

Approved: RP m 2-14-95  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Chairperson Bob Miller at 3:30 p.m. on February 13, 1995 in Room 423-S of the Capitol.

All members were present except: Rep. Greg Packer - excused  
Rep. Kenneth King - excused  
Rep. Herman Dillon - excused  
Rep. Jo Ann Pottorff - excused

Committee staff present: Lynne Holt, Legislative Research Department  
Bob Nugent, Revisor of Statutes  
Bonnie Fritts, Secretary

Conferees appearing before the committee: Rep. Joann Freeborn  
Kirk Lowell, Executive Director, CloudCorp.

Others attending: See attached list

The meeting was called to order at 3:30 p.m. by the Chairperson Bob Miller. The minutes of February 9, 1995 were distributed and approved.

**HB 2290**                    **An act concerning sales tax; relating to exemptions for retail businesses in small counties**

Rep. Freeborn addressed the committee as a proponent of the bill (Attachment 1) placing emphasis on the need to have retail businesses locate in counties with low population.

Kirk Lowell also addressed the committee as a proponent of the bill (Attachment 2) and presented an idea concerning the Kansas Enterprise Zone Act of 1976 and related sales tax exemption incentives and stressed the importance of keeping small businesses alive.

Chairperson Miller stated this would conclude the hearings on **HB 2290**

**SB 12**                    **An act concerning economic development; relating to small business**

Representative Mason made a motion that SB 12 be reported favorably. Representative Benlon seconded the motion. The motion carried.

Meeting was adjourned at 3:55 p.m.

The next meeting is scheduled for February 14, 1995.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
GUEST LIST

DATE: 2-13-95

NAME	REPRESENTING
Clyde Ensert	KTEC
Donald Snodgrass	Ks Food Dealers Assn.
Mabel Miller	KS Inc.
Mark BARCELONA	KD & B
RICH BENDIS	KTEC
Loren Swenson	Cloud County
Lowell Thoman	Cloud County
Kirk Lowell	Cloud County
ART BROOK	Mid-Am Lumbermen
James Crawford	Intern
BEV BRADLEY	KS Assoc of Counties

STATE OF KANSAS

JOANN LEE FREEBORN  
REPRESENTATIVE, 107TH DISTRICT  
CLOUD, OTTAWA COUNTIES  
AND PART OF CLAY AND DICKINSON COUNTIES  
RR 3, BOX 307  
CONCORDIA, KANSAS 66901-9105



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

MEMBER: AGRICULTURE  
PUBLIC HEALTH AND WELFARE  
ENERGY AND NATURAL RESOURCES  
JOINT COMMITTEE ON CHILDREN AND FAMILIES

STATE CAPITOL  
TOPEKA, KS 66612-1504  
913-296-7692  
1-800-432-3924

February 13, 1995

In regard to House Bill 2290

Chairperson Miller, Vice Chairperson Mason, and Ranking Minority Member Wempe:

**Rural Kansans want opportunities to develop jobs, create new tax revenues and keep our communities healthy. HB2290 addresses this issue by making "Enterprise Zones" capable of offering an incentive to retail businesses to locate in counties with low population.**

**We need manufacturing business in rural Kansas. Along with those new industries must come the supporting retail businesses that are needed to keep the balance of services that rural hub towns need to make the total environment a desirable place to live. Communities that are a good place to live can slow the outward migration from already underpopulated areas.**

**It is often published that one of the growing problems in America is the problem of rural poverty. At this time rural poverty in Kansas isn't an overwhelming problem like it is in some states. Rural Kansans will work at the process of growing and developing to the extent that is possible on the sparse financial resources that are available to them.**

**It is my opinion that HB2290 presents an additional opportunity for Economic Development to be more attractive in underpopulated areas. Energetic and ambitious communities can use this tax break to the advantage of these few hub towns. As the enterprise of each country grows, so does the tax base and the ability of each citizen to gain services that may not otherwise be available.**

**Thank you for your consideration of HB2290.**

Sincerely,

A handwritten signature in black ink that reads "Joann Freeborn". The signature is written in a cursive, flowing style. Below the signature, the name "Joann Freeborn" is printed in a simple, sans-serif font.

Joann Freeborn

HOUSE ECO. DEVO.  
2-13-95  
ATTACHMENT 1

CloudCorp  
P.O. Box 456, Concordia, KS 66901-0456

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**Testimony Concerning House Bill No. 2290**

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Prepared by

Kirk G. Lowell  
Executive Director

for

Kansas House of Representatives  
1995 Legislative Session

Economic Development Standing Committee

Representative Robert H. Miller  
Chairman

February 13, 1995

HOUSE Eco. DEVO.  
2-13-95  
ATTACHMENT 2

## Testimony Concerning House Bill No. 2290

February 13, 1995

*AN ACT concerning sales tax; relating to exemptions for retail businesses in small Kansas counties; amending K.S.A. 1994 Supp. 74-50,115 and repealing the existing section.*

Mr. Chairman, distinguished committee members and audience. My name is Kirk Lowell. I am executive director of CloudCorp, a private sector economic development organization charged with fostering economic development in Cloud County. Thank you for the opportunity to present an idea concerning the Kansas Enterprise Zone Act of 1976 and related sales tax exemption incentive. I am well aware of the many issues before you this session and the volumes of materials you must study in order to well represent your constituents at home. Because of this I will keep my remarks and the materials presented to you as brief as possible. However, should any question arise out of today's testimony that I cannot answer, or should today's presented materials fall short of your needs please let me know. I will promptly respond to committee or individual requests with additional materials and/or answers.

We are thankful for the tax incentives that past Kansas Legislatures have put in place. These incentives help Kansas communities almost daily in attracting businesses and creating much needed jobs in our fine state. However, rural Kansas is in need of an expansion of the existing sales tax incentive program concerning retail businesses.

Currently a sales tax exemption on the purchase of certain tangible personal property and services purchased for new or expanding RETAIL businesses is only available for retail businesses in communities of less than 2,500 in population. This limit creates a two fold problem.

1. Retail businesses locating just outside the city limits of cities with less than 2,500 in population are not eligible for enterprise zone incentives. This is a concern in our region as we see future retail growth outside city limits because of U.S. 81 Highway becoming a four lane and the value added agriculture retail businesses being located on farms.
2. Retail businesses locating in cities of 2,500 in population or more are also not eligible for enterprise zone incentives. This is of concern because of the rural hub theory.

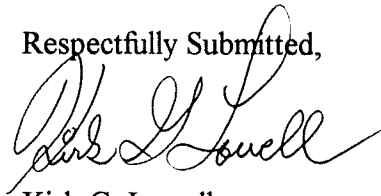
In order for rural Kansas to stabilize, reverse the population decline trends and grow, goods and services must be readily available in the rural regions. Ample goods and services that support and stabilize rural Kansas regions are the result of retail businesses locating somewhere in the

region they serve. These businesses seem to be concentrating in certain communities in the rural regions. These communities are defined by some as **rural hubs**. Rural hubs are very important to the survival of rural regions in general, and to the survival of the communities that surround them. A rural hub can be, and in many cases is, a community greater than 2,500 in population. Because of the importance of retail businesses in rural hubs, incentives are needed to encourage both the **expansion of existing** retail businesses and **attraction of new** retail businesses.

I ask your support of House Bill No. 2290 which inserts the language "*or a county having a population of 12,000 or less*" thus making Kansas Enterprise Zone Sales Tax Incentives available throughout an entire county and in all communities, regardless of population, contain within said county of 12,000 in population or less. Your support of House Bill No. 2290 will not solve all problems or cause a mass migration of retail businesses to rural regions. However, it will put one more tool in the toolbox of rural economic development thus helping secure the future of ALL Kansas.

Again, thank you for the opportunity and consideration of this testimony.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Kirk G. Lowell".

Kirk G. Lowell  
Executive Director  
CloudCorp

## **Business and Job Development Credit SCHEDULE K-34**

The *Kansas Enterprise Zone Act of 1976* and the *Job Expansion and Investment Credit Act of 1976* provide for a base-level of State incentives, such as income tax credits and sales tax exemptions to businesses which create new jobs by locating, expanding, or renovating within the State of Kansas.

### **Description of Incentives**

#### **Job Creation Tax Credit - KSA 1993 Supp. 79-32,160a et seq., as amended**

The *Kansas Enterprise Zone Act* provides a Job Creation Tax Credit for each net new employee created by the relocation or expansion of a business. A minimum of two (2) net new jobs must be created to qualify for this credit. For expanding businesses, or those building a replacement facility, a "net new employee" refers to those employees over and above the "employee base" calculated by averaging the preceding year's annual employment. Qualification for the Job Creation Tax Credit is the threshold requirement to qualify for the Investment Tax Credit or Sales Tax Exemption.

#### **Investment Tax Credit - KSA 1993 Supp. 79-32,160a, et seq., as amended**

The *Kansas Enterprise Zone Act* provides for an Investment Tax Credit of \$1,000 for each \$100,000 (or major portion thereof) in qualified business facility investment. A business must qualify for the Job Creation Tax Credit to be eligible for the Investment Tax Credit.

The Investment Tax Credit is also a one-time credit against the business' Kansas State income tax liability. The amount of credit that can be taken in any one year is limited to 50% of the total tax liability. Any unused portion of the credit may be carried forward indefinitely and used in succeeding years after reverifying the number of net new employees.

For more information on either the Job Creation Tax Credit or the Investment Tax Credit, call:  
Taxpayer Assistance Bureau at (913) 296-0222

#### **Sales Tax Exemption - KSA 1993 Supp. 74-50,115 et seq., as amended**

The *Kansas Enterprise Zone Act* also allows for sales tax exemption on the purchase of certain tangible personal property and services purchased for new or expanding businesses. Eligible purchases include materials used in the construction, reconstruction, expansion, or remodeling of a qualified business facility. A business must qualify for the Job Creation Tax Credit to be eligible for the Sales Tax Exemption. An exemption is also available on the purchase and installation of machinery and equipment. *This exemption is not claimed on Schedule K-34, but must be obtained (prior to purchasing the taxable personal property) through the Kansas Department of Revenue by submitting a Request for Project Exemption Certificate.*

For more information on Sales Tax Exemption, call: Business Tax Bureau at (913) 296-2461

## Summary of Kansas Enterprise Zone Incentives

Eligibility for the various incentives and the value of the incentives depend on 1) the type of business, 2) the location of the business within the state, and 3) the number of net new jobs created. The *Kansas Enterprise Zone Act* defines the counties of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, and Wyandotte as metropolitan counties. As such, businesses within these counties are ineligible to apply for the enhanced job credits available to designated non-metropolitan counties.

<i>Jobs Criteria/Definitions All Counties</i>	<i>Basic Incentives All Counties</i>	<i>Enhanced Incentives Designated Non-metropolitan Areas</i>
<p><b><u>Manufacturing</u></b> Must create a minimum of two (2) net new jobs</p> <p>A manufacturing business is defined as any commercial enterprise identified under Standard Industrial Classification (SIC) codes, major group 20-39.</p>	<p><b><u>Manufacturing</u></b> Sales Tax Exemption</p> <p>Job Creation Tax Credit - \$1,500 per net new job created</p> <p>Investment Tax Credit - \$1,000 per \$100,000 (or major fraction) of qualified business facility investment</p>	<p><b><u>Manufacturing</u></b> Sales Tax Exemption</p> <p>Job Creation Tax Credit - \$2,500 per net new job created</p> <p>Investment Tax Credit - \$1,000 per \$100,000 (or major fraction) of qualified business facility investment</p>
<p><b><u>Non-Manufacturing</u></b> Must create a minimum of five (5) net new jobs</p> <p>A non-manufacturing business is defined as any commercial enterprise other than a manufacturing or retail business and includes the headquarters or back-office operations of an enterprise if the facility creates at least 20 new full-time positions.</p>	<p><b><u>Non-Manufacturing</u></b> Sales Tax Exemption</p> <p>Job Creation Tax Credit - \$1,500 per net new job created</p> <p>Investment Tax Credit - \$1,000 per \$100,000 (or major fraction) of qualified business facility investment</p>	<p><b><u>Non-Manufacturing</u></b> Sales Tax Exemption</p> <p>Job Creation Tax Credit - \$2,500 per net new job created</p> <p>Investment Tax Credit - \$1,000 per \$100,000 (or major fraction) of qualified business facility investment</p>
<p><b><u>Retail</u></b> Must create a minimum of two (2) net new job</p> <p>A retail business is defined as any business providing goods or services taxable under the Kansas Retailers' Sales Tax Act; any service provider set forth in KSA 17-2707, and amendments thereto; and bank, S&amp;L, or other lending institution; any commercial enterprise whose primary business activity includes the sale of insurance; any commercial enterprise deriving its revenues directly from non-commercial customers in exchange for personal services such as, but not limited to barber shops, photographic studios, and funeral services.</p>	<p><b><u>Retail</u></b> Sales Tax Exemption (Available only for businesses in communities of less than 2,500 population)</p> <p><i>A Job Creation Tax Credit of \$100 per year for 10 years for each net new job created is available under KSA 1993 Supp 79-32,153 as amended.</i></p> <p><i>An Investment Tax Credit of \$100 per year for 10 years for each \$100,000 in qualified business investment is available under KSA 1993 Supp. 79-32,153 as amended.</i></p>	<p><b><u>Retail</u></b> Sales Tax Exemption (Available only for businesses in communities of less than 2,500 population)</p> <p><i>A Job Creation Tax Credit of \$100 per year for 10 years for each net new job created is available under KSA 1993 Supp 79-32,153 as amended.</i></p> <p><i>An Investment Tax Credit of \$100 per year for 10 years for each \$100,000 in qualified business investment is available under KSA 1993 Supp. 79-32,153 as amended.</i></p>