

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on February 19, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. Benlon
Rep. Long
Rep. King

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

Conferees appearing before the committee: Representative Flora
Randy Speaker, Housing Director, KDOCH
Karen France, Director of Governmental Affairs, Kansas
Association of Realtors
Mary LaFaver, Director, Community Development
Division, KDOCH
Bill Thompson, National Marketing Manager, Business
Development Division Department, KDOCH
Shirley Sicilian, Director of Research and Revenue of Analysis

Others attending: See attached list

Chairperson Allen brought the Committee's attention to testimony received from Chris McKenzie, Executive Director, League of Kansas Municipalities in support of **HB2883** - concerning the extending of the neighborhood improvement and youth employment act. The written testimony was passed out to the committee (Attachment 1).

Chairperson Allen opened the hearing on **HB3032** - KDFFA housing bonds available statewide. She requested Bob Nugent, Revisor, to give a summary of the bill.

Rep. Flora was recognized by Chairperson Allen as a proponent. He informed the committee **HB3032** was being offered to authorize the Kansas Development Financy authority to have statewide authority to issue mortgage revenue bonds where local communities choose not to issue them themselves (Attachment 2).

Chairperson Allen recognized Randy Speaker, to give a briefing on what programs KDOCH has for first time home buyers. A handout was passed out to the Committee. Chairperson Allen made a request for Randy to come back on Wednesday and submit an update on the performance audit report (Attachment 3).

Karen France, was recognized by Chairperson Allen as a proponent of the bill. She stated this legislation would make mortgage revenue bond money available for all Kansans, rather than just those fortunate to live in counties or cities which have the ability to finance an MRB program (Attachment 4).

Chairperson Allen closed the hearing on **HB3032**.

The public hearing on **HB3040** - strategic planning assistance extended an additional year, was opened by Chairperson Allen. Mary LaFaver was recognized by Chairperson Allen as a supporter of this bill. Mary stated having both programs expire at the same time would avoid confusion in communities and give the Community Development Division adequate time to outline the planning function for FY98 (Attachment 5).

Chairperson Allen concluded the hearing on **HB3040**.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, Room 423-S
Statehouse, at 3:30 p.m. on February 19, 1996.

Chairperson Allen brought the Committee's attention to **HB2687**, relating to the expansion of enterprise zone act. She handed out copies of the sub-language, and asked Bill Thompson to explain adopting the sub language to work on the sub-bill (Attachment 6).

Shirley Sicilian answered committee's questions pertaining to Section 3(a), filing Kansas tax returns.

Chairperson Allen made a request to Bill Thompson to take the committee through the rest of the bill. He stated his department could be comfortable with the compromise regarding the ancillary support question.

Shirley Sicilian felt that the Department of Revenue and the Department of Commerce and Housing still had some differences regarding the ancillary support services and the qualifications. The Committee requested the Department of Revenue and Department of Commerce and Housing to come up with something in writing as to legislative intent. Steve Kelly, KDOCH, informed the committee there would be a unified voice by Wednesday. Chairperson Allen requested a response from the Department of Revenue in writing, and said the committee would work the bill on February 21.

Chairperson Allen brought the Committee's attention to **HB3040** - strategic planning assistance extended an additional year. Rep. Packer make a motion to pass the bill favorably and place it on the consent calendar. Rep. Glasscock seconded the motion. The motion carried.

HB2686 - tort claims immunity for KDFA was called to the attention of the Committee. Lynne Holt updated the Committee briefly that KDFA should be considered a governmental entity for the purposes of the tort claim act, and now it is not. Rep. Packer moved to pass the bill favorably and place it on the consent calendar. It was seconded by Rep. Glasscock. The motion carried.

Chairperson Allen adjourned the meeting at 4:50 p.m.

The next meeting is scheduled for February 20, 1996.



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

TO: House Economic Development Committee
Representative Barbara Allen, Chairperson

FROM: Chris McKenzie, Executive Director *cm*

DATE: February 19, 1996

SUBJECT: Support for HB 2883

I apologize that I was not able to attend last week's hearing of the Committee on HB 2883. The League appeared in support of this measure in 1994, and we again wish to express our support for the proposal. Each adult who had meaningful employment opportunities as a teenager knows the true value of those experiences in shaping our attitudes toward work and in making career choices. Programs such as the Neighborhood Improvement and Youth Employment Act can make a difference in the lives of such young adults, and the state of Kansas can look with pride to such programs.

The cities of Kansas urge your support for the renewal of this program. Even if no city is selected as a grant recipient in the future, the program can help make a difference in the lives of youth who need preparation for entering the work force of the future.

Cc. Representative Barbara Ballard

*Economic Development
February 19, 1996
Attachment 1*

STATE OF KANSAS

VAUGHN L. FLORA
REPRESENTATIVE, 57TH DISTRICT
431 WOODLAND AVE.
TOPEKA, KANSAS 66607



COMMITTEE ASSIGNMENTS
MEMBER: BUSINESS, COMMERCE AND LABOR
ENERGY AND NATURAL RESOURCES
TRANSPORTATION

STATE CAPITOL
RM 278-W
TOPEKA, KANSAS 66612-1504
913-296-7658

TOPEKA

HOUSE OF
REPRESENTATIVES

February 19, 1996

HB3032
Economic Development Committee

This bill is being offered to authorize the Kansas Development Finance Authority to have statewide authority to issue Mortgage Revenue Bonds where local communities choose not to issue them themselves.

In the Kansas Housing Blueprint Survey of the 1,744 respondents, 78% said they would like the State of Kansas to act as an agent to issue mortgage revenue bonds. Housing is an important part of economic development.

*Rep
Vaughn Flora*

*Economic Development
February 19, 1996
Attachment 2*

KANSAS DEPARTMENT OF COMMERCE AND HOUSING
 TESTIMONY PRESENTED TO
 HOUSE SUBCOMMITTEE FOR ECONOMIC DEVELOPMENT
 FEBRUARY 19, 1996

	<u>\$ INVESTED</u>	<u># HOMEBUYERS</u>	<u># PERSONS</u>	<u>COUNTIES SERVED</u>
<u>HOME</u>	\$ 1,668,369	144	403	24

Butler, Cowley, Crawford, Dickinson, Edwards, Finney, Ford, Geary, Grant, Jackson, Labette, Leavenworth, Montgomery, Morton, Reno, Republic, Riley, Rooks, Saline, Scott, Sedgwick, Seward, Sumner, and Wyandotte

<u>MCC</u>	\$ 68,705,909	1198	3,353	45
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Atchison, Barton, Brown, Butler, Clark, Cloud, Comanche, Cowley, Crawford, Dickinson, Douglas, Ford, Franklin, Geary, Graham, Harvey, Jackson, Jefferson, Johnson, Kingman, Leavenworth, Lincoln, Lyon, McPherson, Marion, Miami, Montgomery, Nemaha, Neosho, Norton, Osage, Ottawa, Pawnee, Phillips, Reno, Riley, Rush, Saline, Sedgwick, Shawnee, Smith, Stafford, Washington, Wichita, and Wyandotte

<u>MRB</u>	\$ 46,765,000	850*	2,372	42
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Barton, Butler, Clay, Cloud, Cowley, Dickinson, Ellis, Ellsworth, Finney, Ford, Geary, Gray, Grant, Harvey, Haskell, Jackson, Kingman, Marion, McPherson, Mitchell, Morris, Osage, Osborne, Ottawa, Pawnee, Pottawatomie, Pratt, Reno, Rice, Riley, Rooks, Rush, Russell, Saline, Sedgwick, Seward, Shawnee, Sherman, Smith, Sumner, Wabaunsee, and Washington

*Based on average loan amount of \$55,000

*Economic Development
 February 19, 1996
 Attachment 3*



Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611-2098
Telephone 913/267-3610
Fax 913/267-1867

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS
DATE: FEBRUARY 19, 1996
SUBJECT: HB 3032, MRB AUTHORITY FOR K DFA

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS® I appear today to support the measure before you.

We believe this proposal will create housing opportunities in the state for a broader base of citizens. This legislation will make mortgage revenue bond money available for all Kansans, rather than those fortunate to live in counties or cities which have the ability to finance a mortgage revenue bond program.

We have visited with REALTORS® in some of the surrounding states which have had this program for many years. They feel it has helped fill many gaps in the mortgage money market, while preserving local lender participation.

During these rare times of low interest rates, it is easy to forget how valuable mortgage revenue bond programs can be to homebuyers. However, we need to plan ahead and lay the groundwork for solutions when interest rates start climbing again.

We feel this legislation is narrowly drawn to meet a very important need. We urge you to give positive consideration to this bill.

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Attachment 4*

KANSAS

DEPARTMENT OF COMMERCE & HOUSING



TESTIMONY OF

Mary Faye LaFaver, Director
Community Development Division
In Support of HB 3040, Strategic Planning

Bill Graves, Governor
Gary Sherrer, Secretary

Madam Chairperson, and members of the Committee, I am Mary Faye LaFaver Director of the Community Development Division at the Kansas Department of Commerce and Housing, here today in support of HB 3040.

Under existing statute, the Strategic Planning Program for non-metropolitan counties is scheduled to expire on July 1, 1996; the metropolitan counties program is scheduled to expire on July 1, 1998. The Department would like to have both programs expire on July 1, 1997 to avoid confusion in communities and to provide adequate time for us to outline what the planning function within the Community Development Division will be beginning with FY98.

Planning is a critical component for capacity building in communities. The present program outlined in statute has run its course and, I believe, largely accomplished what it was intended to do. We believe the State's role in this planning process has reached a point where it needs to be re-examined.

Of the 105 counties in Kansas, 97 have completed strategic plans. Some of them have done it without the assistance of the State; others have used the planning grants to accomplish the task. Those counties with strategic plans have also started the implementation with the action grant program in existing statute.

To keep the process simple, both the metro and the non-metro programs should expire at the same time, the end of FY97. We should identify the logical continuation of the Division's role in the planning process utilizing the framework established through the work already accomplished at the county level and be prepared to present that to you in January 1997.

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Attachment 5*

COMMUNITY DEVELOPMENT DIVISION

700 S.W. Harrison Street, Suite 1300, Topeka, Kansas 66603-3712
(913) 296-3485 FAX (913) 296-0186 TTY (913) 296-3487

The Community Development Division's mission is: to preserve and enhance the livability of Kansas communities by increasing their capacity to meet their needs. The communities of Kansas must plan for the future, assess their strengths and weaknesses, and develop and implement strategies to capitalize on their strengths and correct their weaknesses. These actions, when coupled with financial and technical assistance, allow communities to achieve their objectives.

I respectfully request your support of this legislation to move us forward in our quest to better serve all areas of Kansas.

AN ACT concerning the enterprise zone law; expanding the eligibility therefor; amending K.S.A. 1995 Supp. 74-50,114, 74-50,115, 79-32,153, and 79-32,160a and repealing the existing sections.

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

Section 1. K.S.A. 1995 Supp. 74-50,114 is hereby amended to read as follows: 74-50,114. As used in K.S.A. 74-50,113 through 74-50,117 and amendments thereto:

(a) "Ancillary support" means a facility which is operated by a business and whose function is to provide services in support of the business, but is not directly engaged in the business' primary function.

(a)(b) "Business" means any manufacturing business or nonmanufacturing business.

(b)(c) "~~Corporate~~ Business headquarters" means a facility where principal officers of the ~~corporation~~ business are housed and from which direction, management or administrative support for transactions is provided for a ~~corporation~~ business or, division of a ~~corporation~~ business, or regional division of a business.

(e)(d) "Full-time employee" means a person who is employed by a business or retail business, and who is required to file a Kansas income tax return, to perform duties in connection with the operation of the business or retail business on: (1) A regular, full-time basis; (2) a part-time basis, provided such person is customarily performing such duties at least 20 hours per week throughout the taxable year; or (3) a seasonal basis, provided such person performs such duties for substantially all of the season customary for the position in which such person is employed. The number of full-time employees during any taxable year shall be determined by dividing by 12 the sum of the number of full-time employees on the last business day of each month of such taxable year. If the business or retail business is in operation for less than the entire taxable year, the number of full-time employees shall be determined by dividing the sum of the number of full-time employees on the last business day of each full calendar month during the portion of such taxable year during which the business was in operation by the number of full calendar months during such period.

(d)(e) "Manufacturing business" means all commercial enterprises identified under the manufacturing standard industrial classification codes, major groups 20 through 39.

(e)(f) "Metropolitan county" means the county of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee or Wyandotte.

(f)(g) "Nonmanufacturing business" means any commercial enterprise other than a manufacturing business or a retail business. Nonmanufacturing business shall also include the ~~corporate~~ business headquarters of an enterprise, ancillary support of an enterprise, and an enterprise designated under the standard industrial classification codes as 5961, 6411 or 7372 regardless of the firm's classification as a retail business if that facility for which the sales tax exemption certificate is issued facilitates the creation of at least 20 new full-time positions.

(g)(h) "Nonmetropolitan region" means a region established under K.S.A. 74-50,116 and amendments thereto and is comprised of any county or counties which are not metropolitan counties.

(h)(i) "Retail business" means: (1) Any commercial enterprise primarily engaged in the sale at retail of goods or services taxable under the Kansas retailers' sales tax act; (2) any service provider set forth in K.S.A. 17-2707, and amendments thereto; (3) any bank, savings and loan or other lending institution; (4) any commercial enterprise whose primary business activity includes the sale of insurance; and (5) any commercial enterprise deriving

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Attachment 6*

its revenues directly from noncommercial customers in exchange for personal services such as, but not limited to, barber shops, beauty shops, photographic studios and funeral services.

(j) "Secretary" means the secretary of the Kansas department of commerce and housing.

(k) "Standard industrial classification code" means a standard industrial classification code published in the Standard Industrial Classification manual, 1987, as prepared by the statistical policy division of the office of management and budget of the office of the president of the United States of America.

Sec. 2. K.S.A. 1995 Supp. 74-50,115 is hereby amended to read as follows: 74-50,115.

(a) A manufacturing business may be eligible for a sales tax exemption under the provisions of subsection (cc) of K.S.A. 79-3606, and amendments thereto, if the manufacturing business complies with the following requirements:

(1) A manufacturing business shall provide documented evidence of job expansion involving the employment of at least two additional full-time employees; and

(2) a manufacturing business located within the state of Kansas that has documented evidence of job expansion as provided in paragraph (1), which relocates in to another city or county within the state of Kansas must receive approval from the secretary prior to qualifying for the sales tax exemption in subsection (cc) of K.S.A. 79-3606, and amendments thereto, except that approval by the secretary shall not be required if the manufacturing business relocates within the same city.

(b) A nonmanufacturing business may be eligible for a sales tax exemption under the provisions of subsection (cc) of K.S.A. 79-3606, and amendments thereto, if the nonmanufacturing business complies with the following requirements:

(1) A nonmanufacturing business shall provide documented evidence of job expansion involving the employment of at least five additional full-time employees; and

(2) a nonmanufacturing business located within the state of Kansas that has documented evidence of job expansion as provided in paragraph (1), which relocates in another city or county within the state of Kansas must receive approval from the secretary prior to qualifying for the sales tax exemption in subsection (cc) of K.S.A. 79-3606, and amendments thereto, except that approval by the secretary shall not be required if the nonmanufacturing business relocates within the same city.

(c) A retail business may qualify for the sales tax exemption under subsection (cc) of K.S.A. 79-3606, and amendments thereto, if the retail business complies with the following requirements:

(1) A retail business shall provide documented evidence of job expansion involving the employment of at least two additional full-time employees; and

(2) such retail business locates or expands to a city having a population of 2,500 or less, as determined by the latest United States federal census.

(d) Any person constructing, reconstructing, remodeling or enlarging a facility which will be leased for a period of five years or more to a business that would be eligible for a sales tax exemption hereunder if such business had constructed, reconstructed, enlarged or remodeled such facility itself shall be entitled to the sales tax exemption under the provisions of subsection (cc) of K.S.A. 79-3606, and amendments thereto.

(e) A business may qualify for a sales tax exemption under subsection (cc) of K.S.A. 79-3606, and amendments thereto, without regard to any of the foregoing requirements of this section if it is certified as a qualified firm by the secretary of commerce and housing pursuant to K.S.A. 1995 Supp. 74-50,131, and amendments thereto, and is entitled to the corporate tax credit established in K.S.A. 1995 Supp. 74-50,132, and amendments thereto, or has received written approval for participation and has participated, during the tax year in which the exemption is claimed, in training assistance by the department of commerce and housing under the Kansas industrial training, Kansas industrial retraining or state of Kansas investments in lifelong learning program.

(f) The secretary may adopt rules and regulations to implement and administer the provisions of this section.

Sec. 3. K.S.A. 1995 Supp. 79-32,160a is hereby amended to read as follows: 79-32,160a.

(a) Any taxpayer who shall invest in a qualified business facility, as defined in subsection (b) of K.S.A. 79-32,154, and amendments thereto, and also meets the definition of a business in subsection (a) of K.S.A. 74-50,114 and amendments thereto, shall be allowed a credit for such investment, in an amount determined under subsection (b) or (c), as the case requires, against the tax imposed by the Kansas income tax act for the taxable year during which commencement of commercial operations, as defined in subsection (f) of K.S.A. 79-32,154, and amendments thereto, occurs at such qualified business facility. In the case of a taxpayer who meets the definition of a manufacturing business in subsection (c) of K.S.A. 74-50,114 and amendments thereto, no credit shall be allowed under this section unless the number of qualified business facility employees, as determined under subsection (d) of K.S.A. 79-32,154, and amendments thereto, engaged or maintained in employment at the qualified business facility as a direct result of the investment by the taxpayer for the taxable year for which the credit is claimed equals or exceeds two. In the case of a taxpayer who meets the definition of a nonmanufacturing business in subsection (e) of K.S.A. 74-50,114 and amendments thereto, no credit shall be allowed under this section unless the number of qualified business facility employees, as determined under subsection (d) of K.S.A. 79-32,154, and amendments thereto, engaged or maintained in employment at the qualified business facility as a direct result of the investment by the taxpayer for the taxable year for which the credit is claimed equals or exceeds five. *Where an employee performs services for the taxpayer outside the qualified business facility, the employee shall be considered engaged or maintained in employment at the qualified business facility if (1) the employee's service performed outside the qualified business facility is incidental to the employee's service inside the qualified business facility, or (2) the base of operations or, the place from which the service is directed or controlled, is at the qualified business facility.*

(b) The credit allowed by subsection (a) for any taxpayer who invests in a qualified business facility which is located in a designated nonmetropolitan region established under K.S.A. 74-50,116 and amendments thereto, on or after the effective date of this act, shall be a portion of the income tax *imposed by the Kansas income tax act on the taxpayer's Kansas taxable income for the taxable year for which such credit is allowed*, but in the case where the qualified business facility investment was made prior to January 1, 1996, not in excess of 50% of such tax imposed by the Kansas income tax act on the taxpayer's Kansas taxable income, for the taxable year for which such credit is allowed. Such portion shall be an amount equal to the sum of the following:

(1) Two thousand five hundred dollars for each qualified business facility employee determined under K.S.A. 79-32,154, and amendments thereto; plus

(2) one thousand dollars for each \$100,000, or major fraction thereof, which shall be deemed to be 51% or more, in qualified business facility investment, as determined under K.S.A. 79-32,154, and amendments thereto.

(c) The credit allowed by subsection (a) for any taxpayer who invests in a qualified business facility, which is not located in a nonmetropolitan region established under K.S.A. 74-50,116 and amendments thereto and, which also meets the definition of business in subsection (a) of K.S.A. 74-50,114 and amendments thereto, on or after the effective date of this act shall be a portion of the income tax *imposed by the Kansas income tax act on the taxpayer's Kansas taxable income, for the taxable year for which such credit is allowed*, but in the case where the qualified business facility investment was made prior to January 1, 1996, not in excess of 50% of such tax imposed by the Kansas income tax act on the taxpayer's Kansas taxable income, for the taxable year for which such credit is allowed. Such portion shall be an amount equal to the sum of the following:

(1) One thousand five hundred dollars for each qualified business facility employee as determined under K.S.A. 79-32,154, and amendments thereto; and

(2) one thousand dollars for each \$100,000, or major fraction thereof, which shall be deemed to be 51% or more, in qualified business facility investment as determined under K.S.A. 79-32,154, and amendments thereto.

(d) The credit allowed by subsection (a) for each qualified business facility employee and for qualified business facility investment shall be a one-time credit. If the amount of the credit allowed under subsection (a) exceeds ~~50%~~ of the tax imposed by the Kansas income tax act on the taxpayer's Kansas taxable income for the taxable year, *or in the case where the qualified business facility investment was made prior to January 1, 1996, 50% of such tax imposed*, the amount ~~thereof~~ which exceeds such tax liability *or such portion thereof*, may be carried over for credit *in the same manner* in the succeeding taxable years until the total amount of such credit is used. ~~e~~Except that, before the credit is allowed, a taxpayer, who meets the definition of a manufacturing business in subsection (c) of K.S.A. 74-50,114 and amendments thereto, shall recertify annually that the net increase of a minimum of two qualified business facility employees has continued to be maintained and a taxpayer, who meets the definition of a nonmanufacturing business in subsection (e) of K.S.A. 74-50,114 and amendments thereto, shall recertify annually that the net increase of a minimum of five qualified business employees has continued to be maintained.

(e) Notwithstanding the foregoing provisions of this section, any taxpayer qualified and certified under the provisions of K.S.A. 1995 Supp. 74-50,131, and amendments thereto, and that has received written approval from the secretary of commerce and housing for participation and has participated, during the tax year for which the exemption is claimed, in the Kansas industrial training, Kansas industrial retraining or the state of Kansas investments in lifelong learning program or is eligible for the tax credit established in K.S.A. 1995 Supp. 74-50,132, *and amendments thereto*, shall be entitled to a credit in an amount equal to 10% of that portion of the qualified business facility investment which exceeds \$50,000 in lieu of the credit provided in subsection (b)(2) or (c)(2) without regard to the number of qualified business facility employees engaged or maintained in employment at the qualified business facility. The credit allowed by this subsection shall be a one-time credit. If the amount thereof exceeds the tax imposed by the Kansas income tax act on the taxpayer's Kansas taxable income for the taxable year, the amount thereof which exceeds such tax liability may be carried forward for credit in the succeeding taxable year or years until the total amount of the tax credit is used, except that no such tax credit shall be carried forward for deduction after the 10th taxable year succeeding the taxable year in which such credit initially was claimed and no carry forward shall be allowed for deduction in any succeeding taxable year unless the taxpayer continued to be qualified and was recertified for such succeeding taxable year pursuant to K.S.A. 1995 Supp. 74-50,131, *and amendments thereto*.

(f) This section and K.S.A. 1995 Supp. 79-32,160b and amendments thereto shall be part of and supplemental to the job expansion and investment credit act of 1976 and acts amendatory thereof and supplemental thereto.

Sec. 4. K.S.A. 1995 Supp. 79-32,153 is hereby amended to read as follows: 79-32,153.

(a) Any taxpayer who shall invest in a qualified business facility as defined in subsection (b) of K.S.A. 79-32,154, and amendments thereto, shall be allowed a credit for such investment, in an amount determined under subsection (b) against the tax imposed by the Kansas income tax act, *the privilege tax on net income of insurance companies imposed under K.S.A. Chapter 40 Article 28, or the privilege tax as measured by net income of financial institutions imposed under K.S.A. Chapter 79 Article 11*, for the taxable year during which commencement of commercial operations, as defined in subsection (f) of K.S.A. 79-32,154, and amendments thereto, occurs at such qualified business facility, and for each of the nine succeeding taxable years. No credit shall be allowed under this section unless the number of qualified business facility employees, as determined under subsection

(d) of K.S.A. 79-32,154, and amendments thereto, engaged or maintained in employment at the qualified business facility as a direct result of the investment by the taxpayer for the taxable year for which the credit is claimed equals or exceeds two. *Where an employee performs services for the taxpayer outside the qualified business facility, the employee shall be considered engaged or maintained in employment at the qualified business facility if (1) the employee's service performed outside the qualified business facility is incidental to the employee's service inside the qualified business facility, or (2) the base of operations or, the place from which the service is directed or controlled, is at the qualified business facility.*

(b) The credit allowed by subsection (a) for any taxpayer who invests in a qualified business facility shall be a portion of the ~~income~~ tax, but not in excess of 50% of such tax, otherwise imposed ~~by the Kansas income tax act~~ on or measured by the taxpayer's qualified business facility income, as defined in subsection (g) of K.S.A. 79-32,154, and amendments thereto, for the taxable year for which such credit is allowed. Such portion shall be an amount equal to the sum of the following:

(1) One hundred dollars for each qualified business facility employee determined under K.S.A. 79-32,154, and amendments thereto; plus

(2) one hundred dollars for each \$100,000, or major fraction thereof (which shall be deemed to be 51% or more), in qualified business facility investment as determined under K.S.A. 79-32,154, and amendments thereto.

(c) No credit shall be allowed under this section for investment in a public utility, as such term is defined in K.S.A. 66-104, and amendments thereto.

Sec. 5. K.S.A. 1995 Supp. 79-32,154(g) is hereby amended to read as follows: 79-32,154(g). "Qualified business facility income" shall mean the Kansas taxable income, ~~as defined in article 32 of chapter 79 of the Kansas Statutes Annotated and amendments thereto,~~ derived by the taxpayer from the operation of the qualified business facility. If a taxpayer has income derived from the operation of a qualified business facility as well as from other activities conducted within this state, the Kansas taxable income derived by the taxpayer from the operation of the qualified business facility shall be determined by multiplying the taxpayer's Kansas taxable income, ~~computed in accordance with article 32 or chapter 79 of the Kansas Statutes Annotated and amendments thereto,~~ by a fraction, the numerator of which is the property factor, as defined in paragraph (1), plus the payroll factor, as defined in paragraph (2), and the denominator of which is two. *In the case of financial institutions, the property and payroll factors shall be computed utilizing the specific provisions of the apportionment method applicable to financial institutions, if enacted, and the qualified business facility income shall be based upon net income.*

(1) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in connection with the operation of the qualified business facility during the tax period, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period. The average value of all such property shall be determined as provided in K.S.A. 79-3281 and 79-3282, and amendments thereto.

(2) The payroll factor is a fraction, the numerator of which is the total amount paid during the tax period by the taxpayer for compensation to persons qualifying as qualified business facility employees, as determined under subsection (d), at the qualified business facility, and the denominator of which is the total amount paid in this state during the tax period by the taxpayer for compensation. The compensation paid in this state shall be determined as provided in K.S.A. 79-3283, and amendments thereto.

The formula set forth in this subsection (g) shall not be used for any purpose other than determining the qualified business facility income attributable to a qualified business facility.

New Sec. 6. The provisions of sections 1,3,4 and 5 of this act shall be applicable to all taxable years commencing after December 31, 1995. Sec. 7. K.S.A. 1995 Supp. 74-50,114, 74-50,115, 79-32,153, 79-32,154 and 79-32,160a are hereby repealed. Sec. 8. This act shall take effect and be in force from and after its publication in the statute book.