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Kansas Department of Revenue
Policies and Procedures Manual
for the
Community College and Technical College
Contribution Tax Credit Program

July 2022

The policies and procedures are provided for the purpose of implementing the
Community College and Technical College Contribution Tax Credit Program
and shall be in effect as of July 1, 2022.

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Summary of 2022 House Bill 2239, Section 42
(tax credit portion only)

The 2022 Legislature enacted House Bill 2239 providing for a tax credit for contributions to a community college or technical college for capital improvements, deferred maintenance or the purchase of technology or equipment. The legislation provides for a tax credit based on a specified percentage of a taxpayer's contribution made on or after July 1, 2022.

The credit is effective for tax years 2022 through 2026, and is applicable to income tax, insurance premiums tax, and bank privilege tax. The credit shall equal 60% of the total amount contributed during a taxable year for contributions made to a designated community college or technical college located in Kansas.

If the credit allowed exceeds the tax liability for a taxpayer that contributes to a community college or a technical college, the excess credit may not be carried forward and may not be refunded to the taxpayer.

For calendar year 2022 (beginning July 1, 2022) through 2026, credits allowed may not exceed \$5,000,000 for each tax year. In no event shall the total of credits allowed exceed \$500,000 per community or technical college, per tax year. Credits awarded shall not exceed \$250,000 per taxpayer, per tax year.

Contributions made through this program to a designated community college or technical college shall be deposited to the credit of the capital outlay fund of such community college or technical college established as provided by K.S.A. 71-501a. Expenditures from the capital outlay fund shall be made for the purposes designated for such fund pursuant to law.

Designated Community Colleges and Technical Colleges

The designated community colleges are:

Allen Community College
Barton Community College
Butler Community College
Cloud County Community College
Coffeyville Community College
Colby Community College
Cowley Community College
Dodge City Community College
Fort Scott Community College
Garden City Community College
Highland Community College
Hutchinson Community College
Independence Community College
Johnson County Community College
Kansas City Kansas Community College
Labette Community College
Neosho County Community College
Pratt Community College
Seward County Community College

The designated technical colleges are:

Flint Hills Technical College
Manhattan Area Technical College
North Central Kansas Technical College
Northwest Kansas Technical College
Salina Area Technical College
Washburn Institute of Technology
Wichita State University Campus of Applied Sciences and Technology

Tax Credit Application Process

A web database application for certification of tax credits has been implemented by the Department of Revenue. Each designated community college and technical college will have access to this web application. The database will allow the entering of contributions that have been made to a designated community college or technical college through this community college and technical college contribution tax credit program. The review and approval of tax credit applications will be conducted by the Department of Revenue through the web database. Each designated community college and technical college will have access to approved, pending and/or denied applications.

Each designated community college and technical college will be asked to assign a manager for this program and secure email address. The Department will correspond with this manager regarding the processing of tax credit applications.

Process for tax credit application submittal:

Each designated community college and technical college shall identify the representative(s) from their respective college that will be entering the contributor information into the web-based application. Each identified representative that logs into the system will be required to register with the Department of Revenue and will enter a User ID and password. The representative must also enter an Account ID and PIN which is unique to that designated community college or technical college. The designated community college or technical college representative shall be required to enter the following information for each donor/contributor that is receiving a tax credit in return for a donation to the college.

- Name of the donor/contributor (if the donor/contributor is a pass through entity, additional information shall be required of that entity, specifically, KDOR will need to know each shareholder, partner, or member's name, SSN, address and percentage of ownership in the pass through entity making the contribution.)
- Social security number (SSN) if the donor/contributor is an individual
- Employer identification number (EIN) if the donor/contributor is a business
- Street address, city, county, state and zip code of the donor/contributor
- E-mail address of the donor/contributor
- Type of contribution (cash, stocks/bonds, personal property, real property) (memo line of the check must designate that the contribution is for capital outlay)
- Amount of contribution
- Date of contribution (cash = date of check or credit card receipt, stocks/bonds = date of transfer, personal property = date college takes possession of the property, real property = date title of property transfers to college.)
- Fund name that the contribution will be deposited to
- Project to be funded by the contribution
- Required documentation (documentation will vary based on the type of contribution.)

Should one contributor make several types (i.e. cash and stocks) of contributions to a designated community college or technical college, a separate tax credit application will be required for each type of contribution.

Designated community colleges and technical colleges will submit any tax credit applications to the Department of Revenue for approval within 10 days of receipt. Once received by the Department, KDOR will review for compliance. Each designated community college and technical college will be able to check back in with the web-based application to determine those tax credit applications that have been approved, those that are pending, those that are requiring additional information and those that have been denied. Each designated community college and technical college shall have the ability to view and print an approved or denied tax credit application as well as the “tax credit certificate” or denial letter.

The credit is available on a first come first served basis to those that have completed the application **AND** have attached the required documentation. Applications received that are incomplete, will require additional information before the review can be completed and approved.

APPROVED APPLICATIONS

Each approved application will have an attached “Tax Credit Certificate” for that specific contributor. This “Tax Credit Certificate” will include a certificate number. This certificate number will be used in lieu of the contributor’s SSN or EIN. It will be the designated community college or technical college responsibility to print and get this “Tax Credit Certificate” back to the donor/contributor. This certificate will be used when the donor/contributor completes the tax return to claim the tax credit.

PENDING APPLICATIONS

Applications that are submitted to the Department of Revenue by a designated community college or technical college will be held pending until the Department has reviewed them.

APPLICATIONS REQUIRING ADDITIONAL INFORMATION

Should additional information or documentation be required to complete the review of the tax credit application, KDOR will communicate to the designated point of contact for the community college or technical college. Applications requiring additional information, will not guarantee the issuance of credits. Available credits will only be allocated to complete applications.

DENIED APPLICATIONS

Should the tax credit application be denied, the Department will communicate such denial through the web-based application. A denial letter will be made available for the designated community college or technical college to print for the contributor/donor. It will be the responsibility of the designated community college or technical college to send this denial letter to the donor/contributor.

Kansas Tax Credit Amount

Contributions made through the community college and technical college contribution tax credit program to a designated community college or technical college may receive a Kansas tax credit equal to 60% of the total amount contributed during the taxable year.

Tax credits per taxpayer shall not exceed \$250,000 per tax year. The total credits allowed to any one community college or technical college shall not exceed \$500,000 per tax year. Total credits allowed shall not exceed \$5,000,000 for each tax year.

Documentation Requirements for Contributions Received

Documentation shall be required for all contributions that are made to a designated community college or technical college through this community college and technical college contribution tax credit program.

KANSAS

Cash Donations: Proof of documentation must be a copy of a check, credit card receipt with signature of donor included, or receipt for cash with signature of donor included. Donations in the form of a check must be made payable to and endorsed by the designated community college or technical college and specifically noted for the approved fund. The date of the check will be considered the date of the donation and must be postmarked by December 31, 2022, to be considered as a 2022 contribution. Contributions made with a credit card are considered paid on the date the transaction is conducted. If the contributor uses a pay-by-phone account to make a contribution, the date the contribution is made is the date the financial institution pays the amount. This date will be shown on the statement the financial institution sends to the contributor.

Stocks and Bonds: Proof of documentation is the transfer from the donor to the designated community college or technical college indicating the name of the stock/bond, the number of shares, the date of donation, and documentation of the sale of the stocks/bonds by the designated community college or technical college indicating the name of the stock/bond, the number of shares and the total value of the stocks/bonds sold. Stocks/bonds contributed shall be valued at the average stock/bond price $[(\text{Hi trade price} + \text{Low trade price})/2]$ on the date of transfer. For example: designated community college or technical college receives 100 shares of XYZ Corporation at \$30/share on 1/31/2023 $[(\text{High price of } \$40 + \text{low price of } \$20)/2]$. Total value contributed to the designated community college or technical college would be \$3,000 (100 shares x \$30/share). The gift of a properly endorsed stock certificate is completed on the date of mailing or other delivery to the designated community college or technical college. If the taxpayer delivers the certificate to a bank or broker acting as an agent, for transfer into the name of the organization, the date of the contribution is the date the stock is transferred on the books of the issuing entity.

Personal Property Items: Proof of documentation includes a copy of an invoice showing the cost to the donor or current fair market value, whichever is less. (Fair market value is the price that property would sell for on the open market.) Used equipment invoices must be submitted with an appraisal of the fair market value of donated item(s). Personal property items contributed, and tax credits calculated shall be valued at the lesser of its fair market value or cost to the donor and may include costs incurred in making the contribution but shall exclude sales tax and profit margin. An independent appraisal may be necessary to determine fair market value should the property donated be a gift or inheritance that is considered a rare and valuable antique or work of art.

Real Estate Donations: Proof of documentation must be a copy of title deed or policy, as well as a copy of at least two (2) appraisals. Contributions of real estate are allowable for tax credit only when title thereto is in fee simple absolute and is clear of any encumbrances or liens. The amount of contribution/tax credit allowable shall be based upon the lesser of two current independent appraisals conducted by state licensed appraisers.

FEDERAL

A designated community college or technical college shall be required to issue a letter of receipt to a donor/contributor that contributes over \$250. For contributions of stocks/bonds, personal property or real property, please refer to the IRS guidelines for receipt requirements.

Claiming the Kansas Tax Credit

KANSAS

Individual contributors and corporate contributors that have made a contribution to a designated community college or technical college are required to file the appropriate tax return and provide a completed Schedule K-84 with the tax return. Individuals shall file an individual income tax return (Form K-40) and corporations shall file a corporate income tax return (Form K-120).

For donors/contributors that file a privilege tax return or a fiduciary tax return and that have made a contribution to a designated technical college or community college, the contributor shall file Form K-130 or Form K-41, respectively and provide a completed Schedule K-84 with the tax return.

FEDERAL

A donor/contributor making a contribution to a designated community college or technical college for which that designated college is eligible to receive tax-deductible contributions, must reduce the federal charitable contribution deduction by the amount of any state or local tax credit that the donor/contributor receives or expects to receive in return. Pursuant to Internal Revenue Code section 170 and accompanying regulations, a taxpayer making a charitable donation and receiving a “quid pro quo” for that donation must reduce the amount of the charitable contribution donation by the value of the quid pro quo, i.e., the state tax credit.

The IRS has provided that the amount of the tax credit would have to be subtracted from the amount of the contribution in the year the contribution is made on the federal return.

Contributors should be directed to their tax advisor regarding federal tax questions as there are some exceptions.

Example:

A taxpayer makes a \$10,000 contribution to a designated community college or technical college and receives a state tax credit in the amount of \$6,000. The taxpayer may be eligible to deduct a maximum of \$4,000 as a charitable donation on the federal return. The taxpayer would receive a \$6,000 Kansas tax credit to be applied against their state tax liability.

Timeline

CY 2022

July 1, 2022-begin accepting contributions through the community college and technical college contribution tax credit program for CY 2022

December 31, 2022-last day to accept contributions through the community college and technical college contribution tax credit program for CY 2022

CY 2023

January 1, 2023-begin accepting contributions through the community college and technical college contribution tax credit program for CY 2023

December 31, 2023-last day to accept contributions through the community college and technical college contribution tax credit program for CY 2023

CY 2024

January 1, 2024-begin accepting contributions through the community college and technical college contribution tax credit program for CY 2024

December 31, 2024-last day to accept contributions through the community college and technical college contribution tax credit program for CY 2024

CY 2025

January 1, 2025-begin accepting contributions through the community college and technical college contribution tax credit program for CY 2025

December 31, 2025-last day to accept contributions through the community college and technical college contribution tax credit program for CY 2025

CY 2026

January 1, 2026-begin accepting contributions through the community college and technical college contribution tax credit program for CY 2026

December 31, 2026-last day to accept contributions through the community college and technical college contribution tax credit program for CY 2026

Community College and Technical College Contribution Tax Credit Program Questions and Answers

Q: If an individual or entity makes a contribution to a school, will that individual or entity receive a tax credit?

A: Only those contributions that are made to a Kansas community college or Kansas technical college as defined in 2022 HB 2239 will qualify for a tax credit.

Q: Which community colleges may accept contributions and in turn issue tax credits to those contributors?

A: A Kansas community college has been defined as a community college established under the provisions of the community college act. Those community colleges that will be eligible to issue tax credits in return for contributions made to the capital outlay fund of such community college include:

Allen Community College
Barton Community College
Butler Community College
Cloud County Community College
Coffeyville Community College
Colby Community College
Cowley Community College
Dodge City Community College
Fort Scott Community College
Garden City Community College
Highland Community College
Hutchinson Community College
Independence Community College
Johnson County Community College
Kansas City Kansas Community College
Labette Community College
Neosho County Community College
Pratt Community College
Seward County Community College

Q: Which of the technical colleges may accept contributions and in turn issue tax credits to those contributors?

A: Technical college means a technical college as designated pursuant to K.S.A. 74-32,458, 74-32,460, 74-32,461, 74-32,462, 74-32,464, 74-32,465 and the institute of technology at Washburn University. Those technical colleges that will be eligible to issue tax credits in return for contributions made to the capital outlay fund of such technical college include:

Flint Hills Technical College-K.S.A. 74-32,460
Manhattan Area Technical College-K.S.A. 74-32,462
North Central Kansas Technical College-K.S.A. 74-32,461
Northwest Kansas Technical College-K.S.A. 74-32,464
Salina Area Technical College-K.S.A. 74-32,465
Washburn Institute of Technology
WSU Campus of Applied Sciences and Technology-K.S.A. 74-32,458

Q: Who can make a contribution to a designated community college or technical college and qualify for a tax credit?

A: Any individual or business entity may make a contribution and qualify for a tax credit.

Q: How much are the tax credits?

A: For contributions made to a designated community college or a technical college, the credit shall equal 60% of the total amount contributed during the taxable year.

Q: Is this a refundable tax credit?

A: The tax credit is not a refundable tax credit, nor may any excess tax credit be carried forward. Any tax credit remaining following the application against the tax liability shall be lost.

Q: How does a contributor claim the community college and technical college contribution tax credit?

A: Schedule K-84 will need to be completed and filed with the contributor's Kansas income tax return, privilege tax return, fiduciary tax return or insurance premiums tax return.

Q: When does the contributor claim the community college and technical college contribution tax credit?

A: The contributor shall claim the community college and technical college contribution tax credit in the tax year in which the contribution is made to the designated community college or technical college.

Q: May a contributor sell the tax credit that has been issued to them?

A: No, a contributor that has made a contribution to a designated community college or technical college may NOT sell the tax credit.