

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Chairperson Representative Kenny Wilk at 3:30 p.m. on February 4, 2003, in Room 522-S of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research
Renae Jefferies, Revisor of Statutes
Fulva Seufert, Committee Secretary

Conferees appearing before the committee: Tracy Taylor, President & CEO, KTEC
Charles R. Ranson, President, Kansas, Inc.
Mark Leonard, Research Analyst, Kansas, Inc.
Richard Cram, Department of Revenue, Office of Policy & Research
David Burress, Policy Research Institute, University of Kansas

Others attending: See list attached

Chairman Wilk opened the meeting Tuesday, February 4, 2003, by recognizing Representative Vaughn Flora who requested a committee bill introduction. It concerned tax increment financing and sales tax revenue bonds; relating to major commercial, entertainment and tourism areas and redevelopment of property located in Sedgwick County; amending K.S.A. 12-1770a and 12-1774 and K.S.A. 2002 Supp. 79-3620 and repealing the existing sections.

Representative Burroughs made a motion to introduce this as a committee bill, and Representative Novescone seconded. Motion carried.

The Chair recognized Mr. Tracy Taylor, President & CEO of KTEC, who provided clarification to his answer to Representative Boyer's question January 30, 2003, referring to the \$132,530 which was the equivalent to their three open FTE positions that **HB 2026** removed from the KTEC budget. He said he misunderstood and thought the question concerned KTEC Holdings, KTEC's source of follow-on capital for Kansas businesses. He further said that KTEC Holdings funding was not removed from their budget in **HB 2026**, and he apologized for not answering the question more clearly. "The Division of Budget, however, is recommending that we substitute significant KTEC Holdings and other outside revenue resources for EDIF appropriations in the 2004 budget. Under this recommendation, the funds would be used for operations expenses, in conflict with KTEC Holdings' intent of reinvesting in emerging companies." (Attachment 1).

The Chairman thanked Mr. Taylor for his time and trouble to clarify the budget item.

Deb Hollon, Senior Fiscal Analyst, was unable to attend the meeting, but provided the committee members with a written interpretation concerning this same topic in an attempt to clarify some questions in the January 30, 2003, meeting. (Attachment 2).

The Chair recognized Mr. Charles R. Ranson, President of Kansas, Inc., who said that he planned to testify on the following three subjects:

- The Kansas, Inc. Annual Report
- Implementation of provisions of **SB 129** (2002 Session) concerning Kansas, Inc.'s report on the cost effectiveness of specified income tax credits and sales tax exemptions
- Kansas, Inc.'s reaction to Governor Sebelius' recommendation to transfer the functions and responsibilities of the agency to KDOCH and to abolish Kansas, Inc.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT at 3:30 p.m. on February 4, 2003 in Room 522-S of the Capitol.

Mr. Ranson then asked if Mark Leonard, newly hired Research Analyst, could address the committee to present analysis of Population and Income Indicators for 1991 through 2001. His report (Attachment 3) included the following:

- Chart 1. Population and Employment, 1991-2001
- Table 2. Kansas Employment Indicators by Industry, 1991-2001
- Table 3. Kansas Wage Indicators
- Chart 3. Real Gross State Product, 1990-2000
- Chart 4. Labor Productivity, 1990-2000

Chairman Wilk asked the Committee to look these figures over carefully as it could be a valuable tool, and he hoped the members would provide interaction.

Mr. Ranson followed by saying that he appreciated all the questions. He made a comment about the annual reports not being as focused as they should be and that some more meaningful reports could be prepared with the committee's input. He then addressed in depth the three subjects stated above. (Attachment 4).

The Chair next introduced Mr. Richard Cram, Department of Revenue, who spoke to confidentially restrictions concerning taxpayer information. He said that "K.S.A. 2002 Supp 79-3234 bars current and former Department employees from disclosing to anyone the amount of income or any particulars set forth or disclosed in any income tax return." His handout stated, "The Department annually provides to Kansas, Inc. a summary report showing the amount of various tax credits claimed and the number of taxpayers claiming them per tax year. The Department also provides to Kansas, Inc. Information on the amount of enterprise zone sales tax exemptions claimed. A copy of the most current summary report is attached. (Attachment 5). Also attached is the *State of Kansas Economic Development Incentive Questionnaire*. (Attachment 6).

Chairman Wilk introduced Mr. David Burress, Policy Research Institute, University of Kansas, who provided the members with information (Attachment 7) on the following topics:

- Is Kansas Cost-Competitive (Taxes, Costs of Doing Business, and Economic Development)
- Kansas Joint Committee on Economic Development
- Business Tax and Cost Study
- Economic Development Framework
- Key Tax Rates and Costs, 6 States
- Kansas Business Tax Incentives
- Cost of Business Comparisons, 6 States
- Conclusions and Recommendations

The Chair thanked all the guests who testified and commented that there was a wealth in good information in the presentations. He announced that the next meeting would be Thursday, February 6, 2003, at which time the committee would be briefed on the STAR Bond authority and particularly the Wichita STAR Bond bill that may come to the Committee. If so, hearings will be held next week.

Representative Kuether made a motion to approve the minutes of the January 30, 2003 meeting. Representative Hill seconded. Motion carried.

The meeting adjourned at 5:05 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

TUESDAY, FEBRUARY 4, 2003

NAME	REPRESENTING
Kevin Carr	KTEC
Tracy Taylor	KTEC
DAVID BURRESS	PRI-KU
Mark Leonard	Kansas Inc.
Cary Catchpole	KDOC & H
John Robinson	Lt. Governor's Ofc.
Sean Harrington	-
MAN COBB	KCCT
Ashley Sherard	Lenexa Chamber
Charles Tomson	Kansas Inc.
Bill Thompson	Commerce + Housing
Daphne [Signature]	Kansas Inc.

KTEC

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

February 4, 2003

The Honorable Kenny Wilk
Chairman, Committee on Economic Development
Kansas House of Representatives
Room 426-S, State Capitol
Topeka, KS 66612

Dear Chairman Wilk:

Thank you for the opportunity to speak to your committee. I was pleased to share more information about KTEC with you and your colleagues. I would be happy to meet separately with those who had to leave early.

I neglected to mention during my presentation that the Kauffman Foundation in Kansas City is considering committing approximately \$50 million to supporting the commercialization of life sciences and other technologies in the region. The foundation wants to make this area a laboratory for entrepreneurship – a region that will attract the country's best and brightest by nurturing young businesses.

I also wanted to clarify my answer to Rep. Boyer's question, referring to the \$132,530, the equivalent of our three open FTE positions, that HB 2026 removed from the KTEC budget. Not surprisingly, we do not support that cut, given we have already voluntarily reduced our staff by over 20% in fiscal year 2003. I thought Rep. Boyer was referring to KTEC Holdings, KTEC's source of follow-on capital for Kansas businesses. KTEC Holdings funding was not removed from our budget in HB 2026, and I apologize for not answering the question more clearly. The Division of Budget, however, is recommending that we substitute significant KTEC Holdings and other outside revenue resources for EDIF appropriations in the 2004 budget. Under this recommendation, the funds would be used for operations expenses, in conflict with KTEC Holdings' intent of reinvesting in emerging companies.

Again, I enjoyed speaking to the committee. Please do not hesitate to call me if there is ever anything KTEC or I can do to assist you or your committee.

Best regards,



Tracy B. Taylor
KTEC President & CEO
(785) 296-3583 or ttaylor@ktec.com

cc: Members of the House Committee on Economic Development
Deb Hollon, Legislative Research

House Economic Development
2/4/03
Attachment 1

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Rm. 545N—Statehouse, 300 SW 10th Ave
Topeka, Kansas 66612-1504
(785) 296-3181 ♦ FAX (785) 296-3824

kslegres@klrd.state.ks.us

<http://www.kslegislature.org/klrd>

February 4, 2003

To: Representative Kenny Wilk

Office No.: 426S

From: Deb Hollon, Senior Fiscal Analyst

Re: Correspondence from Kansas Technology Enterprise Corporation

I apologize that I cannot attend the Economic Development Committee meeting this afternoon. The memo dated January 31 from Tracy Taylor of KTEC attempted to clarify some discussions which took place during the committee's meeting on January 30.

The memo states that the Governor is "recommending that we substitute significant KTEC Holdings and other outside revenue resources for EDIF appropriations in the 2004 budget." The Governor does **not** include that item in her budget recommendation. The agency's budget was reduced by 5.1 percent (consistent with the majority of other state agencies). The agency has apparently chosen to fund those items through its KTEC Holdings Fund rather than reduce its operating budget.

I hope this information proves helpful. Please call should you have questions or need further information.

DH/aem

37183(2/4/3{10:47AM})

House Economic Development
2-4-03
Attachment 2

Table 1. Population and Income Indicators, 1991-2001

	Share of 2001 Region Population	Share of 2001 Nation Population	2001 Population (Growth)	Average Annual Growth	2000-2001 Growth (Percent)	Employment Growth	2000-2001 Employment Growth	2001 Disposable Income* (Growth)
Kansas	11.45%	0.95%	2,694,641 (8.76%)	0.77%	6,223 (0.23%)	19.14%	0.51%	\$24,607 (47.99%)
Arkansas	11.44%	0.95%	2,692,090 (14.24%)	1.22%	14,060 (0.53%)	21.77%	-0.07%	\$20,130 (47.9%)
Colorado	18.77%	1.55%	4,417,714 (33.56%)	2.67%	94,304 (2.18%)	42.19%	1.00%	\$28,283 (58.55%)
Iowa	12.42%	1.03%	2,923,179 (5.11%)	0.45%	-4,330 (-0.15%)	15.95%	-0.56%	\$23,864 (51.92%)
Missouri	23.92%	1.98%	5,629,707 (9.76%)	0.85%	26,154 (0.47%)	17.9%	-0.50%	\$24,448 (49.16%)
Nebraska	7.28%	0.60%	1,713,235 (8.32%)	0.73%	658 (0.04%)	19.35%	0.27%	\$25,022 (50.17%)
Oklahoma	14.70%	1.21%	3,460,097 (9.89%)	0.86%	6,847 (0.20%)	21.59%	0.88%	\$21,920 (48.14%)
Region	100%	8.26%	23,530,663 (13.23%)	1.14%	143,916 (0.62%)	23.01%	0.20%	N/A (-)
United States	1210.32%	100%	284,796,887 (14.51%)	1.24%	3,374,981 (1.20%)	20.84%	0.16%	\$25,939 (47.26%)

Source: Census Bureau and Bureau of Economic Analysis

* Per Capita measure. Region values cannot be calculated due to measurement method.

House Economic Development
2-4-03
Attachment 3

House Economic Development
2-4-03
Attachment 3

Chart 1. Population and Employment, 1991-2001

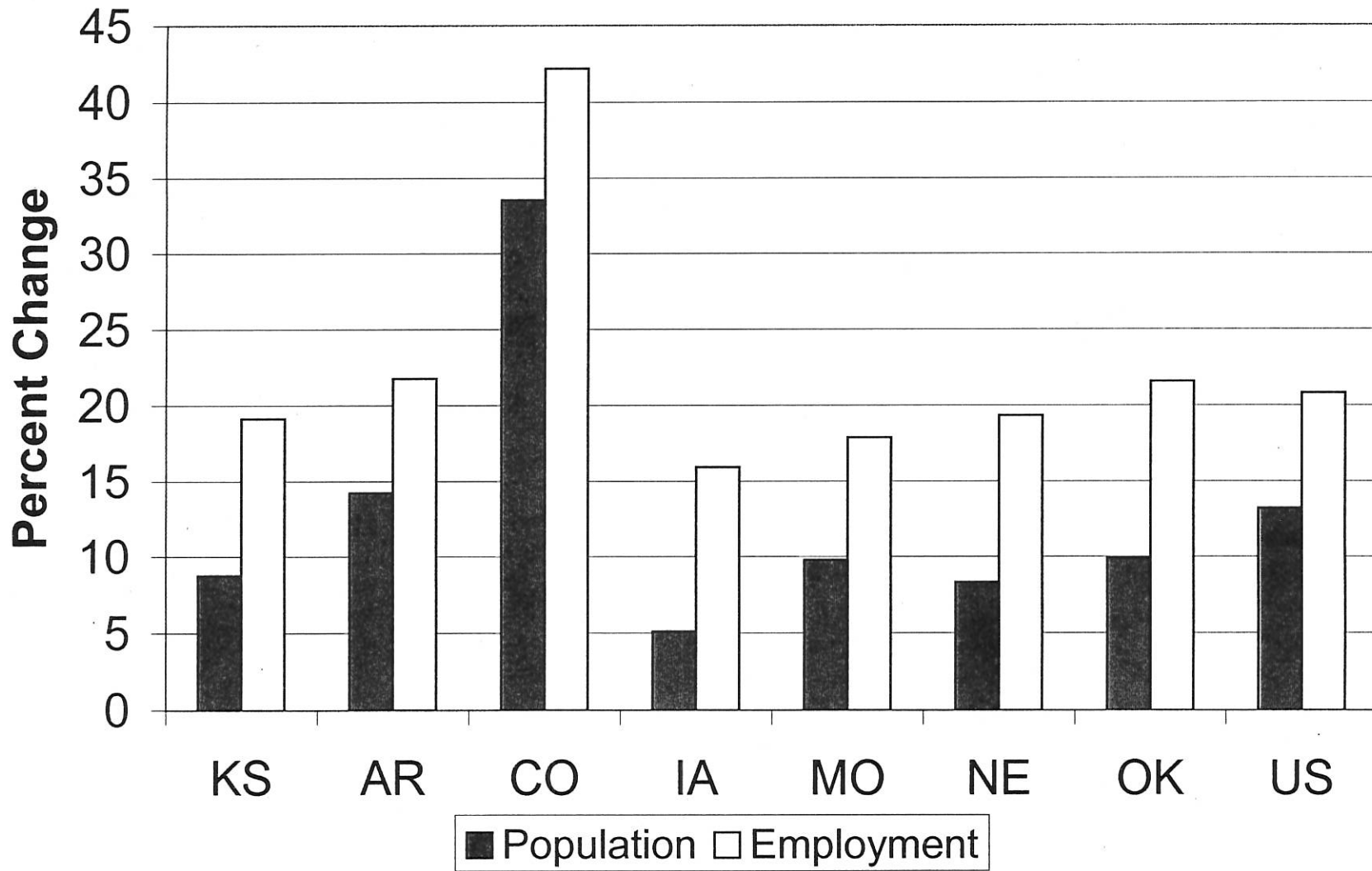


Table 2. Kansas Employment Indicators, 1991-2001

Industry	Share of 2001 Kansas Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Kansas Employment (Change)	2001 Regional Employment (Change)	2001 US Employment (Change)
Total Employment	100%	N/A	N/A	1,785,333 (19.14%)	14,938,916 (23.01%)	167,557,600 (20.84%)
Farm	4.34%	1.1105	2.1310	77,534 (-7.90%)	584,239 (-1.01%)	3,075,000 (-0.93%)
Agricultural Services	1.30%	1.0226	0.9720	23,256 (46.20%)	190,289 (48.17%)	2,195,900 (45.53%)
Mining	1.09%	1.3773	1.6413	19,515 (-31.43%)	118,559 (-25.70%)	810,200 (-20.78%)
Construction	5.14%	0.8634	1.0397	91,779 (45.33%)	889,491 (61.60%)	9,595,400 (40.88%)
Manufacturing	11.75%	1.0845	0.9948	209,693 (10.49%)	1,617,914 (2.92%)	18,241,100 (-4.12%)
TUC	5.78%	1.0498	1.1092	103,213 (37.51%)	822,706 (30.27%)	8,319,000 (26.44%)
Wholesale Trade	4.45%	1.0602	0.9609	79,410 (5.11%)	626,729 (8.91%)	7,315,700 (10.39%)
Retail Trade	16.48%	0.9879	1.0180	294,271 (21.25%)	2,492,472 (24.13%)	27,461,600 (20.57%)
FIRE	6.73%	0.8717	0.9473	120,072 (25.98%)	1,152,543 (39.57%)	13,645,800 (29.70%)
Services	27.11%	0.9345	0.9046	484,005 (29.80%)	4,333,811 (34.97%)	53,733,900 (36.14%)
Government	15.83%	1.1206	1.0218	282,585 (10.57%)	2,110,163 (11.54%)	23,164,000 (9.18%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* Sectors with location quotient values greater than 1 are likely to be export sectors of the Kansas economy.

Chart 2. Employment, 1991-2001

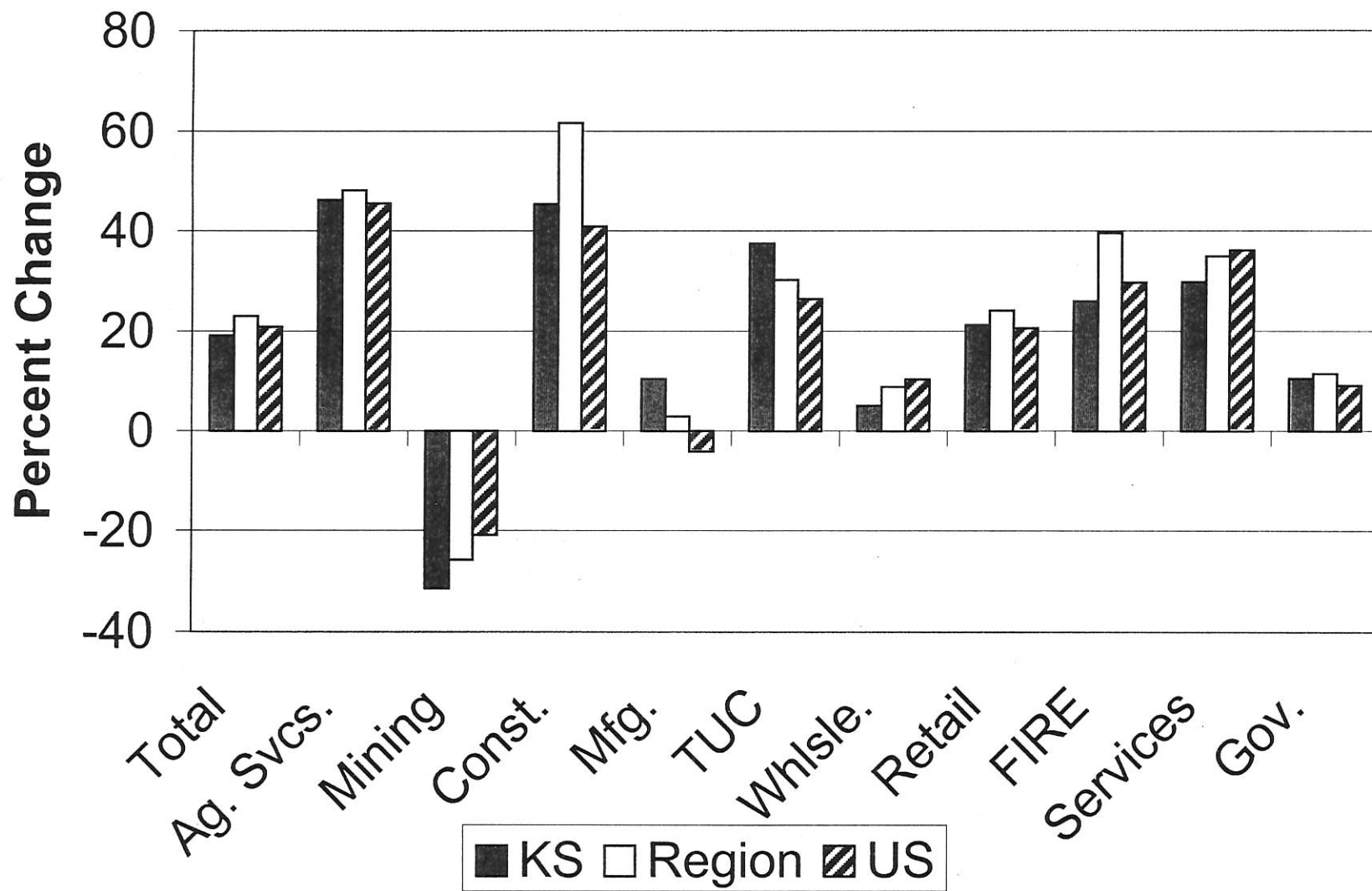


Table 3. Kansas Wage Indicators

Industry	Share of 2001 Kansas Wage Employment	2001 Regional Location Quotient*	2001 National Location Quotient*	2001 Kansas Average Wage (1991-2001 Growth)	2001 Regional Average Wage (1991-2001 Growth)	2001 US Average Wage (1991-2001 Growth)
Average Wage	100%	N/A	N/A	\$29,523 (44.07%)	\$30,704 (45.82%)	\$35,550 (46.81%)
Agriculture	0.93%	1.1655	1.4890	\$28,159 (94.39%)	\$22,710 (66.10%)	\$21,141 (68.64%)
Agricultural Services	0.94%	1.1734	0.8821	\$19,921 (54.41%)	\$24,289 (58.04%)	\$23,024 (44.18%)
Mining	0.52%	0.7545	1.2700	\$38,525 (49.10%)	\$43,953 (34.52%)	\$59,576 (52.94%)
Construction	4.66%	0.8914	0.9205	\$33,591 (47.98%)	\$35,521 (51.59%)	\$38,166 (42.35%)
Manufacturing	14.20%	1.0860	1.1173	\$39,041 (43.55%)	\$37,919 (40.86%)	\$44,612 (47.00%)
TUC	6.33%	1.0831	1.2370	\$43,565 (39.98%)	\$42,726 (39.10%)	\$44,639 (39.77%)
Wholesale Trade	5.16%	1.0596	1.0518	\$41,271 (55.41%)	\$41,331 (54.87%)	\$47,649 (52.33%)
Retail Trade	17.23%	0.9669	0.9931	\$16,656 (40.57%)	\$17,323 (43.49%)	\$19,287 (42.44%)
FIRE	4.75%	0.8741	0.8415	\$39,443 (63.88%)	\$42,353 (66.71%)	\$58,640 (86.53%)
Services	25.72%	0.9229	0.8444	\$26,651 (48.20%)	\$29,159 (57.04%)	\$33,808 (51.77%)
Government	19.55%	1.1130	1.1749	\$26,992 (36.05%)	\$29,518 (37.49%)	\$34,542 (38.33%)

Source: Bureau of Economic Analysis and Kansas, Inc.

* A sector with location quotient greater than 1 has a higher concentration of wages paid to that sector in the Kansas economy than in the group.

Chart 3. Real Gross State Product, 1990-2000

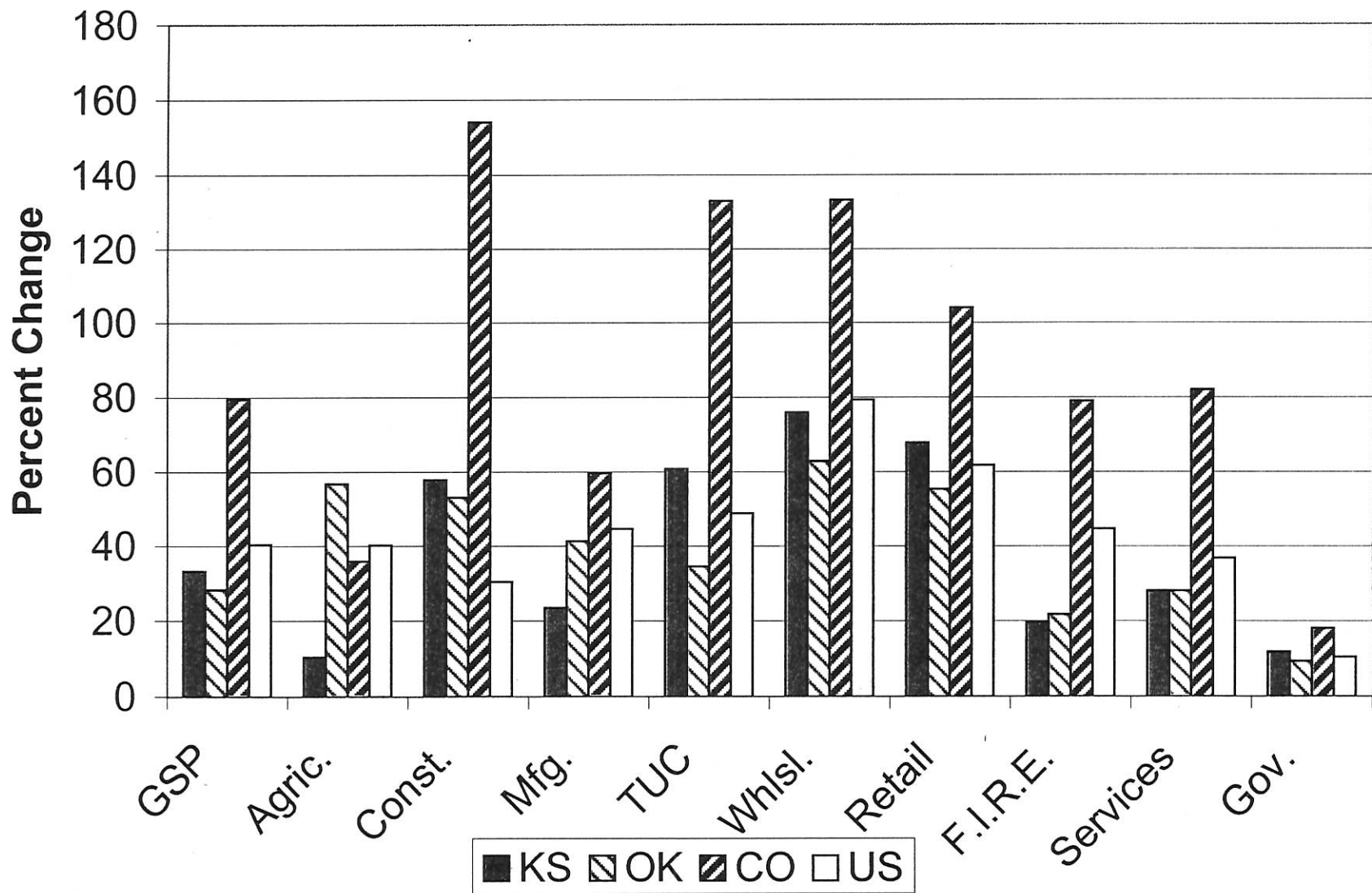
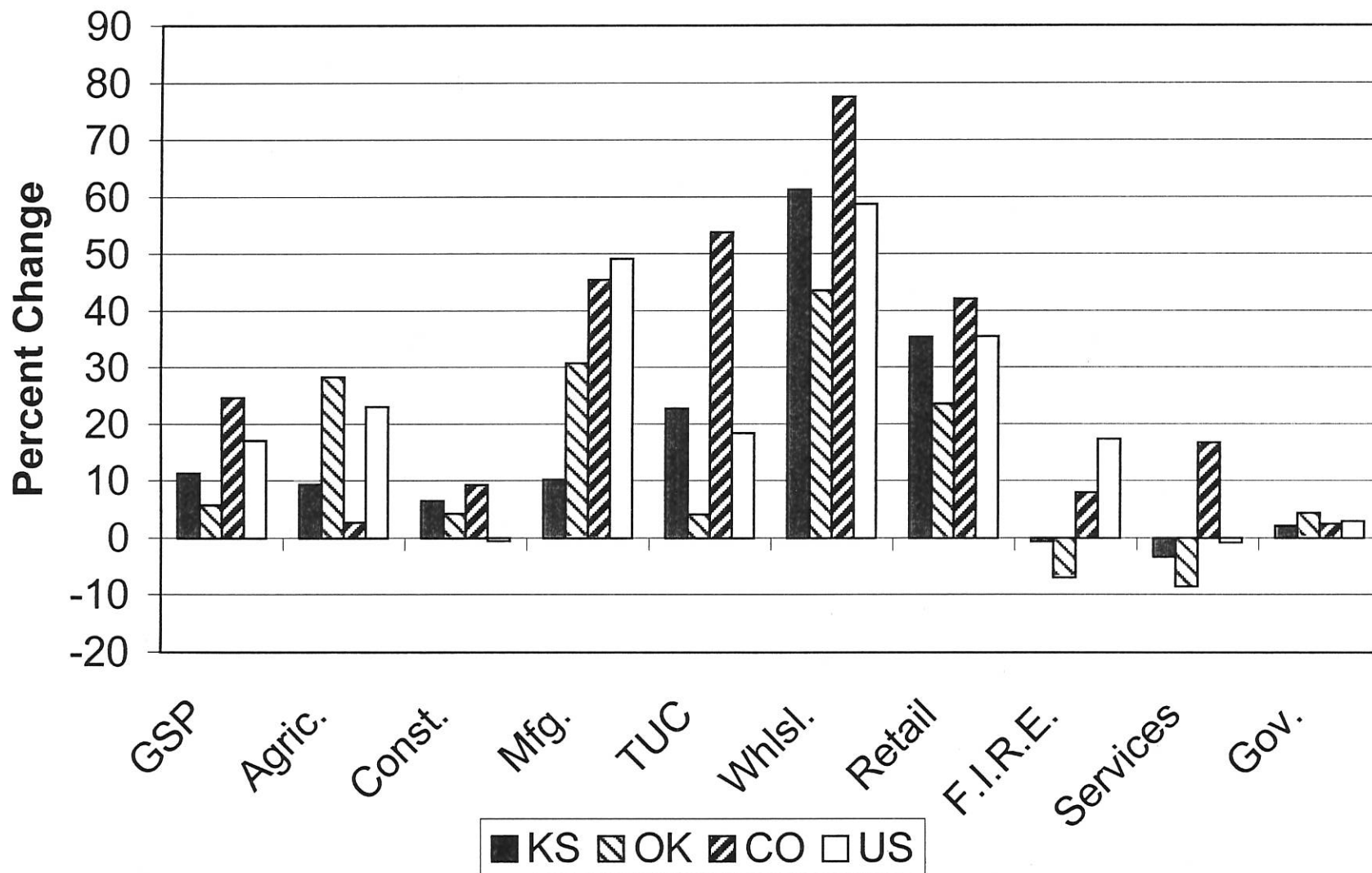


Chart 4. Labor Productivity, 1990-2000



House Economic Development Committee
Testimony of Charles Ranson, President, Kansas, Inc.
February 4, 2003

I have been requested to testify today on three subjects - the Kansas, Inc. Annual Report, implementation of provisions of SB 129 (2002 Session) concerning Kansas, Inc.'s report on the cost effectiveness of specified income tax credits and sales tax exemptions, and Kansas, Inc.'s reaction to Governor Sebelius' recommendation to transfer the functions and responsibilities of the agency to KDOCH and to abolish Kansas, Inc. I will address the issues in that order.

Annual Report

Because of budgetary constraints imposed upon Kansas, Inc., I made the management decision not to fill the vacant Research analyst position in the first half of FY 2003. As a result, the agency fell behind the October deadline for publication of the Annual Report. The research for the report has been completed and we are presently formatting for publication. Kansas, Inc. is in the process of converting all of its publications's to electronic distribution, with only a very limited number of hard copies produced. I have asked our new Research Analyst, Mark Leonard, to present to you our analysis of the trends specified in the Kansas, Inc. statute.

SB 129

K.S.A. 74-8017 requires that all corporate taxpayers filing with the Kansas Department of Revenue complete a questionnaire regarding claims for and use of specifically-enumerated income tax credits and sales tax exemptions. The information provided to KDOR is then transmitted to Kansas, Inc. for its use in developing the legislatively-mandated study of the cost-effectiveness of these credits. The enumerated income tax credits are:

- 1.) Job Expansion and Investment Credit Act and Kansas Enterprise Zone Act, KSA 79-32, 153; KSA 79-32, 160a
- 2.) Research and Development Credit, KSA 79-32, 182
- 3.) Kansas Venture Capital and Seed Capital Credits, KSA 74-8205, 74-8206, 74-8304, 74-8304a, 74-8401
- 4.) High Performance Incentive Program (HPIP), Workforce Training and Investment Credit, KSA 74-50, 132, 79-32, 160 a(e)

and the sales tax exemptions are:

- 1.) Kansas Enterprise Zone Act Sales Tax Exemption, KSA 79-3606(cc)
- 2.) Manufacturing Machinery and Equipment Sales Tax Exemption, KSA 79-3606(kk)

While this study has been required of Kansas, Inc. for quite some time, because the agency was not allowed access to taxpayer information deemed confidential elsewhere in the statutes that control KDOR's release of information, Kansas, Inc. was never able to do more than to guesstimate the revenue forgone by the State resulting from operation of these economic development incentive programs.

After several years effort, in the 2002 Session, the passage of SB 129 authorized corrective action necessary to allow KDOR and Kansas, Inc. to collaborate in the collection and sharing of data that will enable Kansas, Inc. more meaningfully to evaluate the effectiveness of the enumerated incentives.

I have distributed a copy of the questionnaire that the two agencies have developed, and which is now part of the corporate booklet distributed to all corporate taxpayers. We anticipate, subject of availability of legislatively-appropriated funds, to produce the first updated report in calendar year 2003.

While progress has been made by passage of SB 129, and through the cooperative working relationship between the two agencies, what will be produced falls far short of the statistically verifiable cost-benefit analysis of all economic development incentives that we began to discuss in 2002. Kansas, Inc. has requested appropriation of funds for this purpose, and we are appealing the Division of Budget's decision to zero-out that request.

Governor's Recommendation

Kansas, Inc. has evolved over the past 15 years to become the independent, objective, and non-partisan source for evaluation of our economy and of programs that sustain our economic well-being, and for strategic planning to meet the long-term needs of a growing, evolving Kansas economy. Fundamental to Kansas, Inc.'s successful fulfillment of its mission is adherence to the principles of independence, objectivity, and non-partisanship. Commitment to these principles by the agency enables Kansas, Inc. to provide continuity in economic development policy over the long haul. Even as Administration's come and go, each with their particular preferences and policy objectives, Kansas, Inc. acts as a self-correcting mechanism that brings policy back to the center, thus benefitting all Kansans.

Kansas, Inc.'s conference table provides a unique venue for the Administration in power, leaders from the Legislature, and representatives of the private sector and higher education regularly to meet for informed, high level policy discussions that focus on what is best for Kansas. The breadth of Board membership provides the best forum for unbridled discussion of challenges that stand in the way of longer-term goals and objectives.

Because Kansas, Inc. has no programmatic responsibility, and because its "constituency" is good public policy, Kansas, Inc. can ask the hard, discomforting questions that must be asked in times of economic turmoil. Having secured its reputation for independence, objectivity, and non-partisanship, Kansas, Inc. is ideally suited to proffer policy prescriptions that, at first, may seem radical only because they previously have not been framed for public debate. In so doing, the agency can serve as a barometer for the state's political and opinion-making leadership, providing guidance for calibrating political strategy based on public reaction to its proposals. Only by maintaining its free-standing status can it serve this public purpose.

There has been recurring talk of abolishing Kansas, Inc. or, alternatively, of folding the organization into the Department of Commerce and Housing. Were this to happen, the hallmarks of Kansas, Inc.'s strength – its independence, objectivity, and non-partisanship, would be irretrievably lost. By their nature, departments of commerce are political extensions of the Administration then in power. The three principles cannot be maintained in such an environment. Those not in power would lose a vital and important opportunity to make their voices heard in reasoned discussion.

Should absorption of Kansas, Inc. occur, economic development evaluation would be thoroughly politicized, with the result being that credible evaluation would be abandoned in favor of justification of the policies of a Republican or Democratic Administration. And, in addition, the self-correcting mechanism of a strategic vision, if you will, "the white line down the middle of the long road,") would almost certainly be sacrificed to a strategy limited in its horizon to the next budget cycle or the next election. In essence, our strategic view would extend no farther than two years. For these reasons an independent objective, and non-partisan Kansas, Inc., appropriately staffed and funded, fulfills a unique role in achieving our goal of a higher standard of living and better quality of life for Kansans in our globally-competitive economy.

Recent Accomplishments

During calendar year 2002, Kansas, Inc. released *Making the Knowledge Economy Work for All Kansans*, a comprehensive update of the state strategic plan for economic development. A project that played-out over a twenty month period (from beginning development of the RFP for consulting services to public release on January 7, 2002), more than 1100 Kansans participated in development of what we proudly offer as a consensus view of the challenges and opportunities confronting our state. Each of you, at the beginning of the 2003 Session, received a copy of the plan.

To date, favorable action has been taken on policy recommendation to;

- invest in university-based research infrastructure development (Policy #17);
- establish a seed capital funding mechanism for high growth potential Kansas start-ups (Policy #45);
- provide funding for diffusion of broadband Internet technology through KAN-Ed (Policy #16);
- special funding for NIAR modernization which, coupled with creation of the Kansas Technical Training Initiative, addresses Policy # 15;
- creation of a state energy resources coordinating council (Policy #32).

Priority objectives for calendar year 2003 include:

- support for workforce development (Policies # 10 - 15)
- identification and removal of legal/regulatory impediments to increased intergovernmental cooperation (Policy #5)
- convening of a Governor's Economic Development Summit for purposes of establishing a consensus legislative agenda for the 2004 session (Policy #2)
- support for energy development (Policies #31 - 32)
- funding for development of a statistically verifiable cost-benefit model allowing for appropriate evaluation of all state economic development programs (partially satisfies Policy #5)
- preserving the use of EDIF for economic development purposes (partially satisfies Policy #1)



K A N S A S

JOAN WAGNON, ACTING SECRETARY

DEPARTMENT OF REVENUE
POLICY AND RESEARCH

KATHLEEN SEBELIUS, GOVERNOR

To: Representative Kenny Wilk, Chairperson
House Committee on Economic Development

From: Richard L. Cram

Date: February 4, 2003

Re: Confidentiality Restrictions Concerning Taxpayer Information

Kansas has long maintained a policy of strict confidentiality and privacy protection concerning the information that taxpayers must disclose when they file their tax returns with the Department of Revenue. A number of statutes place serious restrictions on the disclosure of this information. K.S.A. 2002 Supp. 79-3234 bars current and former Department employees from disclosing to anyone "the amount of income or any particulars set forth or disclosed in any [income tax] return," subject to certain narrow exceptions. K.S.A. 79-3614 similarly bars disclosure of information from sales tax returns. Violation of these statutes is a class B misdemeanor and will result in dismissal, if the violator is a state employee or officer. Copies of these statutes are attached for reference. Other confidentiality statutes concern various other types of taxes.

Exception for Kansas Inc.

One of the narrow exceptions to disclosure in both of the above statutes concerns Kansas Inc. Under K.S.A. 2002 Supp. 74-8017 (copy attached), Kansas Inc. has the duty to prepare for the Legislature an annual report evaluating the cost effectiveness of various income tax credits and sales tax exemptions related to economic development. Pursuant to that statute, a corporate income taxpayer is required to fill out a questionnaire and file it with the income tax return, indicating utilization of the various tax incentive programs enacted to encourage economic development within the state. The questionnaire is included in the instruction booklet for the corporate income tax return, and it is also available on our website. A copy of the questionnaire is attached. The Department collects these questionnaires when the returns are processed and forwards them to Kansas Inc.

Last year, the Department worked with Kansas Inc. to revise the questionnaire, so that if it is properly completed, it would provide Kansas Inc. the specific information needed from each corporate taxpayer completing the questionnaire, showing the specific amounts of tax credits or sales tax exemptions claimed, amounts invested, wages and jobs created and business decisions made as a result of the incentives. We have not experienced a full tax year with the revised questionnaire, so we do not know yet how effective it will be in obtaining the information needed by Kansas Inc.

The Department annually provides to Kansas Inc. a summary report showing the amount of various tax credits claimed and the number of taxpayers claiming them per tax year. The Department also provides to Kansas Inc. information on the amount of enterprise zone sales tax exemptions claimed. A copy of the most current summary report is attached. However, as discussed above, current law prevents the Department from providing to Kansas Inc. specific information directly from tax returns showing the amounts of tax credits or sales tax exemptions claimed by specific taxpayers.

5-8



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79-3234

Chapter 79.--TAXATION Article 32.--INCOME TAX

79-3234. Tax information; preservation; limits on dissemination and use. (a) All reports and returns required by this act shall be preserved for three years and thereafter until the director orders them to be destroyed.

(b) Except in accordance with proper judicial order, or as provided in subsection (c) or in K.S.A. 17-7511, subsection (g) of K.S.A. 46-1106, K.S.A. 46-1114, or K.S.A. 79-32,153a, and amendments thereto, it shall be unlawful for the director, any deputy, agent, clerk or other officer, employee or former employee of the department of revenue or any other state officer or employee or former state officer or employee to divulge, or to make known in any way, the amount of income or any particulars set forth or disclosed in any report, return, federal return or federal return information required under this act; and it shall be unlawful for the director, any deputy, agent, clerk or other officer or employee engaged in the administration of this act to engage in the business or profession of tax accounting or to accept employment, with or without consideration, from any person, firm or corporation for the purpose, directly or indirectly, of preparing tax returns or reports required by the laws of the state of Kansas, by any other state or by the United States government, or to accept any employment for the purpose of advising, preparing material or data, or the auditing of books or records to be used in an effort to defeat or cancel any tax or part thereof that has been assessed by the state of Kansas, any other state or by the United States government.

(c) Nothing in this section shall be construed to prohibit the publication of statistics, so classified as to prevent the identification of particular reports or returns and the items thereof, or the inspection of returns by the attorney general or other legal representatives of the state. Nothing in this section shall prohibit the post auditor from access to all income tax reports or returns in accordance with and subject to the provisions of subsection (g) of K.S.A. 46-1106 or K.S.A. 46-1114, and amendments thereto. Nothing in this section shall be construed to prohibit the disclosure of taxpayer information from income tax returns to persons or entities contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality. Nothing in this section shall be construed to prohibit the disclosure of job creation and investment information derived from tax schedules required to be filed under the Kansas income tax act to the secretary of commerce. Nothing in this section shall be construed to prohibit the disclosure of income tax returns to the state gaming agency to be used solely for the purpose of determining qualifications of licensees of and applicants for licensure in tribal gaming. Any information received by the state gaming agency shall be confidential and shall not be disclosed except to the executive director, employees of the state gaming agency and members and employees of the tribal gaming commission. Nothing in this section shall be construed to prohibit the disclosure of the taxpayer's name, last known address and

residency status to the department of wildlife and parks to be used solely in its license fraud investigations. Nothing in this section shall prohibit the disclosure of the name, residence address, employer or Kansas adjusted gross income of a taxpayer who may have a duty of support in a title IV-D case to the secretary of the Kansas department of social and rehabilitation services for use solely in administrative or judicial proceedings to establish, modify or enforce such support obligation in a title IV-D case. In addition to any other limits on use, such use shall be allowed only where subject to a protective order which prohibits disclosure outside of the title IV-D proceeding. As used in this section, "title IV-D case" means a case being administered pursuant to part D of title IV of the federal social security act (42 U.S.C. § 651 *et seq.*) and amendments thereto. Any person receiving any information under the provisions of this subsection shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection (d).

(d) Any violation of subsection (b) or (c) is a class B nonperson misdemeanor and, if the offender is an officer or employee of the state, such officer or employee shall be dismissed from office.

(e) Notwithstanding the provisions of this section, the secretary of revenue may permit the commissioner of internal revenue of the United States, or the proper official of any state imposing an income tax, or the authorized representative of either, to inspect the income tax returns made under this act and the secretary of revenue may make available or furnish to the taxing officials of any other state or the commissioner of internal revenue of the United States or other taxing officials of the federal government, or their authorized representatives, information contained in income tax reports or returns or any audit thereof or the report of any investigation made with respect thereto, filed pursuant to the income tax laws, as the secretary may consider proper, but such information shall not be used for any other purpose than that of the administration of tax laws of such state, the state of Kansas or of the United States.

(f) Notwithstanding the provisions of this section, the secretary of revenue may:

(1) Communicate to the executive director of the Kansas lottery information as to whether a person, partnership or corporation is current in the filing of all applicable tax returns and in the payment of all taxes, interest and penalties to the state of Kansas, excluding items under formal appeal, for the purpose of determining whether such person, partnership or corporation is eligible to be selected as a lottery retailer;

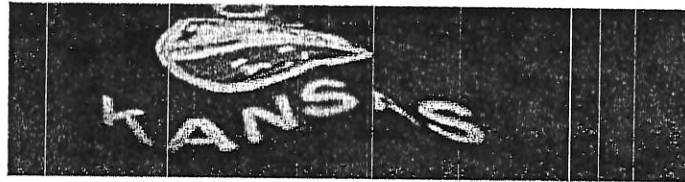
(2) communicate to the executive director of the Kansas racing commission as to whether a person, partnership or corporation has failed to meet any tax obligation to the state of Kansas for the purpose of determining whether such person, partnership or corporation is eligible for a facility owner license facility manager license pursuant to the Kansas parimutuel racing act; and

(3) provide such information to the president of Kansas, Inc. as required by K.S.A. 74-8017, and amendments thereto. The president and any employees or former employees of Kansas, Inc. receiving any such information shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection (d).

(g) Nothing in this section shall be construed to allow disclosure of the amount of income or any particulars set forth or disclosed in any report, return, federal return or federal return information, where such disclosure is prohibited by the federal internal revenue code as in effect on September 1, 1996, and amendments thereto, related federal internal revenue rules or regulations, or other federal law.

History: L. 1933, ch. 320, § 34; L. 1935, ch. 312, § 13; L. 1943, ch. 307, § 2; L. 1972, ch. 342, § 97; L. 1977, ch. 186, § 9; L. 1978, ch. 406, § 1; L.

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79-3614

Chapter 79.--TAXATION

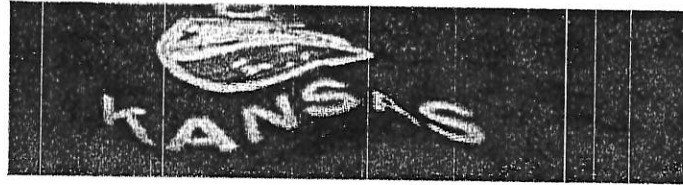
Article 36.--KANSAS RETAILERS'SALES TAX

79-3614. Confidentiality of tax returns and investigations; exceptions. All information received by the director from returns filed under this act, or from any investigations conducted under the provisions of this act, shall be confidential, except for official purposes, and it shall be unlawful for any officer or employee of such director to divulge any such information in any manner, except in accordance with a proper judicial order, or as provided in K.S.A. 74-2424, and amendments thereto. The post auditor shall have access to all such information in accordance with and subject to the provisions of subsection (g) of K.S.A. 46-1106, and amendments thereto. Nothing in this section shall be construed to prohibit the disclosure of taxpayer information from sales tax returns to persons or entities contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality. Notwithstanding the provisions of this section, the secretary of revenue may provide such information to the president of Kansas, Inc. as required by K.S.A. 1997 Supp. 74-8017, and amendments thereto. Any person receiving any such information pursuant to this section shall be subject to the same duty of confidentiality imposed on officers and employees of the department of revenue by this section and shall be subject to any civil or criminal penalties imposed by law for violations of such duty of confidentiality.

History: L. 1937, ch. 374, § 14; L. 1943, ch. 307, § 4; L. 1977, ch. 186, § 8; L. 1983, ch. 289, § 14; L. 1994, ch. 188, § 4; L. 1997, ch. 126, § 47; July 1.

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74-8017

Chapter 74.--STATE BOARDS, COMMISSIONS AND AUTHORITIES Article 80.--KANSAS, INC.

74-8017. Annual report evaluating cost effectiveness of tax credits and exemptions; submission to legislature; questionnaires; procedures for disclosure of taxpayer information. On and after January 1, 2003, it shall be the duty of Kansas, Inc. to prepare an annual report evaluating the cost effectiveness of the various income tax credits and sales tax exemptions enacted to encourage economic development within this state and submit the same to the standing committees on taxation and economic development of the house and assessment and taxation and commerce of the senate at the beginning of each regular session of the legislature. The secretary of revenue, in consultation with the president of Kansas, Inc., shall develop a questionnaire on the utilization of state income tax credits and sales tax exemptions that shall be completed by all corporate taxpayers subject to state income tax that shall be submitted to the department of revenue concurrently with the filing of an annual corporate income tax return. The secretary shall provide the completed questionnaires to Kansas, Inc. for use in the preparation of such annual report. The questionnaire shall require respondents to indicate utilization of the following credits and exemptions:

- (a) Income tax credits authorized under the provisions of the job expansion and investment credit act of 1976 and acts amendatory thereof and supplemental thereto;
- (b) income tax credits for expenditures in research and development activities authorized by K.S.A. 79-32,182, and amendments thereto;
- (c) income and financial institutions privilege tax credits for cash investment in stock of Kansas Venture Capital, Inc. authorized by K.S.A. 74-8205 and 74-8206, and amendments thereto;
- (d) income tax credits for cash investment in certified Kansas venture capital companies authorized by K.S.A. 74-8304, and amendments thereto;
- (e) income tax credits for cash investment in certified local seed capital pools authorized by K.S.A. 74-8401, and amendments thereto;
- (f) income tax credits for investment in the training and education of qualified firms' employees authorized by K.S.A. 74-50,132, and amendments thereto;

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(g) sales tax exemptions for property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business, or retail business meeting the requirements of K.S.A. 74-50,115, and amendments thereto, and machinery and equipment for installation at such business or retail business authorized by subsection (cc) of K.S.A. 79-3606, and amendments thereto; and

(h) sales tax exemptions for machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility. The secretary of revenue shall provide the completed questionnaires and copies of sales tax exemption certificates to Kansas, Inc. for the preparation of such report.

History: L. 1994, ch. 188, § 1; L. 2001, ch. 164, § 1; L. 2002, ch. 99, § 1; July 1.

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STATE OF KANSAS ECONOMIC DEVELOPMENT INCENTIVE QUESTIONNAIRE

All Kansas corporate income taxpayers are required, pursuant to K.S.A. 74-8017, to complete the following questionnaire regarding economic development income tax credits and sales tax exemptions. The information requested by the questionnaire is required to evaluate the utilization and effectiveness of these economic development and business tax credits and incentives provided by the state of Kansas.

The information you provide in this questionnaire will be supplied to Kansas, Inc. by the Kansas Department of Revenue (KDOR). Kansas, Inc. is subject to the same confidentiality requirements as the Department of Revenue with respect to this information. Your responses will be kept in the strictest of confidence and will only be reported to Kansas, Inc. for use in preparing the reports required by K.S.A. 74-8017. If you have any questions, call the Department of Revenue at 1-877-526-7738, press 1 for a touch-tone phone (listen briefly), press 5 for Business Taxes (listen briefly), then press 3 for Corporate Taxes.

INCOME TAX CREDITS

- Job Expansion and Investment Credit Act and Kansas Enterprise Zone Act, K.S.A. 79-32,153, K.S.A. 79-32,160a
- Research and Development Credit, K.S.A. 79-32,182
- Kansas Venture Capital and Seed Capital Credits, K.S.A. 74-8205, 74-8206, 74-8304, 74-8304a, 74-8401
- High Performance Incentive Program (HPIP): Workforce Training and Investment Credit, K.S.A. 74-50,132, 79-32,160a(e)

SALES TAX EXEMPTIONS

- Kansas Enterprise Zone Act Sales Tax Exemption, K.S.A. 79-3606(cc)
- Integrated Production Machinery & Equipment Sales Tax Exemption, K.S.A. 79-3606(kk)

CONTACT INFORMATION

The Kansas Department of Revenue will retain the contact information in strict confidentiality. However, granting the incentive requires the firm or individual to cooperate with Kansas, Inc., who may conduct a follow-up interview of a sample of all recipients in order to study how important the incentive was to the investment/location decision.

Company Name _____

Contact Person _____
Name E-mail Address Phone Number

Company Mailing Address _____

City _____ State _____ Zip Code _____

Federal Employer Identification Number (EIN) _____

1. Did you claim any of the income tax credits or sales tax exemptions shown above during tax year 2002?
- No (If no, this completes the questionnaire. Please enclose this questionnaire with the corporate tax return filed with KDOR.)
- Yes (If yes, check any and all of the income tax credits and sales tax exemptions claimed, then proceed to question 2.)
- | | |
|---|--|
| <input type="checkbox"/> Job Expansion and Investment Credit Act – Tax Credit | <input type="checkbox"/> Kansas Enterprise Zone Act – Tax Credit |
| <input type="checkbox"/> Research and Development Credit | <input type="checkbox"/> Kansas Venture Capital and Seed Capital Credits |
| <input type="checkbox"/> HPIP Workforce Training and Education Tax Credit | <input type="checkbox"/> HPIP Investment Credit |
| <input type="checkbox"/> Kansas Enterprise Zone Act – Sales Tax Exemption | <input type="checkbox"/> Integrated Production Machinery & Equipment Sales Tax Exemption |

2. Did you utilize any of the income tax credits or sales tax exemptions shown above in tax year 2002?

- Yes (Proceed to question 2a.) No (Proceed to question 3.)

2a. What are the total dollars in income tax credits utilized in tax year 2002? \$ _____

2b. What are the total dollars in sales tax exemptions utilized in tax year 2002? \$ _____

If the responses to both 2a and 2b are zero, then proceed to question 3 on the back of this form.

2c. What is the total dollar level of investment in association with the above incentives? \$ _____

2d. What are the total wages created in association with the above incentives? \$ _____

2e. What is the total number of jobs created in association with the above incentives? _____

2f. Are the investments, wages and jobs associated with the income tax credits generally the same items as those associated with the sales tax exemptions?

- Generally the same items (Proceed to question 3.) Some items are distinct

2g. Please allocate the items by the incentives with which they were associated. Percent associated with:

	Income tax credits:	Sales tax credits:	Both:	Total:
Investment	_____ %	_____ %	_____ %	100%
Wages	_____ %	_____ %	_____ %	100%
Jobs	_____ %	_____ %	_____ %	100%

3. Please check the appropriate box that best describes the project for which the economic development program was used.

- Start-up of a new business. (Proceed to question 4.)
- Expansion of an existing Kansas firm. (Proceed to question 4.)
- Relocation to another city from an existing Kansas location. (Proceed to question 4.)
- Expansion into Kansas by an out-of-state firm. (Skip question 4 and proceed to question 5.)
- Relocation to Kansas from an out-of-state location. (Skip question 4 and proceed to question 5.)

4. Did your company seriously consider undertaking this project in another state?

- Yes No

5. What were the three (3) most important reasons for your firm's ultimate decision to undertake the project in Kansas?

- Aggressive recruitment efforts.
- State and/or local tax incentives.
- State and/or local financial incentives (i.e., grants, HPIP program, training dollars, etc.). Please specify: _____
- Well-trained skilled labor force.
- Cost of labor less expensive.
- Cost and availability of energy, water, or other inputs.
- Proximity to markets.
- Transportation infrastructure.
- Availability of educational/training facilities.
- Competitive tax structure.
- Quality of life in Kansas (i.e., education, housing, cost of living).
- Owner's place of residence.
- Other: _____

6. To what extent was the economic development program for this project a factor in your company's decision to go ahead with this project in Kansas?

- Contributed significantly.
- Contributed somewhat.
- Contributed only slightly.
- Did not contribute.

7. If the economic development program had not been available for your company, what would have been the effect on this project?

- Proceeded with the project as planned.
- Proceeded on a smaller scale.
- Canceled the project.
- Proceeded at an out-of-state location.

8. How many full-time employees does your company employ? Total _____ In Kansas _____

Please enclose this completed questionnaire with the income tax return you file with the Kansas Department of Revenue.

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KANSAS DEPARTMENT OF REVENUE

Credit Summary Report as of December 31, 2002

As required by Kansas law (K.S.A. 74-8017), this annual report is submitted to Kansas, Inc. for their use in preparing an annual report evaluating the cost effectiveness of the various income tax credits enacted to encourage economic development within this state.

Business and Job Development Credit - K.S.A. 79-32,153, 79-32,160a

Total - K.S.A. 79-32,153

No Enterprise Zone - K.S.A. 79-32,153

Income Taxpayers - Effective for all taxable years commencing after December 31, 1976
Privilege Taxpayers - Effective for all taxable years commencing after December 31, 1995

Investment Tax Credit

A taxpayer who invests in a qualified business facility and hires at least two employees as a result of that investment may be eligible for an investment tax credit of \$100 for every \$100,000 of investment.

Job Creation Credit

A taxpayer who invests in a qualified business facility and hires at least two employees as a result of that investment may be eligible for a job creation tax credit of \$100 for every qualified business employee.

Enterprise Zone - K.S.A. 79-32,153

Income Taxpayers - Effective for all taxable years commencing after December 31, 1981 and prior to January 1, 1993.

Investment Tax Credit

A taxpayer who invests in a qualified business facility and hires at least two employees as a result of that investment may be eligible for an investment tax credit of \$350 for every \$100,000 of investment.

Job Creation Credit

A taxpayer who invests in a qualified business facility and hires at least two employees as a result of that investment may be eligible for a job creation tax credit of \$350 for every qualified business employee.

Table with 5 columns: Process Calendar Year, Number of Individual Filers, Number of Individual Claims, Total Dollar Amount of Credit Claimed Individual Filers, Total Dollar Amount of Credit Allowed this Year.

Main data table for Business and Job Development Credit - No Enterprise Zone. Rows for years 1977-2002 and a TOTAL row.

Table with 5 columns: Process Calendar Year, Number of Corporate Filers, Number of Corporate Claims, Total Dollar Amount of Credit Claimed Corporate Filers, Total Dollar Amount of Credit Allowed this Year.

Main data table for Business and Job Development Credit - Enterprise Zone. Rows for years 1977-2002 and a TOTAL row.

Table with 5 columns: Process Calendar Year, Number of Privilege Filers, Number of Privilege Claims, Total Dollar Amount of Credit Claimed Privilege Filers, Total Dollar Amount of Credit Allowed this Year.

Main data table for Business and Job Development Credit - Enterprise Zone (Privilege). Rows for years 1996-2002 and a TOTAL row.

Table with 5 columns: Process Calendar Year, Number of All Filers, Number of All Claims, Total Dollar Amount of Credit Claimed All Filers, Total Dollar Amount of Credit Allowed this Year.

Main data table for Business and Job Development Credit - Enterprise Zone (All). Rows for years 1977-2002 and a TOTAL row.

Business and Job Development Credit - K.S.A. 79-32,153, 79-32,160a

K.S.A. 79-32,160a

Income Taxpayers - Effective for all taxable years commencing after December 31, 1992
 Privilege Taxpayers - Effective for all taxable years commencing after December 31, 1995

Investment Tax Credit

A taxpayer who invests in a qualified business facility and hires a minimum number of employees as a result of that investment may be eligible for an investment tax credit of at least \$1,000 for every \$100,000 of investment.

Job Creation Credit

A taxpayer who invests in a qualified business facility and hires a minimum number of employees as a result of that investment may be eligible for a job creation tax credit of *\$1,000 for every qualified business employee.

(*\$2,500 if located in a nonmetropolitan region.)

Process Calendar Year	Number of Individual Filers	Number of Individual Claims	Total Dollar Amount of Credit Available Individual Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	-----------------------------	-----------------------------	---	---

1993				
1994	*CONFIDENTIAL			
1995	*CONFIDENTIAL			
1996	*CONFIDENTIAL			
1997	6	15	\$ 264,733	\$ 219,804
1998	8	22	\$ 520,203	\$ 191,556
1999	17	39	\$ 1,342,661	\$ 1,191,973
2000	70	107	\$ 2,090,584	\$ 1,744,275
2001	173	195	\$ 3,995,439	\$ 2,482,076
2002	78	102	\$ 1,250,877	\$ 583,746
TOTAL	352	480	\$ 9,464,497	\$ 6,413,430

Process Calendar Year	Number of Corporate Filers	Number of Corporate Claims	Total Dollar Amount of Credit Available Corporate Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

1993	*CONFIDENTIAL			
1994	8	58	\$ 3,884,803	\$ 777,454
1995	21	174	\$ 7,058,018	\$ 2,494,560
1996	54	307	\$ 13,871,241	\$ 6,464,213
1997	90	421	\$ 23,269,286	\$ 10,701,816
1998	160	462	\$ 30,402,350	\$ 16,524,833
1999	111	401	\$ 17,815,910	\$ 9,976,855
2000	119	336	\$ 8,615,593	\$ 6,141,504
2001	174	261	\$ 12,290,525	\$ 6,769,253
2002	138	176	\$ 11,408,666	\$ 3,514,203
TOTAL	875	2596	\$ 128,616,392	\$ 63,364,691

Process Calendar Year	Number of Privilege Filers	Number of Privilege Claims	Total Dollar Amount of Credit Available Privilege Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

1993				
1994				
1995				
1996				
1997	*CONFIDENTIAL			
1998	*CONFIDENTIAL			
1999	*CONFIDENTIAL			
2000	*CONFIDENTIAL			
2001	*CONFIDENTIAL			
2002	*CONFIDENTIAL			
TOTAL				

Process Calendar Year	Number of All Filers	Number of All Claims	Total Dollar Amount of Credit Claimed All Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------	----------------------	--	---

1993				
1994	8	58	\$ 3,884,803	\$ 777,454
1995	21	174	\$ 7,058,018	\$ 2,494,560
1996	54	307	\$ 13,871,241	\$ 6,464,213
1997	96	436	\$ 23,534,019	\$ 10,921,620
1998	168	484	\$ 30,922,553	\$ 16,716,389
1999	128	440	\$ 19,158,571	\$ 11,168,828
2000	189	443	\$ 10,706,177	\$ 7,885,779
2001	347	456	\$ 16,285,964	\$ 9,251,329
2002	216	278	\$ 12,659,543	\$ 4,097,949
TOTAL	1227	3076	\$ 138,080,889	\$ 69,778,121

*CONFIDENTIAL - This information is confidential as there are less than 5 filers. This information is not included in the total.

High Performance Incentive Program - K.S.A. 74-50,132, 79-32,160a(e)

Total - K.S.A. 74-50,132 and 79-32,160a(e)

Training and Education Tax Credit - K.S.A. 74-50,132

Corporate Income Taxpayers - Effective for all taxable years commencing after December 31, 1992
 Income Taxpayers - Effective for all taxable years commencing after December 31, 1997
 Privilege Taxpayers - Effective for all taxable years commencing after December 31, 1997

A qualified firm making a cash investment in the training and education of its employees can receive a credit equal to the portion of the investment in the training and education that exceeds 2% of the businesses total payroll costs.

Investment Tax Credit - K.S.A. 79-32,160a(e)

Income Taxpayers - Effective for all taxable years commencing after December 31, 1992
 Privilege Taxpayers - Effective for all taxable years commencing after December 31, 1992

A credit is available for those qualified firms which make an investment in a qualified business facility. The investment tax credit is 10% of the qualified business facility investment which exceeds \$50,000.

Process Calendar Year	Number of Individual Filers	Number of Individual Claims	Total Dollar Amount of Credit Claimed Individual Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	-----------------------------	-----------------------------	---	---

Process Calendar Year	Number of Corporate Filers	Number of Corporate Claims	Total Dollar Amount of Credit Claimed Corporate Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

Process Calendar Year	Number of Privilege Filers	Number of Privilege Claims	Total Dollar Amount of Credit Claimed Privilege Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

Process Calendar Year	Number of All Filers	Number of All Claims	Total Dollar Amount of Credit Claimed All Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------	----------------------	--	---

1993				
1994	*CONFIDENTIAL			
1995	6	6	\$ 25,852	\$ 25,852
1996	14	21	\$ 368,197	\$ 352,629
1997	5	12	\$ 470,227	\$ 267,656
1998	*CONFIDENTIAL			
1999	5	28	\$ 1,712,081	\$ 463,631
2000	20	45	\$ 2,179,541	\$ 1,491,236
2001	42	61	\$ 1,831,197	\$ 1,543,959
2002	68	85	\$ 1,911,687	\$ 1,241,651
TOTAL	160	258	\$ 8,498,782	\$ 5,386,614

1993				
1994	*CONFIDENTIAL			
1995	*CONFIDENTIAL			
1996	5	5	\$ 788,050	\$ 345,755
1997	6	10	\$ 688,235	\$ 687,013
1998	5	12	\$ 10,958,357	\$ 1,541,934
1999	7	21	\$ 10,191,732	\$ 3,199,450
2000	12	27	\$ 23,018,662	\$ 8,591,094
2001	23	29	\$ 12,507,999	\$ 8,228,837
2002	27	36	\$ 46,192,314	\$ 30,431,257
TOTAL	85	140	\$ 104,345,349	\$ 53,025,340

1993				
1994				
1995				
1996				
1997				
1998				
1999				
2000				
2001				
2002				
TOTAL				

1993				
1994				
1995	6	6	\$ 25,852	\$ 25,852
1996	19	26	\$ 1,156,247	\$ 698,384
1997	11	22	\$ 1,158,462	\$ 954,669
1998	5	12	\$ 10,958,357	\$ 1,541,934
1999	12	49	\$ 11,903,813	\$ 3,663,081
2000	32	72	\$ 25,198,203	\$ 10,082,330
2001	65	90	\$ 14,339,196	\$ 9,772,796
2002	95	121	\$ 48,104,001	\$ 31,672,908
TOTAL	245	398	\$ 112,844,131	\$ 58,411,954

*CONFIDENTIAL - This information is confidential as there are less than 5 filers. This information is not included in the total.

Approved by
 the Taxpayer
 Representative

Approved by
 the Taxpayer
 Representative

Local Seed Capital Pool Credit - K.S.A. 74-8401

Income Taxpayers - Effective for all taxable years commencing after December 31, 1986

A 25% income tax credit is allowed for those taxpayers who invest in a certified local seed capital pool.

Process Calendar Year	Number of Individual Filers	Number of Individual Claims	Total Dollar Amount of Credit Claimed Individual Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	-----------------------------	-----------------------------	---	---

1987				
1988				
1989	*CONFIDENTIAL			
1990	*CONFIDENTIAL			
1991				
1992	*CONFIDENTIAL			
1993	*CONFIDENTIAL			
1994				
1995				
1996				
1997				
1998				
1999				
TOTAL				

Process Calendar Year	Number of Corporate Filers	Number of Corporate Claims	Total Dollar Amount of Credit Claimed Corporate Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

1987				
1988				
1989				
1990				
1991				
1992				
1993				
1994				
1995				
1996				
1997				
1998				
1999				
TOTAL				

Process Calendar Year	Number of Privilege Filers	Number of Privilege Claims	Total Dollar Amount of Credit Claimed Privilege Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

TOTAL				

Process Calendar Year	Number of All Filers	Number of All Claims	Total Dollar Amount of Credit Claimed All Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------	----------------------	--	---

1987				
1988				
1989	*CONFIDENTIAL			
1990	*CONFIDENTIAL			
1991				
1992	*CONFIDENTIAL			
1993	*CONFIDENTIAL			
1994				
1995				
1996				
1997				
1998				
1999				
TOTAL				

*CONFIDENTIAL - This information is confidential as there are less than 5 filers. This information is not included in the total.

Venture Captial Credit - K.S.A. 74-8205, 74-8206, 74-8304, 74-8316

Total - K.S.A. 74-8205, 74-8206, 74-8316

Kansas Venture Captial, Inc. - K.S.A. 74-8205, 74-8206

Income Taxpayers - Effective for all taxable years commencing after December 31, 1985 and prior to January 1, 1998

Privilege Taxpayers - Effective for all taxable years commencing after December 31, 1985 and prior to January 1, 1998

Change made during the 1998 session to allow a credit for both income and privilege taxpayers for all taxable years commencing after December 31, 1997 until all allowed credits are exhausted.

A 25% income tax credit is allowed for those taxpayers who invest in stock issued by Kansas Venture Captial, Inc.

Certified Kansas Venture Captial Company - K.S.A. 74-8304

Income Taxpayers - Effective for all taxable years commencing after December 31, 1985 and prior to January 1, 1998

A 25% income tax credit is allowed for those taxpayers who invest in stock issued by a certified Kansas venture capital company.

Sunflower Technology Venture LP - K.S.A. 74-8316

Income Taxpayers - Effective for all taxable years commencing after December 31, 1995 and prior to January 1, 2000

A 25% income tax credit is allowed for those taxpayers who make a cash investment in the technology based venture capital company, Sunflower Technology Venture LP.

Process Calendar Year	Number of Individual Filers	Number of Individual Claims	Total Dollar Amount of Credit Claimed Individual Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	-----------------------------	-----------------------------	---	---

1986	7	7	\$ 6,846	\$ 6,846
1987	9	15	\$ 22,448	\$ 22,448
1988	30	46	\$ 156,302	\$ 156,302
1989	25	67	\$ 2,249,475	\$ 2,249,475
1990	5	22	\$ 380,712	\$ 380,712
1991	15	15	\$ 106,236	\$ 106,236
1992	7	11	\$ 29,799	\$ 29,799
1993	*CONFIDENTIAL			
1994	*CONFIDENTIAL			
1995	6	9	\$ 128,749	\$ 128,749
1996	5	6	\$ 107,739	\$ 107,739
1997	*CONFIDENTIAL			
1998	*CONFIDENTIAL			
1999	*CONFIDENTIAL			
2000	*CONFIDENTIAL			
2001	18	20	\$ 286,328	\$ 285,749
2002	6	7	\$ 17,082	\$ 31,261
TOTAL	133	225	\$ 3,491,716	\$ 3,505,316

Process Calendar Year	Number of Corporate Filers	Number of Corporate Claims	Total Dollar Amount of Credit Claimed Corporate Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

1986				
1987	*CONFIDENTIAL			
1988	*CONFIDENTIAL			
1989	*CONFIDENTIAL			
1990	*CONFIDENTIAL			
1991	*CONFIDENTIAL			
1992	*CONFIDENTIAL			
1993	*CONFIDENTIAL			
1994	*CONFIDENTIAL			
1995	*CONFIDENTIAL			
1996	*CONFIDENTIAL			
1997	*CONFIDENTIAL			
1998	*CONFIDENTIAL			
1999	*CONFIDENTIAL			
2000	*CONFIDENTIAL			
2001	*CONFIDENTIAL			
2002	*CONFIDENTIAL			
TOTAL				

Process Calendar Year	Number of Privilege Filers	Number of Privilage Claims	Total Dollar Amount of Credit Claimed Privilege Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------------	----------------------------	--	---

1986				
1987	*CONFIDENTIAL			
1988	9	135	\$ 500,325	\$ 292,451
1989	60	143	\$ 155,607	\$ 296,628
1990	64	69	\$ 145,948	\$ 150,418
1991	34	34	\$ 165,775	\$ 164,013
1992	*CONFIDENTIAL			
1993	*CONFIDENTIAL			
1994	*CONFIDENTIAL			
1995	*CONFIDENTIAL			
1996	*CONFIDENTIAL			
1997	*CONFIDENTIAL			
1998	*CONFIDENTIAL			
1999	*CONFIDENTIAL			
2000	*CONFIDENTIAL			
2001	*CONFIDENTIAL			
2002	*CONFIDENTIAL			
TOTAL	167	381	\$ 967,655	\$ 903,510

Process Calendar Year	Number of All Filers	Number of All Claims	Total Dollar Amount of Credit Claimed All Filers	Total Dollar Amount of Credit Allowed this Year
-----------------------	----------------------	----------------------	--	---

1986	7	7	\$ 6,846	\$ 6,846
1987	9	15	\$ 22,448	\$ 22,448
1988	39	181	\$ 656,627	\$ 448,753
1989	85	210	\$ 2,405,082	\$ 2,546,103
1990	69	91	\$ 526,660	\$ 531,130
1991	49	49	\$ 272,011	\$ 270,249
1992	7	11	\$ 29,799	\$ 29,799
1993	*CONFIDENTIAL			
1994	*CONFIDENTIAL			
1995	6	9	\$ 128,749	\$ 128,749
1996	5	6	\$ 107,739	\$ 107,739
1997	*CONFIDENTIAL			
1998	*CONFIDENTIAL			
1999	*CONFIDENTIAL			
2000	*CONFIDENTIAL			
2001	18	20	\$ 286,328	\$ 285,749
2002	6	7	\$ 17,082	\$ 31,261
TOTAL	300	606	\$ 4,459,371	\$ 4,408,826

*CONFIDENTIAL - This information is confidential as there are less than 5 filers. This information is not included in the total.

2002 EZ LIST BY TYPE OF BUSINESS

5-17

Date	Exemption Certificate Number	County Code	Business Type	SIC	Type of Business	Type of Project	Project Code	Exemption Factor	Construction Costs	Machinery Costs	Total Project Costs	EST Tax Proj Cost	Estimated Tax	County	County Count	Region
									\$35,930,102.72	\$92,390,871.00	\$128,798,331.72	\$116,803,649.83	\$5,855,735.08		36	
									\$141,475,000.57	\$16,100,000.00	\$208,287,760.57	\$190,069,376.34	\$9,419,483.44		37	
									\$105,371,691.59	\$224,545,400.00	\$340,697,947.00	\$241,245,959.00	\$12,581,118.65		114	
									\$205,515,087.00	\$167,210,415.00	\$319,192,140.00	\$204,669,533.20	\$10,359,794.59		63	
									\$15,726,423.00	\$4,173,220.00	\$20,875,741.00	\$13,483,951.00	\$679,473.72		58	
									\$504,018,304.88	\$504,419,906.00	\$1,017,851,920.29	\$766,272,469.37	\$38,895,605.49		308	
									\$140,981,984.16	\$275,628,668.00	\$429,998,498.57	\$319,739,905.94	\$16,563,643.63		149	
									\$327,497,313.96	\$217,307,739.00	\$543,309,819.96	\$418,646,548.38	\$20,901,323.52		88	
									\$35,539,006.76	\$11,483,499.00	\$44,543,601.76	\$27,886,015.06	\$1,430,638.34		71	
									\$504,018,304.88	\$504,419,906.00	\$1,017,851,920.29	\$766,272,469.37	\$38,895,605.49		308	

2002 EZ LIST BY COUNTY

5-18

Date	Exemption Certificate Number	County Code	Business Type	SIC	Type of Business	Type of Project	Project Code	Exemption Factor	Construction Costs	Machinery Costs	Total Project Costs	EST Tax Proj Cost	Estimated Tax	County	County Count	Region
			Counties with 5 or more filers						\$852,462.00	\$591,583.00	\$1,444,045.00	\$1,149,699.00	\$58,472.80	Barton	6	
									\$1,340,000.00	\$522,000.00	\$1,862,000.00	\$1,206,000.00	\$61,122.00	Butler	6	
									\$3,744,000.00	\$17,162,488.00	\$20,956,488.00	\$13,575,688.00	\$707,975.11	Crawford	12	
									\$20,044,792.00	\$16,902,334.00	\$40,945,750.00	\$25,902,550.00	\$1,370,044.15	Douglas	7	
									\$488,000.00	\$512,000.00	\$1,000,000.00	\$818,000.00	\$41,970.00	Harvey	5	
									\$87,410,564.72	\$99,689,383.00	\$127,094,218.72	\$95,621,570.43	\$4,922,447.47	Johnson	57	
									\$466,200.00	\$589,800.00	\$1,311,000.00	\$837,000.00	\$44,361.00	Lynn	5	
									\$1,390,455.00	\$18,309,131.00	\$22,294,586.00	\$21,610,164.00	\$1,120,445.18	Montgomery	9	
									\$14,583,000.00	\$6,582,000.00	\$15,665,000.00	\$9,855,000.00	\$507,455.00	Osborne	6	
									\$1,864,625.00	\$751,600.00	\$2,616,225.00	\$2,116,225.00	\$106,955.93	Reno	7	
									\$207,151,916.59	\$71,361,375.00	\$322,854,230.00	\$266,499,430.00	\$13,104,424.07	Sedgwick	33	
									\$58,527,000.00	\$97,167,897.00	\$162,074,397.00	\$119,827,997.00	\$6,169,490.25	Shawnee	16	
									\$1,527,000.00	\$772,000.00	\$2,299,000.00	\$1,505,400.00	\$78,864.60	Sheridan	6	
									\$12,103,100.00	\$18,980,491.00	\$33,396,491.00	\$26,596,491.00	\$1,345,611.53	Wyandotte	15	
			Total						\$411,493,115.31	\$349,894,082.00	\$755,813,430.72	\$587,121,214.43	\$29,639,639.08		190	
			Counties with less than 5 filers						\$92,525,189.57	\$154,525,824.00	\$262,038,489.57	\$179,151,254.94	\$9,255,966.41			\$118.00
			GRAND TOTAL						\$504,018,304.88	\$504,419,906.00	\$1,017,851,920.29	\$766,272,469.37	\$38,895,605.49		\$308.00	

STATE OF KANSAS ECONOMIC DEVELOPMENT INCENTIVE QUESTIONNAIRE

All Kansas corporate income taxpayers are required, pursuant to K.S.A. 74-8017, to complete the following questionnaire regarding economic development income tax credits and sales tax exemptions. The information requested by the questionnaire is required to evaluate the utilization and effectiveness of these economic development and business tax credits and incentives provided by the state of Kansas.

The information you provide in this questionnaire will be supplied to Kansas, Inc. by the Kansas Department of Revenue (KDOR). Kansas, Inc. is subject to the same confidentiality requirements as the Department of Revenue with respect to this information. Your responses will be kept in the strictest of confidence and will only be reported to Kansas, Inc. for use in preparing the reports required by K.S.A. 74-8017. If you have any questions, call the Department of Revenue at 1-877-526-7738, press 1 for a touch-tone phone (listen briefly), press 5 for Business Taxes (listen briefly), then press 3 for Corporate Taxes.

INCOME TAX CREDITS

- Job Expansion and Investment Credit Act and Kansas Enterprise Zone Act, K.S.A. 79-32,153, K.S.A. 79-32,160a
- Research and Development Credit, K.S.A. 79-32,182
- Kansas Venture Capital and Seed Capital Credits, K.S.A. 74-8205, 74-8206, 74-8304, 74-8304a, 74-8401
- High Performance Incentive Program (HPIP): Workforce Training and Investment Credit, K.S.A. 74-50,132, 79-32,160a(e)

SALES TAX EXEMPTIONS

- Kansas Enterprise Zone Act Sales Tax Exemption, K.S.A. 79-3606(cc)
- Integrated Production Machinery & Equipment Sales Tax Exemption, K.S.A. 79-3606(kk)

CONTACT INFORMATION

The Kansas Department of Revenue will retain the contact information in strict confidentiality. However, granting the incentive requires the firm or individual to cooperate with Kansas, Inc., who may conduct a follow-up interview of a sample of all recipients in order to study how important the incentive was to the investment/location decision.

Company Name _____

Contact Person _____
Name E-mail Address Phone Number

Company Mailing Address _____

City _____ State _____ Zip Code _____

Federal Employer Identification Number (EIN) _____

1. Did you claim any of the income tax credits or sales tax exemptions shown above during tax year 2002?
 - No (If no, this completes the questionnaire. Please enclose this questionnaire with the corporate tax return filed with KDOR.)
 - Yes (If yes, check any and all of the income tax credits and sales tax exemptions claimed, then proceed to question 2.)

<input type="checkbox"/> Job Expansion and Investment Credit Act – Tax Credit	<input type="checkbox"/> Kansas Enterprise Zone Act – Tax Credit
<input type="checkbox"/> Research and Development Credit	<input type="checkbox"/> Kansas Venture Capital and Seed Capital Credits
<input type="checkbox"/> HPIP Workforce Training and Education Tax Credit	<input type="checkbox"/> HPIP Investment Credit
<input type="checkbox"/> Kansas Enterprise Zone Act – Sales Tax Exemption	<input type="checkbox"/> Integrated Production Machinery & Equipment Sales Tax Exemption

 2. Did you utilize any of the income tax credits or sales tax exemptions shown above in tax year 2002?
 - Yes (Proceed to question 2a.)
 - No (Proceed to question 3.)
 - 2a. What are the total dollars in income tax credits utilized in tax year 2002? \$ _____
 - 2b. What are the total dollars in sales tax exemptions utilized in tax year 2002? \$ _____
- If the responses to both 2a and 2b are zero, then proceed to question 3 on the back of this form.***
- 2c. What is the total dollar level of investment in association with the above incentives? \$ _____
 - 2d. What are the total wages created in association with the above incentives? \$ _____
 - 2e. What is the total number of jobs created in association with the above incentives? _____
- 2f. Are the investments, wages and jobs associated with the income tax credits generally the same items as those associated with the sales tax exemptions?
 - Generally the same items (Proceed to question 3.)
 - Some items are distinct

2g. Please allocate the items by the incentives with which they were associated. Percent associated with:

	Income tax credits:	Sales tax credits:	Both:	Total:
Investment	_____ %	_____ %	_____ %	100%
Wages	_____ %	_____ %	_____ %	100%
Jobs	_____ %	_____ %	_____ %	100%

3. Please check the appropriate box that best describes the project for which the economic development program was used.

- Start-up of a new business. (Proceed to question 4.)
- Expansion of an existing Kansas firm. (Proceed to question 4.)
- Relocation to another city from an existing Kansas location. (Proceed to question 4.)
- Expansion into Kansas by an out-of-state firm. (Skip question 4 and proceed to question 5.)
- Relocation to Kansas from an out-of-state location. (Skip question 4 and proceed to question 5.)

4. Did your company seriously consider undertaking this project in another state?

- Yes No

5. What were the three (3) most important reasons for your firm's ultimate decision to undertake the project in Kansas?

- Aggressive recruitment efforts.
- State and/or local tax incentives.
- State and/or local financial incentives (i.e., grants, HPIP program, training dollars, etc.). Please specify: _____
- Well-trained skilled labor force.
- Cost of labor less expensive.
- Cost and availability of energy, water, or other inputs.
- Proximity to markets.
- Transportation infrastructure.
- Availability of educational/training facilities.
- Competitive tax structure.
- Quality of life in Kansas (i.e., education, housing, cost of living).
- Owner's place of residence.
- Other: _____

6. To what extent was the economic development program for this project a factor in your company's decision to go ahead with this project in Kansas?

- Contributed significantly.
- Contributed somewhat.
- Contributed only slightly.
- Did not contribute.

7. If the economic development program had not been available for your company, what would have been the effect on this project?

- Proceeded with the project as planned.
- Proceeded on a smaller scale.
- Canceled the project.
- Proceeded at an out-of-state location.

8. How many full-time employees does your company employ? Total _____ In Kansas _____

Please enclose this completed questionnaire with the income tax return you file with the Kansas Department of Revenue.

House Economic Development
2-4-03
Attachment 7

Is Kansas Cost-Competitive?

Taxes, Costs of Doing Business, and Economic Development

Policy Research Institute
University of Kansas

2/4/03

Kansas Joint Committee on
Economic Development - PRI, KU

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presented to the
**Kansas Joint
Committee on Economic
Development**

February 4, 2003

presented by

David Burress

Center for Economic and Business Analysis
Policy Research Institute
University of Kansas

2/4/03

Kansas Joint Committee on
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The business tax and cost study

- Researchers:
David Burress
Pat Oslund
Luke Middleton
- Funding: Kansas, Inc.
- Report: *Business Taxes and Costs in Kansas and Nearby States: 2001 Update*, Policy Research Institute Report No. 265, November 2001

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TOPICS

- Economic development framework
- Key tax rates and costs, 6 states
- Kansas business tax incentives
- Cost of business comparisons, 6 states
- Conclusions and recommendations

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Economic development

- Export expansion -
 - bringing in outside dollars on which the multiplier can work its magic
- Import substitution -
 - Replacing imports with local products to increase the multiplier.
- That's all there is.
- And import substitution won't get you very far. You really have to focus on "export base" firms.

Where do "export base" firms locate and invest?

- Some export base firms are attached to a location by owner's preferences
 - Local startups, "growth from within".
- "Footloose" firms invest where they can maximize profits.
- Other things held equal, maximizing profits means minimizing total costs.
 - No one tax or cost matters, only the total.

Major state and local business taxes

- corporate income taxes
- property taxes
 - commercial real estate
 - business equipment and machinery
- labor taxes
 - unemployment insurance
 - workers compensation
- sales taxes
 - capital expenditures
 - business inputs
- Federal offset

Tax burden factors

- Tax liability = (tax rate) x (tax base) - incentives
- Tax base = quantity x local price - exemptions
- Kansas is generally in the middle of nearby states
 - Most Kansas tax rates are in the middle
 - Kansas property tax rates are high
 - Property taxes on new investment are offset by aggressive local tax abatements up to 100%
 - Kansas tax base definitions are competitive
 - Kansas tax base market prices are typical
 - Kansas incentives are competitive

Tax base issues

- Proration formulas for multi-state corporate income
- Exempting machinery and equipment
 - Property tax
 - Sales tax
- Sales tax on intermediate products
- Depreciation of machinery and equipment

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Tax rates (%)

State	Corp. income (max)	Sales (state)	Sales (local, metro av.)	Work. comp (ratio to US)	Un-employ. Ins.
Year	2002	2002	2000	2001	2001
Colorado	4.63	2.9	2.9	124	0.20
Iowa	12.0/9.9	5.0	0.4	76	0.70
Kansas	7.35	5.3*	1.6	94	0.60
Missouri	6.25/5.16	4.225	2.1	109	0.40
Nebraska	7.81	5.5*	1.1	84	0.20
Oklahoma	6.00	4.5	3.2	144	0.10

* increased in 2002

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Effective Property Tax Rates (%) year 2000, prior to abatements

State	Commer. /Indust. Real Estate	Machinery and Equipment average for asset life:		
		Year 1	5 yr	10 yr
Colorado	2.17	2.41	2.35	2.61
Iowa	2.76	0.00	0.00	0.00
Kansas	2.67	2.81	2.51	2.21
Missouri	2.22	2.20	2.01	1.85
Nebraska	1.78	2.04	1.84	1.79
Oklahoma	1.05	1.25	1.22	1.36

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Job and Investment Credits in Kansas, 2001

Program	Rate	Basis	Limits/carryover	Eligibility
<i>Income Tax Credits</i>	\$1,500 (\$2500 in nonmetro)	Per new job	\$50,000 per year for all credits 50% of tax liability Unlimited carryforward if jobs are maintained	Financial institutions and headquarters, ≥ 20 new jobs Manufacturer, ≥ 2 new jobs Non manufacturer, ≥ 5 new jobs Retail, ≥ 20 new jobs, cities < 2,500 pop.
<i>As above</i>	1%	Investment	As above	As above

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Job and Investment Credits, continued

Program	Rate	Basis	Limits/carryover	Eligibility
<i>Job Expansion and Investment Credit</i>	\$100	Per new job per year	50% of tax liability No carryforward Annually for 10 years Not available with other investment credits	Most industries qualify Firms must add 2 jobs
	0.1%	Investment	As above	As above
<i>High Performance Incentives Program</i>	10%	Investment less \$50,000	10 year carryforward Not available with other investment credits	Industry: manufacturing, state-export-oriented service, headquarters or back office of national/multi-national Above-average wages
	10%	Training expenses	\$50,000 per year 10 year carryover less 2% of payroll Kansas Joint Committee on Economic Development - PRI, KU	As above Participation in qualified training program

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Non-tax costs

- Measured cost variations:
 - Wage rates
 - Energy
 - Real estate
- Costs assumed constant:
 - Cost of capital (except taxes)
 - Transport to market
 - Materials and intermediate products

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Average Annual Wages Ratio to US, 2000 Adjusted for Industry Mix

Colorado	101.6
Iowa	79.4
Kansas	82.3
Missouri	88.2
Nebraska	80.8
Oklahoma	76.7
U.S.	100.0

Sources: U.S. Bureau of Economic Analysis, State Personal Income CD ROM, Tables SA07 and SA27.
Calculations by PRI

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Modeling interstate competitiveness

- Scope: "footloose" firms of two types:
 - "new" = new investment; all incentives and abatements
 - "mature" = old investment; few incentives and abatements
- Goal: measure total cost of doing business

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Model assumptions

- Firms are corporations
- Firms sell most of their output outside of Kansas
- Firms operate for 20 years (or more) in Kansas
- Basis for comparison: annual profit per employee
- Use present values for a 20-year period
 - 10% discount rate
- “New firms” receive all of the tax incentives for which they might be eligible
- “Mature firms” do not receive tax incentives
- Labor-capital mix is constant across states
- Use metropolitan area averages

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“New” firms - full cost of business

Profits per Employee: Full Model Including Cost Variations
New Firms Receiving Tax Credits and Abatements

Location	Low Wage Low Capital Intensity	High Wage High Capital Intensity	Computer Services	Administrative Back Offices	Research and Development
Colorado	\$6327	\$38160	\$6338	\$5579	\$10334
Iowa	11079	50108	14270	12135	18871
Kansas	10278	47854	13881	11501	18922
Missouri	8893	41552	11798	9673	16563
Nebraska	10874	47755	15189	11989	20256
Oklahoma	11671	50206	17118	13797	21866
Reg. Av. (Co, Ia, Mo, Ne, Ok)	9769	45556	12942	10635	17578
Kansas as % of Reg. Av.	105.2%	105.0%	107.3%	108.1%	107.6%

NOTE: Under the assumptions of the full model, costs such as labor, land, and energy vary by state.
Source: Calculated by PRI.

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“Mature” firms - full cost of business

Profits per Employee: Full Model Including Cost Variations
Established Firms Receiving No Tax Credits or Abatements

Location	Low Wage Low Capital Intensity	High Wage High Capital Intensity	Computer Services	Administrative Back Offices	Research and Development
Colorado	\$6,213	\$37,564	\$6,221	\$5,591	\$10,290
Iowa	11,022	48,337	14,302	12,223	18,943
Kansas	9,781	45,395	13,554	11,046	18,185
Missouri	8,408	39,450	11,055	9,057	15,278
Nebraska	10,800	47,436	14,101	11,965	18,900
Oklahoma	11,363	49,667	16,214	13,122	21,044
Reg. Av. (Co, Ia, Mo, Ne, Ok)	9,561	44,491	12,378	10,392	16,891
Kansas as % of Reg. Av.	102.3%	102.0%	109.5%	106.3%	107.7%

NOTE: Under the assumptions of the full model, costs such as labor, land, and energy vary by state.
Source: Calculated by PRI.

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“New” firms - taxes only

Profits per Employee: Partial Model with No Cost Variations
New Firms Receiving Tax Credits and Abatements

Location	Low Wage Low Capital Intensity	High Wage High Capital Intensity	Computer Services	Administrative Back Offices	Research and Development
Colorado	\$9,606	\$44,232	\$12,971	\$10,502	\$17,380
Iowa	10,023	48,357	12,287	10,572	16,802
Kansas	9,886	46,830	12,970	10,782	17,987
Missouri	9,754	44,494	13,237	10,762	18,205
Nebraska	9,934	45,384	13,577	10,788	18,524
Oklahoma	10,034	46,502	14,012	11,416	18,457
Reg. Av. (Co, Ia, Mo, Ne, Ok)	9,870	45,794	13,217	10,808	17,873
Kansas as % of Reg. Av.	100.2%	102.3%	98.1%	99.8%	100.6%

NOTE: Under the assumptions of the partial model, costs such as labor, land, and energy are held constant across states.
Source: Calculated by PRI.

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“Mature” firms- taxes only

Profits per Employee: Partial Model with No Cost Variations
Established Firms Receiving No Tax Credits or Abatements

Location	Low Wage Low Capital Intensity	High Wage High Capital Intensity	Computer Services	Administrative Back Offices	Research and Development
Colorado	\$9,474	\$43,606	\$12,832	\$10,511	\$17,298
Iowa	9,972	46,608	12,318	10,659	16,873
Kansas	9,387	44,359	12,625	10,326	17,243
Missouri	9,273	42,448	12,453	10,182	16,903
Nebraska	9,867	45,081	12,539	10,764	17,204
Oklahoma	9,679	45,929	12,999	10,659	17,522
Reg. Av. (Co, Ia, Mo, Ne, Ok)	9,653	44,734	12,628	10,555	17,160
Kansas as % of Reg. Av.	97.2%	99.2%	100.0%	97.8%	100.5%

NOTE: Under the assumptions of the partial model, costs such as labor, land, and energy are held constant across states.
Source: Calculated by PRI

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Modeling conclusions

- For most firms, Kansas is better than average for the region and nation (higher profit, lower cost)
- The most important driver is relatively low wage rates.
- Kansas tax costs are about average for the region, below average for the nation.
- The federal offset dampens the importance of state and local taxes.

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Many factors are not considered in this model

- Distance to markets
- Local risk capital
- Entrepreneurialism
- Industrial clusters
(economies of scale and scope)
- Labor productivity and availability
- Public and private infrastructure
- Quality of life

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Reminder: relative costs matter for “footloose” firms only

- For a “growth from within” strategy, you must focus on the factors left out of the cost model.
- All of those factors matter to “footloose” firms as well.
- Special case: cross-border competition in Kansas City

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Implications

- Kansas economic development strategy calls for “neutral” taxes, not tax-led development.
- We have achieved that goal.
- Low-cost led development is self-defeating:
 - Low wages means low income
 - Low taxes means low infrastructure and quality of life
- Colorado had highest costs in the region, yet has the fastest growth and highest income.
- We should focus on non-cost development issues.

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Recommendations

- Major business tax changes are not indicated
- Long-run wish list: uniform and equal assessment for property tax
- Maintain or expand government services that support non-cost investment factors

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FIN

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