers and lift stations;
- (5) drainage conduits, channels and levees;
- (6) street grading, paving, graveling, macadamizing, curbing, guttering and surfacing;
- (7) street lighting fixtures, connection and facilities;
- (8) underground gas, water, heating, and electrical services and connections located within the public right-of-way;
- (9) sidewalks;
- (10) water mains and extensions; and
- (11) renovation of buildings or other structures more than 25 years

of age primarily for residential use located in a central business district *or in a business or commercial district within a qualified census tract* as approved by the secretary of commerce. Certification of the age of the building or other structure shall be submitted to the secretary by the governing body of the city or county with the resolution as provided by K.S.A. 12-5244, and amendments thereto. Eligible residential improvements shall include only improvements made to the second or higher floors of a building or other structure. Improvements for commercial purposes shall not be eligible.

(b) None of the proceeds from the sale of special obligation bonds issued under K.S.A. 12-5248, and amendments thereto, shall be used for the construction of buildings or other structures to be owned by or to be leased to any developer of a residential housing project within the district, except for buildings or other structures located in a central business district *or in a business or commercial district within a qualified census tract* as approved by the secretary of commerce.

Sec. 23. K.S.A. 79-32,190 is hereby amended to read as follows: 79-32,190. (a) Any taxpayer that pays for or provides child day care services, including the provision of the service of locating such services, to its employees or that provides facilities and necessary equipment for child day care services shall be allowed a credit against the privilege or income tax imposed by articles 11 and 32 of chapter 79 of the Kansas Statutes Annotated, *and amendments thereto*, as follows:

- (1) ~~Thirty percent~~ 30% of the total amount expended in the state during the taxable year by a taxpayer for child day care services purchased to provide care for the dependent children of the taxpayer's employees or for the provision of the service of locating such services

for such children;

(2) (A) in the taxable year in which a facility providing child day care services in the state for use primarily by the dependent children of the taxpayer's employees is established, 50% of the total amount expended during such year by a taxpayer in the establishment and operation of such facility;

(B) in the taxable years other than the taxable year to which paragraph (2)(A) applies, 30% of the amount equal to the total amount expended during the taxable year by a taxpayer for the operation of a facility described in paragraph (2)(A) less the amount of moneys received by the taxpayer for use of such facility for child day care services;

(3) (A) in the taxable year in which a facility providing child day care services in the state for use primarily by the dependent children of the taxpayers' employees is established in conjunction with one or more other taxpayers, 50% of the total amount expended during such year by a taxpayer in the establishment and operation of such facility;

(B) in the taxable years other than the taxable year to which paragraph (3)(A) applies, 30% of the amount equal to the total amount expended during the taxable year by a taxpayer for the operation of a facility described in paragraph (3)(A) less the amount of moneys received by the taxpayer for use of such facility for child day care services; *and*

(4) *for all taxable years commencing after December 31, 2020, 50% of the amount equal to the total amount expended during the taxable year by a taxpayer as payments to an organization providing access to available child day care services for the taxpayer's employees.*

(b) No credit shall be allowed under this section unless the child day care facility or provider is licensed ~~or registered~~ pursuant to Kansas law.

(c) The credit allowed by ~~paragraphs (1), (2)(B) and (3)(B) of subsection (a)(1), (2)(B) and (3)(B)~~ shall not exceed \$30,000 for any taxpayer during any taxable year. The credit allowed by ~~paragraphs (2)(A) and (3)(A) of subsection (a)(2)(A), (3)(A) and (4)~~ shall not exceed \$45,000 for any taxpayer during any taxable year. The amount of the credit which exceeds the tax liability for a taxable year shall be refunded to the taxpayer. If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code or a partnership, the credit provided by this section shall be claimed by the shareholders of such corporation or the partners of such partnership in the same manner as such shareholders or partners account for their proportionate shares of the income or loss of the corporation or partnership.

(d) The aggregate amount of credits claimed under this act for any fiscal year shall not exceed \$3,000,000.

(e) ~~For tax-year years 2013 and all tax years thereafter through 2020,~~ the income tax credit provided by this section shall only be available to taxpayers subject to the income tax on corporations imposed pursuant to ~~subsection (e) of K.S.A. 79-32,110(c),~~ and amendments thereto, and shall be applied only against such taxpayer's corporate income tax liability.

Sec. 24. K.S.A. 79-32,211 is hereby amended to read as follows: 79-32,211. (a) For all taxable years commencing after December 31, 2006, there shall be allowed a tax credit against the income, privilege or premium tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, *and amendments thereto*, or the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, in an amount equal to:

(1) 25% of qualified expenditures incurred in the restoration and preservation of a qualified historic structure pursuant to a qualified

rehabilitation plan by a qualified taxpayer ~~if the total amount of such expenditures equal \$5,000 or more if the total amount of such expenditures equals \$5,000 or more; or in an amount equal to~~

(2) 30% of the qualified expenditures incurred in the restoration and preservation of a qualified historic structure located in a city with a population between 9,500 and 50,000 pursuant to a qualified rehabilitation plan by a qualified taxpayer if the total amount of such expenditures equals \$5,000 or more;

(3) 40% of the qualified expenditures incurred in the restoration and preservation of a qualified historic structure located in a city with a population of less than 9,500 pursuant to a qualified rehabilitation plan by a qualified taxpayer if the total amount of such expenditures equals \$5,000 or more; or

(4) 30% of qualified expenditures incurred in the restoration and preservation of a qualified historic structure which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code and which is not income producing pursuant to a qualified rehabilitation plan by a qualified taxpayer if the total amount of such expenditures equals \$5,000 or more. ~~In no event shall the total amount of credits allowed under this section exceed \$3,750,000 for fiscal year 2010.~~

(b) If the amount of such tax credit exceeds the qualified taxpayer's income, privilege or premium tax liability for the year in which the qualified rehabilitation plan was placed in service, as defined by section 47(b)(1) of the federal internal revenue code and federal regulation section 1.48-12(f)(2), such excess amount may be carried over for deduction from such taxpayer's income, privilege or premium tax liability in the next succeeding year or years until the total amount of the credit has been deducted from tax liability, except that no such credit shall be carried over for deduction after the 10th taxable year succeeding the taxable year in which the qualified rehabilitation plan was placed in service.

~~(b)(c)~~ Any bank, savings and loan association or savings bank shall pay taxes on 50% of the interest earned on loans to qualified taxpayers used for qualified expenditures for the restoration and preservation of a qualified historic structure.

(d) As used in this section, unless the context clearly indicates otherwise:

(1) "Qualified expenditures" means the costs and expenses incurred by a qualified taxpayer in the restoration and preservation of a qualified historic structure pursuant to a qualified rehabilitation plan which are defined as a qualified rehabilitation expenditure by section 47(c)(2) of the federal internal revenue code;

(2) "qualified historic structure" means any building, whether or not income producing, which is defined as a certified historic structure by section 47(c)(3) of the federal internal revenue code, is individually listed on the register of Kansas historic places, or is located and contributes to a district listed on the register of Kansas historic places;

(3) "qualified rehabilitation plan" means a project which is approved by the cultural resources division of the state historical society, or by a local government certified by the division to so approve, as being consistent with the standards for rehabilitation and guidelines for rehabilitation of historic buildings as adopted by the federal secretary of interior and in effect on the effective date of this act. The society shall adopt rules and regulations providing application and approval procedures necessary to effectively and efficiently provide compliance with this act, and may collect fees in order to defray its approval costs in accordance with rules and regulations adopted therefor; and

(4) "qualified taxpayer" means the owner of the qualified historic structure or any other person who may qualify for the federal rehabilitation credit allowed by section 47 of the federal internal revenue code.

If the taxpayer is a corporation having an election in effect under

subchapter S of the federal internal revenue code, a partnership or a limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners or members account for their proportionate shares of the income or loss of the corporation, partnership or limited liability company, or as the corporation, partnership or limited liability company mutually agree as provided in the bylaws or other executed agreement. Credits granted to a partnership, a limited liability company taxed as a partnership or other multiple owners of property shall be passed through to the partners, members or owners respectively pro rata or pursuant to an executed agreement among the partners, members or owners documenting any alternate distribution method.

(e) Any person, hereinafter designated the assignor, may sell, assign, convey or otherwise transfer tax credits allowed and earned pursuant to subsection (a). The taxpayer acquiring credits, hereinafter designated the assignee, may use the amount of the acquired credits to offset up to 100% of ~~its~~ *such assignee's* income, privilege or premiums tax liability for either the taxable year in which the qualified rehabilitation plan was first placed into service or the taxable year in which such acquisition was made. Unused credit amounts claimed by the assignee may be carried forward for up to five years, except that all such amounts shall be claimed within 10 years following the tax year in which the qualified rehabilitation plan was first placed into service. The assignor shall enter into a written agreement with the assignee establishing the terms and conditions of the agreement and shall perfect such transfer by notifying the cultural resources division of the state historical society in writing within 90 calendar days following the effective date of the transfer and shall provide any information as may be required by such division to administer and carry out the provisions of this section. The amount received by the assignor of such tax credit shall be taxable as income of the assignor, and the excess of the value of such credit over the amount paid by the assignee for such credit shall be taxable as income of the assignee.

(f) *The executive director of the state historical society may adopt rules and regulations as necessary for the efficient and effective administration of the provisions of this section.*

Sec. 25. K.S.A. 79-32,190 and 79-32,211 and K.S.A. 2021 Supp. 12-5242 and 12-5249 are hereby repealed.

Sec. 26. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above BILL originated in the HOUSE, and was adopted by that body

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.