

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on February 7, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Hank Avila, Kansas Legislative Research Department
Jason Long, Revisor of Statutes
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Kent Heermann, Regional Development Assoc. of East Central Kansas
Christy Caldwell, Topeka Chamber of Commerce
Ashley Sherard, Lenexa Chamber of Commerce
Bernie Koch, Wichita Chamber of Commerce
Rob Johnson, Northeast Johnson County Chamber of Commerce
Duane Simpson, Kansas Grain & Feed
Andrew Nave, Overland Park Chamber of Commerce

Others attending:

See attached list.

HB 2170 - Concerning taxes.

The Chair introduced Kathie Sparks who gave the Committee a brief outline of the changes proposed in **HB 2170** to the corporate, franchise and business tax credits. (Attachment 1 and 2).

Kathie also distributed a list of repealed statutes in **HB 2170**. (Attachment 3).

Kent Herrmann offered testimony in support of **HB 2170**. (Attachment 4).

Christy Calewell spoke to the Committee in favor of **HB 2170**. (Attachment 5).

Questions and answers followed.

Ashley Sherard appeared as a proponent of **HB 2170**. (Attachment 6).

Speaking in favor of **HB 2170** was Bernie Koch. (Attachment 7).

Rob Johnson submitted testimony in support of **HB 2170**. (Attachment 8).

Andrew Nave appeared before the Committee as a proponent of **HB 2170**. (Attachment 9).

Duane Simpson offered testimony in favor of **HB 2170**. (Attachment 10).

Written only testimony in favor of **HB 2170** was provided by: Marlee Carpenter of the Kansas Chamber of Commerce, (Attachment 11); Derrick Sontag, NFIB, (Attachment 12); Betty Nelson, CBIZ Accounting, (Attachment 13); Kelly Schoen, ZE Graphix, (Attachment 14); R. Lee Harris, Cohen-Esrey Real Estate Investments, (Attachment 15) and D. Roxanne Helphingstine, Mission Electronics, (Attachment 16).

The meeting was adjourned at 5:15 p.m. The next meeting is scheduled for Thursday, February 8, 2007.

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February 7, 2007

To: House Committee on Economic Development and Tourism
From: Kathie Sparks, Principal Analyst
Re: HB 2170 — Corporate, Franchise, and Business Tax Credits

The following is a brief outline of the changes proposed in HB 2170 to the corporate, franchise, and business tax credits.

Kansas Investment Credit Act (Sections 1 through 8 – new law)

Section 1: Naming the Act

Section 2: Definitions

Please note that the definition of “opportunity zone” will be established by the Secretary of Commerce through rules and regulations. In addition, an “opportunity zone” must comprise at least one county, and would be economically disadvantaged, and would not include any counties in a metropolitan statistical area or micropolitan statistical area. (A US Census Bureau definition of a micropolitan statistical area is a Core Based Statistical Area (CBSA) associated with at least one urban cluster with a population of at least 10,000. The central county plus adjacent counties with a high degree of integration comprise the area. This definition is not in the bill.)

Section 3: An eligible taxpayer for the investment credit must meet all of the following criteria:

- Identified under the North American Industry Classification System (NAICS) as listed on Attachment 1.
- Identified as a headquarters or ancillary support operation by the Secretary of Commerce for purposes of this act, regardless of NAICS classification:
 - The qualified investment for the project must equal or exceed \$100,000 for those Kansas business facilities that are located in an opportunity zone and \$1.0 million for those Kansas business facilities that are not located in an opportunity zone.
- The taxpayer would be required to pay employees higher-than-average wages within a wage region at the Kansas business facility as follows:
 - The taxpayer’s Kansas business facility with 500 or fewer full-time equivalent employees will provide an average wage that is above the average wage paid

by all Kansas business facilities that share the same assigned NAICS category used to develop wage thresholds and that have reported 500 or fewer employees to the Kansas Department of Labor on quarterly wage reports;

- The taxpayer's Kansas business facility with 500 or more full-time equivalent employees will provide an average wage that is above the average wage paid by all Kansas business facilities that share the same assigned NAICS category used to develop wage thresholds and that have reported 500 or more employees to the Kansas Department of Labor on quarterly wage reports;
 - The taxpayer's Kansas business facility with more than 500 full-time equivalent employees is the sole facility within its assigned NAICS category; in which event it shall either provide an average wage that is above the average wage paid by all businesses that share the same assigned NAICS category and that have reported wages for 500 or fewer employees or be the sole business facility within its assigned NAICS category that has reported wages to the Department;
 - The Secretary of Commerce would be required to develop each set of wage thresholds for comparison purposes; or
 - The composition of wage regions used in connection with each set of wage thresholds would be determined by the Secretary of Commerce.
- An alternative process is established which would allow that the average wage calculated for the business is greater than or equal to 1.5 times the aggregate statewide average wage paid by industries covered by the employment security law based on data maintained by the Secretary of Labor.

Section 4: For taxable years commencing after December 31, 2006, an eligible taxpayer that makes a qualified investment in Kansas business facility (\$100,000 opportunity zone or \$1.0 million for everyone else) would receive a tax credit equal to 10 percent of the qualified investment. The tax credit would be allowed against the Kansas Income Tax Act, the Premium Tax, Privilege Fees, or Privilege Tax. The tax credit could be carried forward for ten years. The tax credit is available to subchapter S corporations, partnerships, and limited liability companies.

Section 5: Requires the Secretary of Revenue and the Secretary of Commerce to work together to coordinate a set of procedures to implement the provisions of the Act. This section also requires the business to provide information to justify claiming the credits. In addition, the bill would require the Secretary of Revenue to submit an annual report to the Legislature regarding utilization of the credits claimed and the first report would be due with the beginning of the 2009 Legislative Session.

Section 6: The bill gives rules and regulations authority to the Secretary of Revenue and the Secretary of Commerce.

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Section 7: The bill provides that any company that receives a Kansas Investment Credit would be exempted from receiving any credits from the Enterprise Zone Act, or the Job Expansion and Investment Tax Credit Act except if those credits were earned prior to December 31, 2006. In addition, no additional credits would be earned through the High performance Incentive Act after December 31, 2006, except they may be carried forward for the appropriate time frame. Any taxpayer who filed an application prior to July 1, 2007, may claim credits under the High Performance Incentive Act, but not under the Kansas Investment Credit Act for 2007 and 2008 to accommodate the 2007 transition period.

Section 8: The Act would expire on January 1, 2012.

Kansas Job Credit Act (Section 9 through 14 – new law)

Section 9: Naming the Act.

Section 10: Definitions

The same NAICS codes would apply to the Kansas Job Credit Act as the Kansas Investment Credit Act, please see attachment 1.

Section 11: For taxable years after December 31, 2006, the bill would provide the following tax credits:

- Opportunity zone business: 5 new employees a credit of \$3,500 per new employee against the Kansas Income Tax Act, the Premium Tax, Privilege Fees, or the Privilege Tax.
- Business outside of an opportunity zone: 20 new employees a credit of \$1,500 per new employee against the Kansas Income Tax Act, the Premium Tax, Privilege Fees, or the Privilege Tax.
- The bill would require a new employee to perform the majority of the services in either an opportunity zone or in the State of Kansas.
- The credits may be carried forward until the total amount of the tax credits used. In the event the taxpayer does not continue to employ the required minimum number of employees, any credit remaining would be forfeited. A taxpayer could only apply for either an opportunity zone or a Kansas Job Credit; but not both for the same employee.
- The credits would apply to subchapter S corporations, partnerships, or limited liability companies.

Section 12: The bill would require the taxpayer to provide documentation as a condition for claiming the credits. The Secretary of Revenue would be required to submit an annual report to the legislature regarding utilization of the credits beginning with the 2009 Legislative Session.

Section 13: The bill would allow the Secretary of Revenue to adopt rules and regulations for administering this Act.

Section 14: The Act would expire on January 1, 2012.

Kansas Investment Credit Act (Sections 15 through 25 – amending current law)

Section 15: The bill provides that credits allowed under the Kansas Investment Credit Act and the Kansas Jobs Credit Act would be treated as tax paid for insurance companies, and deletes references to HPIP and qualified business credits.

Section 16: The bill would place the definition for a qualified swine facility in an existing statute (Confined Feeding Facilities for Swine) as the swine credits are eliminated in the bill along with the definition.

Section 17: The Kansas Investment Credit Act would not be allowed for any amount of investment related to or computed on the basis of any investment of the proceeds of obligations issued under the Kansas Development Finance Authority Act.

Section 18: The bill would amend the **Corporation Income Tax** rates as follows:

- Current law: The normal tax is an amount equal to 4 percent of the Kansas taxable income of such corporation an amount equal to 3.35 percent of the Kansas taxable income of such corporation in excess of \$50,000. This equates to a tax rate of 7.35 percent on all income above \$50,000 for Kansas corporations.
- The bill would amend the surcharge on income from 3.35 percent to 2.95 percent for tax year 2008; or a combined tax rate of 6.95 percent on all income above \$50,000 for Kansas corporations. For tax year 2009, and thereafter, the surcharge rate would be reduced to 2.75 percent or a combined tax rate of 6.75 on all income above \$50,000 for Kansas corporations.

Section 19: The bill would eliminate the tax credits for the qualified business facilities.

Section 20: The bill would eliminate the credits for swine facilities; and the adjustment for federal adjusted gross income based on swine facilities.

In addition, the bill would reconcile two versions of the Kansas Postsecondary Education Savings Program enacted in 2006 (a technical cleanup).

Section 21: The bill would require any taxpayer claiming Kansas Investment Credit Act and the Kansas Jobs Credit Act credits to provide the following information:

- Actual jobs created as a direct result of the expenditures on which such credit claim is based;
- Additional payroll generated as a direct result of the expenditures on which such credit claim is based;

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- Actual jobs retained as a direct result of the expenditures on which such credit claim is based;
- Additional revenue generated as a direct result of the expenditures on which such credit claim is based;
- Additional sales generated as a direct result of the expenditures on which such credit claim is based; and
- Total employment and payroll at the end of the tax year in which the credits are based.

Section 22: The bill would provide a sales tax exemption on the construction, reconstruction, enlargement, or remodel of a facility for a taxpayer that qualifies for a Kansas jobs or opportunity zone credit. The bill would also provide for a fraction of the sales tax exemption when the qualified taxpayer only leases or uses only part of the facility.

Section 23: The bill would amend the **franchise tax**. Under current law, the .125 percent franchise tax is based on taxable equity of \$100,000 or greater. Under the conditions of the bill, the franchise tax would be based on taxable equity of \$1.0 million or greater at a rate of .125 percent. The maximum franchise tax would not change and remain at \$20,000 per entity. This provision would become effective for all tax years commencing after December 31, 2006.

Section 24: The bill would provide for repealers for listed statutes.

Section 25: The Act would take effect after its publication in the statute book.

*Attachment 1***Utilities**

2002 NAICS Code	2002 NAICS Title
<u>22</u>	Utilities
<u>221</u>	Utilities
<u>2211</u>	Electric Power Generation, Transmission and Distribution
<u>22111</u>	Electric Power Generation
<u>221111</u>	Hydroelectric Power Generation
<u>221112</u>	Fossil Fuel Electric Power Generation
<u>221113</u>	Nuclear Electric Power Generation
<u>221119</u>	Other Electric Power Generation
<u>22112</u>	Electric Power Transmission, Control, and Distribution
<u>221121</u>	Electric Bulk Power Transmission and Control
<u>221122</u>	Electric Power Distribution
<u>2212</u>	Natural Gas Distribution
<u>22121</u>	Natural Gas Distribution
<u>221210</u>	Natural Gas Distribution
<u>2213</u>	Water, Sewage and Other Systems
<u>22131</u>	Water Supply and Irrigation Systems
<u>221310</u>	Water Supply and Irrigation Systems
<u>22132</u>	Sewage Treatment Facilities
<u>221320</u>	Sewage Treatment Facilities
<u>22133</u>	Steam and Air-Conditioning Supply
<u>221330</u>	Steam and Air-Conditioning Supply

Economic Development & Tourism
Date: 2-7-07
Attachment # 2-1

<u>311</u>	Food Manufacturing
<u>3111</u>	Animal Food Manufacturing
<u>31111</u>	Animal Food Manufacturing
<u>311111</u>	Dog and Cat Food Manufacturing
<u>311119</u>	Other Animal Food Manufacturing
<u>3112</u>	Grain and Oilseed Milling
<u>31121</u>	Flour Milling and Malt Manufacturing
<u>311211</u>	Flour Milling
<u>311212</u>	Rice Milling
<u>311213</u>	Malt Manufacturing
<u>31122</u>	Starch and Vegetable Fats and Oils Manufacturing
<u>311221</u>	Wet Corn Milling
<u>311222</u>	Soybean Processing
<u>311223</u>	Other Oilseed Processing
<u>311225</u>	Fats and Oils Refining and Blending
<u>31123</u>	Breakfast Cereal Manufacturing
<u>311230</u>	Breakfast Cereal Manufacturing
<u>3113</u>	Sugar and Confectionery Product Manufacturing
<u>31131</u>	Sugar Manufacturing
<u>311311</u>	Sugarcane Mills
<u>311312</u>	Cane Sugar Refining
<u>311313</u>	Beet Sugar Manufacturing
<u>31132</u>	Chocolate and Confectionery Manufacturing from Cacao Beans
<u>311320</u>	Chocolate and Confectionery Manufacturing from Cacao Beans
<u>31133</u>	Confectionery Manufacturing from Purchased Chocolate
<u>311330</u>	Confectionery Manufacturing from Purchased Chocolate
<u>31134</u>	Nonchocolate Confectionery Manufacturing
<u>311340</u>	Nonchocolate Confectionery Manufacturing
<u>3114</u>	Fruit and Vegetable Preserving and Specialty Food Manufacturing
<u>31141</u>	Frozen Food Manufacturing
<u>311411</u>	Frozen Fruit, Juice, and Vegetable Manufacturing
<u>311412</u>	Frozen Specialty Food Manufacturing
<u>31142</u>	Fruit and Vegetable Canning, Pickling, and Drying
<u>311421</u>	Fruit and Vegetable Canning
<u>311422</u>	Specialty Canning
<u>311423</u>	Dried and Dehydrated Food Manufacturing
<u>3115</u>	Dairy Product Manufacturing
<u>31151</u>	Dairy Product (except Frozen) Manufacturing
<u>311511</u>	Fluid Milk Manufacturing
<u>311512</u>	Creamery Butter Manufacturing

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<u>311513</u>	Cheese Manufacturing
<u>311514</u>	Dry, Condensed, and Evaporated Dairy Product Manufacturing
<u>31152</u>	Ice Cream and Frozen Dessert Manufacturing
<u>311520</u>	Ice Cream and Frozen Dessert Manufacturing
<u>3116</u>	Animal Slaughtering and Processing
<u>31161</u>	Animal Slaughtering and Processing
<u>311611</u>	Animal (except Poultry) Slaughtering
<u>311612</u>	Meat Processed from Carcasses
<u>311613</u>	Rendering and Meat Byproduct Processing
<u>311615</u>	Poultry Processing
<u>3117</u>	Seafood Product Preparation and Packaging
<u>31171</u>	Seafood Product Preparation and Packaging
<u>311711</u>	Seafood Canning
<u>311712</u>	Fresh and Frozen Seafood Processing
<u>3118</u>	Bakeries and Tortilla Manufacturing
<u>31181</u>	Bread and Bakery Product Manufacturing
<u>311811</u>	Retail Bakeries
<u>311812</u>	Commercial Bakeries
<u>311813</u>	Frozen Cakes, Pies, and Other Pastries Manufacturing
<u>31182</u>	Cookie, Cracker, and Pasta Manufacturing
<u>311821</u>	Cookie and Cracker Manufacturing
<u>311822</u>	Flour Mixes and Dough Manufacturing from Purchased Flour
<u>311823</u>	Dry Pasta Manufacturing
<u>31183</u>	Tortilla Manufacturing
<u>311830</u>	Tortilla Manufacturing
<u>3119</u>	Other Food Manufacturing
<u>31191</u>	Snack Food Manufacturing
<u>311911</u>	Roasted Nuts and Peanut Butter Manufacturing
<u>311919</u>	Other Snack Food Manufacturing
<u>31192</u>	Coffee and Tea Manufacturing
<u>311920</u>	Coffee and Tea Manufacturing
<u>31193</u>	Flavoring Syrup and Concentrate Manufacturing
<u>311930</u>	Flavoring Syrup and Concentrate Manufacturing
<u>31194</u>	Seasoning and Dressing Manufacturing
<u>311941</u>	Mayonnaise, Dressing, and Other Prepared Sauce Manufacturing
<u>311942</u>	Spice and Extract Manufacturing
<u>31199</u>	All Other Food Manufacturing
<u>311991</u>	Perishable Prepared Food Manufacturing
<u>311999</u>	All Other Miscellaneous Food Manufacturing
<u>312</u>	Beverage and Tobacco Product Manufacturing

<u>3121</u>	Beverage Manufacturing
<u>31211</u>	Soft Drink and Ice Manufacturing
<u>312111</u>	Soft Drink Manufacturing
<u>312112</u>	Bottled Water Manufacturing
<u>312113</u>	Ice Manufacturing
<u>31212</u>	Breweries
<u>312120</u>	Breweries
<u>31213</u>	Wineries
<u>312130</u>	Wineries
<u>31214</u>	Distilleries
<u>312140</u>	Distilleries
<u>3122</u>	Tobacco Manufacturing
<u>31221</u>	Tobacco Stemming and Redrying
<u>312210</u>	Tobacco Stemming and Redrying
<u>31222</u>	Tobacco Product Manufacturing
<u>312221</u>	Cigarette Manufacturing
<u>312229</u>	Other Tobacco Product Manufacturing
<u>313</u>	Textile Mills
<u>3131</u>	Fiber, Yarn, and Thread Mills
<u>31311</u>	Fiber, Yarn, and Thread Mills
<u>313111</u>	Yarn Spinning Mills
<u>313112</u>	Yarn Texturizing, Throwing, and Twisting Mills
<u>313113</u>	Thread Mills
<u>3132</u>	Fabric Mills
<u>31321</u>	Broadwoven Fabric Mills
<u>313210</u>	Broadwoven Fabric Mills
<u>31322</u>	Narrow Fabric Mills and Schiffli Machine Embroidery
<u>313221</u>	Narrow Fabric Mills
<u>313222</u>	Schiffli Machine Embroidery
<u>31323</u>	Nonwoven Fabric Mills
<u>313230</u>	Nonwoven Fabric Mills
<u>31324</u>	Knit Fabric Mills
<u>313241</u>	Weft Knit Fabric Mills
<u>313249</u>	Other Knit Fabric and Lace Mills
<u>3133</u>	Textile and Fabric Finishing and Fabric Coating Mills
<u>31331</u>	Textile and Fabric Finishing Mills
<u>313311</u>	Broadwoven Fabric Finishing Mills
<u>313312</u>	Textile and Fabric Finishing (except Broadwoven Fabric) Mills
<u>31332</u>	Fabric Coating Mills
<u>313320</u>	Fabric Coating Mills

<u>314</u>	Textile Product Mills
<u>3141</u>	Textile Furnishings Mills
<u>31411</u>	Carpet and Rug Mills
<u>314110</u>	Carpet and Rug Mills
<u>31412</u>	Curtain and Linen Mills
<u>314121</u>	Curtain and Drapery Mills
<u>314129</u>	Other Household Textile Product Mills
<u>3149</u>	Other Textile Product Mills
<u>31491</u>	Textile Bag and Canvas Mills
<u>314911</u>	Textile Bag Mills
<u>314912</u>	Canvas and Related Product Mills
<u>31499</u>	All Other Textile Product Mills
<u>314991</u>	Rope, Cordage, and Twine Mills
<u>314992</u>	Tire Cord and Tire Fabric Mills
<u>314999</u>	All Other Miscellaneous Textile Product Mills
<u>315</u>	Apparel Manufacturing
<u>3151</u>	Apparel Knitting Mills
<u>31511</u>	Hosiery and Sock Mills
<u>315111</u>	Sheer Hosiery Mills
<u>315119</u>	Other Hosiery and Sock Mills
<u>31519</u>	Other Apparel Knitting Mills
<u>315191</u>	Outerwear Knitting Mills
<u>315192</u>	Underwear and Nightwear Knitting Mills
<u>3152</u>	Cut and Sew Apparel Manufacturing
<u>31521</u>	Cut and Sew Apparel Contractors
<u>315211</u>	Men's and Boys' Cut and Sew Apparel Contractors
<u>315212</u>	Women's, Girls', and Infants' Cut and Sew Apparel Contractors
<u>31522</u>	Men's and Boys' Cut and Sew Apparel Manufacturing
<u>315221</u>	Men's and Boys' Cut and Sew Underwear and Nightwear Manufacturing
<u>315222</u>	Men's and Boys' Cut and Sew Suit, Coat, and Overcoat Manufacturing
<u>315223</u>	Men's and Boys' Cut and Sew Shirt (except Work Shirt) Manufacturing
<u>315224</u>	Men's and Boys' Cut and Sew Trouser, Slack, and Jean Manufacturing
<u>315225</u>	Men's and Boys' Cut and Sew Work Clothing Manufacturing
<u>315228</u>	Men's and Boys' Cut and Sew Other Outerwear Manufacturing
<u>31523</u>	Women's and Girls' Cut and Sew Apparel Manufacturing
<u>315231</u>	Women's and Girls' Cut and Sew Lingerie, Loungewear, and Nightwear Manufacturing
<u>315232</u>	Women's and Girls' Cut and Sew Blouse and Shirt Manufacturing
<u>315233</u>	Women's and Girls' Cut and Sew Dress Manufacturing
<u>315234</u>	Women's and Girls' Cut and Sew Suit, Coat, Tailored Jacket, and Skirt Manufacturing
<u>315239</u>	Women's and Girls' Cut and Sew Other Outerwear Manufacturing
<u>31529</u>	Other Cut and Sew Apparel Manufacturing

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<u>3122</u>	Cut and Sew Apparel Manufacturing
<u>315291</u>	Infants' Cut and Sew Apparel Manufacturing
<u>315292</u>	Fur and Leather Apparel Manufacturing
<u>315299</u>	All Other Cut and Sew Apparel Manufacturing
<u>3159</u>	Apparel Accessories and Other Apparel Manufacturing
<u>31599</u>	Apparel Accessories and Other Apparel Manufacturing
<u>315991</u>	Hat, Cap, and Millinery Manufacturing
<u>315992</u>	Glove and Mitten Manufacturing
<u>315993</u>	Men's and Boys' Neckwear Manufacturing
<u>315999</u>	Other Apparel Accessories and Other Apparel Manufacturing
<u>316</u>	Leather and Allied Product Manufacturing
<u>3161</u>	Leather and Hide Tanning and Finishing
<u>31611</u>	Leather and Hide Tanning and Finishing
<u>316110</u>	Leather and Hide Tanning and Finishing
<u>3162</u>	Footwear Manufacturing
<u>31621</u>	Footwear Manufacturing
<u>316211</u>	Rubber and Plastics Footwear Manufacturing
<u>316212</u>	House Slipper Manufacturing
<u>316213</u>	Men's Footwear (except Athletic) Manufacturing
<u>316214</u>	Women's Footwear (except Athletic) Manufacturing
<u>316219</u>	Other Footwear Manufacturing
<u>3169</u>	Other Leather and Allied Product Manufacturing
<u>31699</u>	Other Leather and Allied Product Manufacturing
<u>316991</u>	Luggage Manufacturing
<u>316992</u>	Women's Handbag and Purse Manufacturing
<u>316993</u>	Personal Leather Good (except Women's Handbag and Purse) Manufacturing
<u>316999</u>	All Other Leather Good Manufacturing
<u>321</u>	Wood Product Manufacturing
<u>3211</u>	Sawmills and Wood Preservation
<u>32111</u>	Sawmills and Wood Preservation
<u>321113</u>	Sawmills
<u>321114</u>	Wood Preservation
<u>3212</u>	Veneer, Plywood, and Engineered Wood Product Manufacturing
<u>32121</u>	Veneer, Plywood, and Engineered Wood Product Manufacturing
<u>321211</u>	Hardwood Veneer and Plywood Manufacturing
<u>321212</u>	Softwood Veneer and Plywood Manufacturing
<u>321213</u>	Engineered Wood Member (except Truss) Manufacturing
<u>321214</u>	Truss Manufacturing
<u>321219</u>	Reconstituted Wood Product Manufacturing
<u>3219</u>	Other Wood Product Manufacturing
<u>32191</u>	Millwork

- 321911 Wood Window and Door Manufacturing
- 321912 Cut Stock, Resawing Lumber, and Planing
- 321918 Other Millwork (including Flooring)
- 32192 Wood Container and Pallet Manufacturing
- 321920 Wood Container and Pallet Manufacturing
- 32199 All Other Wood Product Manufacturing
- 321991 Manufactured Home (Mobile Home) Manufacturing
- 321992 Prefabricated Wood Building Manufacturing
- 321999 All Other Miscellaneous Wood Product Manufacturing
- 322 Paper Manufacturing
- 3221 Pulp, Paper, and Paperboard Mills
- 32211 Pulp Mills
- 322110 Pulp Mills
- 32212 Paper Mills
- 322121 Paper (except Newsprint) Mills
- 322122 Newsprint Mills
- 32213 Paperboard Mills
- 322130 Paperboard Mills
- 3222 Converted Paper Product Manufacturing
- 32221 Paperboard Container Manufacturing
- 322211 Corrugated and Solid Fiber Box Manufacturing
- 322212 Folding Paperboard Box Manufacturing
- 322213 Setup Paperboard Box Manufacturing
- 322214 Fiber Can, Tube, Drum, and Similar Products Manufacturing
- 322215 Nonfolding Sanitary Food Container Manufacturing
- 32222 Paper Bag and Coated and Treated Paper Manufacturing
- 322221 Coated and Laminated Packaging Paper and Plastics Film Manufacturing
- 322222 Coated and Laminated Paper Manufacturing
- 322223 Plastics, Foil, and Coated Paper Bag Manufacturing
- 322224 Uncoated Paper and Multiwall Bag Manufacturing
- 322225 Laminated Aluminum Foil Manufacturing for Flexible Packaging Uses
- 322226 Surface-Coated Paperboard Manufacturing
- 32223 Stationery Product Manufacturing
- 322231 Die-Cut Paper and Paperboard Office Supplies Manufacturing
- 322232 Envelope Manufacturing
- 322233 Stationery, Tablet, and Related Product Manufacturing
- 32229 Other Converted Paper Product Manufacturing
- 322291 Sanitary Paper Product Manufacturing
- 322299 All Other Converted Paper Product Manufacturing
- 323 Printing and Related Support Activities

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<u>3231</u>	Printing and Related Support Activities
<u>32311</u>	Printing
<u>323110</u>	Commercial Lithographic Printing
<u>323111</u>	Commercial Gravure Printing
<u>323112</u>	Commercial Flexographic Printing
<u>323113</u>	Commercial Screen Printing
<u>323114</u>	Quick Printing
<u>323115</u>	Digital Printing
<u>323116</u>	Manifold Business Forms Printing
<u>323117</u>	Books Printing
<u>323118</u>	Blankbook, Looseleaf Binders, and Devices Manufacturing
<u>323119</u>	Other Commercial Printing
<u>32312</u>	Support Activities for Printing
<u>323121</u>	Tradebinding and Related Work
<u>323122</u>	Prepress Services
<u>324</u>	Petroleum and Coal Products Manufacturing
<u>3241</u>	Petroleum and Coal Products Manufacturing
<u>32411</u>	Petroleum Refineries
<u>324110</u>	Petroleum Refineries
<u>32412</u>	Asphalt Paving, Roofing, and Saturated Materials Manufacturing
<u>324121</u>	Asphalt Paving Mixture and Block Manufacturing
<u>324122</u>	Asphalt Shingle and Coating Materials Manufacturing
<u>32419</u>	Other Petroleum and Coal Products Manufacturing
<u>324191</u>	Petroleum Lubricating Oil and Grease Manufacturing
<u>324199</u>	All Other Petroleum and Coal Products Manufacturing
<u>325</u>	Chemical Manufacturing
<u>3251</u>	Basic Chemical Manufacturing
<u>32511</u>	Petrochemical Manufacturing
<u>325110</u>	Petrochemical Manufacturing
<u>32512</u>	Industrial Gas Manufacturing
<u>325120</u>	Industrial Gas Manufacturing
<u>32513</u>	Synthetic Dye and Pigment Manufacturing
<u>325131</u>	Inorganic Dye and Pigment Manufacturing
<u>325132</u>	Synthetic Organic Dye and Pigment Manufacturing
<u>32518</u>	Other Basic Inorganic Chemical Manufacturing
<u>325181</u>	Alkalies and Chlorine Manufacturing
<u>325182</u>	Carbon Black Manufacturing
<u>325188</u>	All Other Basic Inorganic Chemical Manufacturing
<u>32519</u>	Other Basic Organic Chemical Manufacturing
<u>325191</u>	Gum and Wood Chemical Manufacturing

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<u>325192</u>	Cyclic Crude and Intermediate Manufacturing
<u>325193</u>	Ethyl Alcohol Manufacturing
<u>325199</u>	All Other Basic Organic Chemical Manufacturing
<u>3252</u>	Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing
<u>32521</u>	Resin and Synthetic Rubber Manufacturing
<u>325211</u>	Plastics Material and Resin Manufacturing
<u>325212</u>	Synthetic Rubber Manufacturing
<u>32522</u>	Artificial and Synthetic Fibers and Filaments Manufacturing
<u>325221</u>	Cellulosic Organic Fiber Manufacturing
<u>325222</u>	Noncellulosic Organic Fiber Manufacturing
<u>3253</u>	Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing
<u>32531</u>	Fertilizer Manufacturing
<u>325311</u>	Nitrogenous Fertilizer Manufacturing
<u>325312</u>	Phosphatic Fertilizer Manufacturing
<u>325314</u>	Fertilizer (Mixing Only) Manufacturing
<u>32532</u>	Pesticide and Other Agricultural Chemical Manufacturing
<u>325320</u>	Pesticide and Other Agricultural Chemical Manufacturing
<u>3254</u>	Pharmaceutical and Medicine Manufacturing
<u>32541</u>	Pharmaceutical and Medicine Manufacturing
<u>325411</u>	Medicinal and Botanical Manufacturing
<u>325412</u>	Pharmaceutical Preparation Manufacturing
<u>325413</u>	In-Vitro Diagnostic Substance Manufacturing
<u>325414</u>	Biological Product (except Diagnostic) Manufacturing
<u>3255</u>	Paint, Coating, and Adhesive Manufacturing
<u>32551</u>	Paint and Coating Manufacturing
<u>325510</u>	Paint and Coating Manufacturing
<u>32552</u>	Adhesive Manufacturing
<u>325520</u>	Adhesive Manufacturing
<u>3256</u>	Soap, Cleaning Compound, and Toilet Preparation Manufacturing
<u>32561</u>	Soap and Cleaning Compound Manufacturing
<u>325611</u>	Soap and Other Detergent Manufacturing
<u>325612</u>	Polish and Other Sanitation Good Manufacturing
<u>325613</u>	Surface Active Agent Manufacturing
<u>32562</u>	Toilet Preparation Manufacturing
<u>325620</u>	Toilet Preparation Manufacturing
<u>3259</u>	Other Chemical Product and Preparation Manufacturing
<u>32591</u>	Printing Ink Manufacturing
<u>325910</u>	Printing Ink Manufacturing
<u>32592</u>	Explosives Manufacturing
<u>325920</u>	Explosives Manufacturing

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- 32599 All Other Chemical Product and Preparation Manufacturing
- 325991 Custom Compounding of Purchased Resins
- 325992 Photographic Film, Paper, Plate, and Chemical Manufacturing
- 325998 All Other Miscellaneous Chemical Product and Preparation Manufacturing
- 326 Plastics and Rubber Products Manufacturing
- 3261 Plastics Product Manufacturing
- 32611 Plastics Packaging Materials and Unlaminated Film and Sheet Manufacturing
- 326111 Plastics Bag Manufacturing
- 326112 Plastics Packaging Film and Sheet (including Laminated) Manufacturing
- 326113 Unlaminated Plastics Film and Sheet (except Packaging) Manufacturing
- 32612 Plastics Pipe, Pipe Fitting, and Unlaminated Profile Shape Manufacturing
- 326121 Unlaminated Plastics Profile Shape Manufacturing
- 326122 Plastics Pipe and Pipe Fitting Manufacturing
- 32613 Laminated Plastics Plate, Sheet (except Packaging), and Shape Manufacturing
- 326130 Laminated Plastics Plate, Sheet (except Packaging), and Shape Manufacturing
- 32614 Polystyrene Foam Product Manufacturing
- 326140 Polystyrene Foam Product Manufacturing
- 32615 Urethane and Other Foam Product (except Polystyrene) Manufacturing
- 326150 Urethane and Other Foam Product (except Polystyrene) Manufacturing
- 32616 Plastics Bottle Manufacturing
- 326160 Plastics Bottle Manufacturing
- 32619 Other Plastics Product Manufacturing
- 326191 Plastics Plumbing Fixture Manufacturing
- 326192 Resilient Floor Covering Manufacturing
- 326199 All Other Plastics Product Manufacturing
- 3262 Rubber Product Manufacturing
- 32621 Tire Manufacturing
- 326211 Tire Manufacturing (except Retreading)
- 326212 Tire Retreading
- 32622 Rubber and Plastics Hoses and Belting Manufacturing
- 326220 Rubber and Plastics Hoses and Belting Manufacturing
- 32629 Other Rubber Product Manufacturing
- 326291 Rubber Product Manufacturing for Mechanical Use
- 326299 All Other Rubber Product Manufacturing
- 327 Nonmetallic Mineral Product Manufacturing
- 3271 Clay Product and Refractory Manufacturing
- 32711 Pottery, Ceramics, and Plumbing Fixture Manufacturing
- 327111 Vitreous China Plumbing Fixture and China and Earthenware Bathroom Accessories Manufacturing
- 327112 Vitreous China, Fine Earthenware, and Other Pottery Product Manufacturing
- 327113 Porcelain Electrical Supply Manufacturing

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- 32712 Clay Building Material and Refractories Manufacturing
- 327121 Brick and Structural Clay Tile Manufacturing
- 327122 Ceramic Wall and Floor Tile Manufacturing
- 327123 Other Structural Clay Product Manufacturing
- 327124 Clay Refractory Manufacturing
- 327125 Nonclay Refractory Manufacturing
- 3272 Glass and Glass Product Manufacturing
- 32721 Glass and Glass Product Manufacturing
- 327211 Flat Glass Manufacturing
- 327212 Other Pressed and Blown Glass and Glassware Manufacturing
- 327213 Glass Container Manufacturing
- 327215 Glass Product Manufacturing Made of Purchased Glass
- 3273 Cement and Concrete Product Manufacturing
- 32731 Cement Manufacturing
- 327310 Cement Manufacturing
- 32732 Ready-Mix Concrete Manufacturing
- 327320 Ready-Mix Concrete Manufacturing
- 32733 Concrete Pipe, Brick, and Block Manufacturing
- 327331 Concrete Block and Brick Manufacturing
- 327332 Concrete Pipe Manufacturing
- 32739 Other Concrete Product Manufacturing
- 327390 Other Concrete Product Manufacturing
- 3274 Lime and Gypsum Product Manufacturing
- 32741 Lime Manufacturing
- 327410 Lime Manufacturing
- 32742 Gypsum Product Manufacturing
- 327420 Gypsum Product Manufacturing
- 3279 Other Nonmetallic Mineral Product Manufacturing
- 32791 Abrasive Product Manufacturing
- 327910 Abrasive Product Manufacturing
- 32799 All Other Nonmetallic Mineral Product Manufacturing
- 327991 Cut Stone and Stone Product Manufacturing
- 327992 Ground or Treated Mineral and Earth Manufacturing
- 327993 Mineral Wool Manufacturing
- 327999 All Other Miscellaneous Nonmetallic Mineral Product Manufacturing
- 331 Primary Metal Manufacturing
- 3311 Iron and Steel Mills and Ferroalloy Manufacturing
- 33111 Iron and Steel Mills and Ferroalloy Manufacturing
- 331111 Iron and Steel Mills
- 331112 Electrometallurgical Ferroalloy Product Manufacturing

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- 3312 Steel Product Manufacturing from Purchased Steel
- 33121 Iron and Steel Pipe and Tube Manufacturing from Purchased Steel
- 331210 Iron and Steel Pipe and Tube Manufacturing from Purchased Steel
- 33122 Rolling and Drawing of Purchased Steel
- 331221 Rolled Steel Shape Manufacturing
- 331222 Steel Wire Drawing
- 3313 Alumina and Aluminum Production and Processing
- 33131 Alumina and Aluminum Production and Processing
- 331311 Alumina Refining
- 331312 Primary Aluminum Production
- 331314 Secondary Smelting and Alloying of Aluminum
- 331315 Aluminum Sheet, Plate, and Foil Manufacturing
- 331316 Aluminum Extruded Product Manufacturing
- 331319 Other Aluminum Rolling and Drawing
- 3314 Nonferrous Metal (except Aluminum) Production and Processing
- 33141 Nonferrous Metal (except Aluminum) Smelting and Refining
- 331411 Primary Smelting and Refining of Copper
- 331419 Primary Smelting and Refining of Nonferrous Metal (except Copper and Aluminum)
- 33142 Copper Rolling, Drawing, Extruding, and Alloying
- 331421 Copper Rolling, Drawing, and Extruding
- 331422 Copper Wire (except Mechanical) Drawing
- 331423 Secondary Smelting, Refining, and Alloying of Copper
- 33149 Nonferrous Metal (except Copper and Aluminum) Rolling, Drawing, Extruding, and Alloying
- 331491 Nonferrous Metal (except Copper and Aluminum) Rolling, Drawing, and Extruding
- 331492 Secondary Smelting, Refining, and Alloying of Nonferrous Metal (except Copper and Aluminum)
- 3315 Foundries
- 33151 Ferrous Metal Foundries
- 331511 Iron Foundries
- 331512 Steel Investment Foundries
- 331513 Steel Foundries (except Investment)
- 33152 Nonferrous Metal Foundries
- 331521 Aluminum Die-Casting Foundries
- 331522 Nonferrous (except Aluminum) Die-Casting Foundries
- 331524 Aluminum Foundries (except Die-Casting)
- 331525 Copper Foundries (except Die-Casting)
- 331528 Other Nonferrous Foundries (except Die-Casting)
- 332 Fabricated Metal Product Manufacturing
- 3321 Forging and Stamping
- 33211 Forging and Stamping
- 332111 Iron and Steel Forging

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<u>332112</u>	Nonferrous Forging
<u>332114</u>	Custom Roll Forming
<u>332115</u>	Crown and Closure Manufacturing
<u>332116</u>	Metal Stamping
<u>332117</u>	Powder Metallurgy Part Manufacturing
<u>3322</u>	Cutlery and Handtool Manufacturing
<u>33221</u>	Cutlery and Handtool Manufacturing
<u>332211</u>	Cutlery and Flatware (except Precious) Manufacturing
<u>332212</u>	Hand and Edge Tool Manufacturing
<u>332213</u>	Saw Blade and Handsaw Manufacturing
<u>332214</u>	Kitchen Utensil, Pot, and Pan Manufacturing
<u>3323</u>	Architectural and Structural Metals Manufacturing
<u>33231</u>	Plate Work and Fabricated Structural Product Manufacturing
<u>332311</u>	Prefabricated Metal Building and Component Manufacturing
<u>332312</u>	Fabricated Structural Metal Manufacturing
<u>332313</u>	Plate Work Manufacturing
<u>33232</u>	Ornamental and Architectural Metal Products Manufacturing
<u>332321</u>	Metal Window and Door Manufacturing
<u>332322</u>	Sheet Metal Work Manufacturing
<u>332323</u>	Ornamental and Architectural Metal Work Manufacturing
<u>3324</u>	Boiler, Tank, and Shipping Container Manufacturing
<u>33241</u>	Power Boiler and Heat Exchanger Manufacturing
<u>332410</u>	Power Boiler and Heat Exchanger Manufacturing
<u>33242</u>	Metal Tank (Heavy Gauge) Manufacturing
<u>332420</u>	Metal Tank (Heavy Gauge) Manufacturing
<u>33243</u>	Metal Can, Box, and Other Metal Container (Light Gauge) Manufacturing
<u>332431</u>	Metal Can Manufacturing
<u>332439</u>	Other Metal Container Manufacturing
<u>3325</u>	Hardware Manufacturing
<u>33251</u>	Hardware Manufacturing
<u>332510</u>	Hardware Manufacturing
<u>3326</u>	Spring and Wire Product Manufacturing
<u>33261</u>	Spring and Wire Product Manufacturing
<u>332611</u>	Spring (Heavy Gauge) Manufacturing
<u>332612</u>	Spring (Light Gauge) Manufacturing
<u>332618</u>	Other Fabricated Wire Product Manufacturing
<u>3327</u>	Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing
<u>33271</u>	Machine Shops
<u>332710</u>	Machine Shops
<u>33272</u>	Turned Product and Screw, Nut, and Bolt Manufacturing

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<u>332121</u>	Precision Turned Product Manufacturing
<u>332722</u>	Bolt, Nut, Screw, Rivet, and Washer Manufacturing
<u>3328</u>	Coating, Engraving, Heat Treating, and Allied Activities
<u>33281</u>	Coating, Engraving, Heat Treating, and Allied Activities
<u>332811</u>	Metal Heat Treating
<u>332812</u>	Metal Coating, Engraving (except Jewelry and Silverware), and Allied Services to Manufacturers
<u>332813</u>	Electroplating, Plating, Polishing, Anodizing, and Coloring
<u>3329</u>	Other Fabricated Metal Product Manufacturing
<u>33291</u>	Metal Valve Manufacturing
<u>332911</u>	Industrial Valve Manufacturing
<u>332912</u>	Fluid Power Valve and Hose Fitting Manufacturing
<u>332913</u>	Plumbing Fixture Fitting and Trim Manufacturing
<u>332919</u>	Other Metal Valve and Pipe Fitting Manufacturing
<u>33299</u>	All Other Fabricated Metal Product Manufacturing
<u>332991</u>	Ball and Roller Bearing Manufacturing
<u>332992</u>	Small Arms Ammunition Manufacturing
<u>332993</u>	Ammunition (except Small Arms) Manufacturing
<u>332994</u>	Small Arms Manufacturing
<u>332995</u>	Other Ordnance and Accessories Manufacturing
<u>332996</u>	Fabricated Pipe and Pipe Fitting Manufacturing
<u>332997</u>	Industrial Pattern Manufacturing
<u>332998</u>	Enameled Iron and Metal Sanitary Ware Manufacturing
<u>332999</u>	All Other Miscellaneous Fabricated Metal Product Manufacturing
<u>333</u>	Machinery Manufacturing
<u>3331</u>	Agriculture, Construction, and Mining Machinery Manufacturing
<u>33311</u>	Agricultural Implement Manufacturing
<u>333111</u>	Farm Machinery and Equipment Manufacturing
<u>333112</u>	Lawn and Garden Tractor and Home Lawn and Garden Equipment Manufacturing
<u>33312</u>	Construction Machinery Manufacturing
<u>333120</u>	Construction Machinery Manufacturing
<u>33313</u>	Mining and Oil and Gas Field Machinery Manufacturing
<u>333131</u>	Mining Machinery and Equipment Manufacturing
<u>333132</u>	Oil and Gas Field Machinery and Equipment Manufacturing
<u>3332</u>	Industrial Machinery Manufacturing
<u>33321</u>	Sawmill and Woodworking Machinery Manufacturing
<u>333210</u>	Sawmill and Woodworking Machinery Manufacturing
<u>33322</u>	Plastics and Rubber Industry Machinery Manufacturing
<u>333220</u>	Plastics and Rubber Industry Machinery Manufacturing
<u>33329</u>	Other Industrial Machinery Manufacturing
<u>333291</u>	Paper Industry Machinery Manufacturing
<u>333292</u>	Textile Machinery Manufacturing

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<u>333292</u>	Printing Machinery Manufacturing
<u>333293</u>	Printing Machinery and Equipment Manufacturing
<u>333294</u>	Food Product Machinery Manufacturing
<u>333295</u>	Semiconductor Machinery Manufacturing
<u>333298</u>	All Other Industrial Machinery Manufacturing
<u>3333</u>	Commercial and Service Industry Machinery Manufacturing
<u>33331</u>	Commercial and Service Industry Machinery Manufacturing
<u>333311</u>	Automatic Vending Machine Manufacturing
<u>333312</u>	Commercial Laundry, Drycleaning, and Pressing Machine Manufacturing
<u>333313</u>	Office Machinery Manufacturing
<u>333314</u>	Optical Instrument and Lens Manufacturing
<u>333315</u>	Photographic and Photocopying Equipment Manufacturing
<u>333319</u>	Other Commercial and Service Industry Machinery Manufacturing
<u>3334</u>	Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing
<u>33341</u>	Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing
<u>333411</u>	Air Purification Equipment Manufacturing
<u>333412</u>	Industrial and Commercial Fan and Blower Manufacturing
<u>333414</u>	Heating Equipment (except Warm Air Furnaces) Manufacturing
<u>333415</u>	Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing
<u>3335</u>	Metalworking Machinery Manufacturing
<u>33351</u>	Metalworking Machinery Manufacturing
<u>333511</u>	Industrial Mold Manufacturing
<u>333512</u>	Machine Tool (Metal Cutting Types) Manufacturing
<u>333513</u>	Machine Tool (Metal Forming Types) Manufacturing
<u>333514</u>	Special Die and Tool, Die Set, Jig, and Fixture Manufacturing
<u>333515</u>	Cutting Tool and Machine Tool Accessory Manufacturing
<u>333516</u>	Rolling Mill Machinery and Equipment Manufacturing
<u>333518</u>	Other Metalworking Machinery Manufacturing
<u>3336</u>	Engine, Turbine, and Power Transmission Equipment Manufacturing
<u>33361</u>	Engine, Turbine, and Power Transmission Equipment Manufacturing
<u>333611</u>	Turbine and Turbine Generator Set Units Manufacturing
<u>333612</u>	Speed Changer, Industrial High-Speed Drive, and Gear Manufacturing
<u>333613</u>	Mechanical Power Transmission Equipment Manufacturing
<u>333618</u>	Other Engine Equipment Manufacturing
<u>3339</u>	Other General Purpose Machinery Manufacturing
<u>33391</u>	Pump and Compressor Manufacturing
<u>333911</u>	Pump and Pumping Equipment Manufacturing
<u>333912</u>	Air and Gas Compressor Manufacturing
<u>333913</u>	Measuring and Dispensing Pump Manufacturing
<u>33392</u>	Material Handling Equipment Manufacturing

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<u>333921</u>	Elevator and Moving Stairway Manufacturing
<u>333922</u>	Conveyor and Conveying Equipment Manufacturing
<u>333923</u>	Overhead Traveling Crane, Hoist, and Monorail System Manufacturing
<u>333924</u>	Industrial Truck, Tractor, Trailer, and Stacker Machinery Manufacturing
<u>33399</u>	All Other General Purpose Machinery Manufacturing
<u>333991</u>	Power-Driven Handtool Manufacturing
<u>333992</u>	Welding and Soldering Equipment Manufacturing
<u>333993</u>	Packaging Machinery Manufacturing
<u>333994</u>	Industrial Process Furnace and Oven Manufacturing
<u>333995</u>	Fluid Power Cylinder and Actuator Manufacturing
<u>333996</u>	Fluid Power Pump and Motor Manufacturing
<u>333997</u>	Scale and Balance (except Laboratory) Manufacturing
<u>333999</u>	All Other Miscellaneous General Purpose Machinery Manufacturing
<u>334</u>	Computer and Electronic Product Manufacturing
<u>3341</u>	Computer and Peripheral Equipment Manufacturing
<u>33411</u>	Computer and Peripheral Equipment Manufacturing
<u>334111</u>	Electronic Computer Manufacturing
<u>334112</u>	Computer Storage Device Manufacturing
<u>334113</u>	Computer Terminal Manufacturing
<u>334119</u>	Other Computer Peripheral Equipment Manufacturing
<u>3342</u>	Communications Equipment Manufacturing
<u>33421</u>	Telephone Apparatus Manufacturing
<u>334210</u>	Telephone Apparatus Manufacturing
<u>33422</u>	Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing
<u>334220</u>	Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing
<u>33429</u>	Other Communications Equipment Manufacturing
<u>334290</u>	Other Communications Equipment Manufacturing
<u>3343</u>	Audio and Video Equipment Manufacturing
<u>33431</u>	Audio and Video Equipment Manufacturing
<u>334310</u>	Audio and Video Equipment Manufacturing
<u>3344</u>	Semiconductor and Other Electronic Component Manufacturing
<u>33441</u>	Semiconductor and Other Electronic Component Manufacturing
<u>334411</u>	Electron Tube Manufacturing
<u>334412</u>	Bare Printed Circuit Board Manufacturing
<u>334413</u>	Semiconductor and Related Device Manufacturing
<u>334414</u>	Electronic Capacitor Manufacturing
<u>334415</u>	Electronic Resistor Manufacturing
<u>334416</u>	Electronic Coil, Transformer, and Other Inductor Manufacturing
<u>334417</u>	Electronic Connector Manufacturing
<u>334418</u>	Printed Circuit Assembly (Electronic Assembly) Manufacturing

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<u>334419</u>	Other Electronic Component Manufacturing
<u>3345</u>	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing
<u>33451</u>	Navigational, Measuring, Electromedical, and Control Instruments Manufacturing
<u>334510</u>	Electromedical and Electrotherapeutic Apparatus Manufacturing
<u>334511</u>	Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing
<u>334512</u>	Automatic Environmental Control Manufacturing for Residential, Commercial, and Appliance Use
<u>334513</u>	Instruments and Related Products Manufacturing for Measuring, Displaying, and Controlling Industrial Process Variables
<u>334514</u>	Totalizing Fluid Meter and Counting Device Manufacturing
<u>334515</u>	Instrument Manufacturing for Measuring and Testing Electricity and Electrical Signals
<u>334516</u>	Analytical Laboratory Instrument Manufacturing
<u>334517</u>	Irradiation Apparatus Manufacturing
<u>334518</u>	Watch, Clock, and Part Manufacturing
<u>334519</u>	Other Measuring and Controlling Device Manufacturing
<u>3346</u>	Manufacturing and Reproducing Magnetic and Optical Media
<u>33461</u>	Manufacturing and Reproducing Magnetic and Optical Media
<u>334611</u>	Software Reproducing
<u>334612</u>	Prerecorded Compact Disc (except Software), Tape, and Record Reproducing
<u>334613</u>	Magnetic and Optical Recording Media Manufacturing
<u>335</u>	Electrical Equipment, Appliance, and Component Manufacturing
<u>3351</u>	Electric Lighting Equipment Manufacturing
<u>33511</u>	Electric Lamp Bulb and Part Manufacturing
<u>335110</u>	Electric Lamp Bulb and Part Manufacturing
<u>33512</u>	Lighting Fixture Manufacturing
<u>335121</u>	Residential Electric Lighting Fixture Manufacturing
<u>335122</u>	Commercial, Industrial, and Institutional Electric Lighting Fixture Manufacturing
<u>335129</u>	Other Lighting Equipment Manufacturing
<u>3352</u>	Household Appliance Manufacturing
<u>33521</u>	Small Electrical Appliance Manufacturing
<u>335211</u>	Electric Housewares and Household Fan Manufacturing
<u>335212</u>	Household Vacuum Cleaner Manufacturing
<u>33522</u>	Major Appliance Manufacturing
<u>335221</u>	Household Cooking Appliance Manufacturing
<u>335222</u>	Household Refrigerator and Home Freezer Manufacturing
<u>335224</u>	Household Laundry Equipment Manufacturing
<u>335228</u>	Other Major Household Appliance Manufacturing
<u>3353</u>	Electrical Equipment Manufacturing
<u>33531</u>	Electrical Equipment Manufacturing
<u>335311</u>	Power, Distribution, and Specialty Transformer Manufacturing

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- 335312 Motor and Generator Manufacturing
- 335313 Switchgear and Switchboard Apparatus Manufacturing
- 335314 Relay and Industrial Control Manufacturing
- 3359 Other Electrical Equipment and Component Manufacturing
- 33591 Battery Manufacturing
- 335911 Storage Battery Manufacturing
- 335912 Primary Battery Manufacturing
- 33592 Communication and Energy Wire and Cable Manufacturing
- 335921 Fiber Optic Cable Manufacturing
- 335929 Other Communication and Energy Wire Manufacturing
- 33593 Wiring Device Manufacturing
- 335931 Current-Carrying Wiring Device Manufacturing
- 335932 Noncurrent-Carrying Wiring Device Manufacturing
- 33599 All Other Electrical Equipment and Component Manufacturing
- 335991 Carbon and Graphite Product Manufacturing
- 335999 All Other Miscellaneous Electrical Equipment and Component Manufacturing
- 336 Transportation Equipment Manufacturing
- 3361 Motor Vehicle Manufacturing
- 33611 Automobile and Light Duty Motor Vehicle Manufacturing
- 336111 Automobile Manufacturing
- 336112 Light Truck and Utility Vehicle Manufacturing
- 33612 Heavy Duty Truck Manufacturing
- 336120 Heavy Duty Truck Manufacturing
- 3362 Motor Vehicle Body and Trailer Manufacturing
- 33621 Motor Vehicle Body and Trailer Manufacturing
- 336211 Motor Vehicle Body Manufacturing
- 336212 Truck Trailer Manufacturing
- 336213 Motor Home Manufacturing
- 336214 Travel Trailer and Camper Manufacturing
- 3363 Motor Vehicle Parts Manufacturing
- 33631 Motor Vehicle Gasoline Engine and Engine Parts Manufacturing
- 336311 Carburetor, Piston, Piston Ring, and Valve Manufacturing
- 336312 Gasoline Engine and Engine Parts Manufacturing
- 33632 Motor Vehicle Electrical and Electronic Equipment Manufacturing
- 336321 Vehicular Lighting Equipment Manufacturing
- 336322 Other Motor Vehicle Electrical and Electronic Equipment Manufacturing
- 33633 Motor Vehicle Steering and Suspension Components (except Spring) Manufacturing
- 336330 Motor Vehicle Steering and Suspension Components (except Spring) Manufacturing
- 33634 Motor Vehicle Brake System Manufacturing
- 336340 Motor Vehicle Brake System Manufacturing

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33635 Motor Vehicle Transmission and Power Train Parts Manufacturing
336350 Motor Vehicle Transmission and Power Train Parts Manufacturing
33636 Motor Vehicle Seating and Interior Trim Manufacturing
336360 Motor Vehicle Seating and Interior Trim Manufacturing
33637 Motor Vehicle Metal Stamping
336370 Motor Vehicle Metal Stamping
33639 Other Motor Vehicle Parts Manufacturing
336391 Motor Vehicle Air-Conditioning Manufacturing
336399 All Other Motor Vehicle Parts Manufacturing
3364 Aerospace Product and Parts Manufacturing
33641 Aerospace Product and Parts Manufacturing
336411 Aircraft Manufacturing
336412 Aircraft Engine and Engine Parts Manufacturing
336413 Other Aircraft Parts and Auxiliary Equipment Manufacturing
336414 Guided Missile and Space Vehicle Manufacturing
336415 Guided Missile and Space Vehicle Propulsion Unit and Propulsion Unit Parts Manufacturing
336419 Other Guided Missile and Space Vehicle Parts and Auxiliary Equipment Manufacturing
3365 Railroad Rolling Stock Manufacturing
33651 Railroad Rolling Stock Manufacturing
336510 Railroad Rolling Stock Manufacturing
3366 Ship and Boat Building
33661 Ship and Boat Building
336611 Ship Building and Repairing
336612 Boat Building
3369 Other Transportation Equipment Manufacturing
33699 Other Transportation Equipment Manufacturing
336991 Motorcycle, Bicycle, and Parts Manufacturing
336992 Military Armored Vehicle, Tank, and Tank Component Manufacturing
336999 All Other Transportation Equipment Manufacturing
337 Furniture and Related Product Manufacturing
3371 Household and Institutional Furniture and Kitchen Cabinet Manufacturing
33711 Wood Kitchen Cabinet and Countertop Manufacturing
337110 Wood Kitchen Cabinet and Countertop Manufacturing
33712 Household and Institutional Furniture Manufacturing
337121 Upholstered Household Furniture Manufacturing
337122 Nonupholstered Wood Household Furniture Manufacturing
337124 Metal Household Furniture Manufacturing
337125 Household Furniture (except Wood and Metal) Manufacturing
337127 Institutional Furniture Manufacturing
337129 Wood Television, Radio, and Sewing Machine Cabinet Manufacturing

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3372 Office Furniture (including Fixtures) Manufacturing
33721 Office Furniture (including Fixtures) Manufacturing
337211 Wood Office Furniture Manufacturing
337212 Custom Architectural Woodwork and Millwork Manufacturing
337214 Office Furniture (except Wood) Manufacturing
337215 Showcase, Partition, Shelving, and Locker Manufacturing
3379 Other Furniture Related Product Manufacturing
33791 Mattress Manufacturing
337910 Mattress Manufacturing
33792 Blind and Shade Manufacturing
337920 Blind and Shade Manufacturing
339 Miscellaneous Manufacturing
3391 Medical Equipment and Supplies Manufacturing
33911 Medical Equipment and Supplies Manufacturing
339111 Laboratory Apparatus and Furniture Manufacturing
339112 Surgical and Medical Instrument Manufacturing
339113 Surgical Appliance and Supplies Manufacturing
339114 Dental Equipment and Supplies Manufacturing
339115 Ophthalmic Goods Manufacturing
339116 Dental Laboratories
3399 Other Miscellaneous Manufacturing
33991 Jewelry and Silverware Manufacturing
339911 Jewelry (except Costume) Manufacturing
339912 Silverware and Hollowware Manufacturing
339913 Jewelers' Material and Lapidary Work Manufacturing
339914 Costume Jewelry and Novelty Manufacturing
33992 Sporting and Athletic Goods Manufacturing
339920 Sporting and Athletic Goods Manufacturing
33993 Doll, Toy, and Game Manufacturing
339931 Doll and Stuffed Toy Manufacturing
339932 Game, Toy, and Children's Vehicle Manufacturing
33994 Office Supplies (except Paper) Manufacturing
339941 Pen and Mechanical Pencil Manufacturing
339942 Lead Pencil and Art Good Manufacturing
339943 Marking Device Manufacturing
339944 Carbon Paper and Inked Ribbon Manufacturing
33995 Sign Manufacturing
339950 Sign Manufacturing
33999 All Other Miscellaneous Manufacturing
339991 Gasket, Packing, and Sealing Device Manufacturing
339992 Musical Instrument Manufacturing

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<u>339992</u>	MUSICAL INSTRUMENT MANUFACTURING
<u>339993</u>	Fastener, Button, Needle, and Pin Manufacturing
<u>339994</u>	Broom, Brush, and Mop Manufacturing
<u>339995</u>	Burial Casket Manufacturing
<u>339999</u>	All Other Miscellaneous Manufacturing

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Wholesale Trade

2002 NAICS Code	2002 NAICS Title
<u>42</u>	Wholesale Trade
<u>423</u>	Merchant Wholesalers, Durable Goods
<u>4231</u>	Motor Vehicle and Motor Vehicle Parts and Supplies Merchant Wholesalers
<u>42311</u>	Automobile and Other Motor Vehicle Merchant Wholesalers
<u>423110</u>	Automobile and Other Motor Vehicle Merchant Wholesalers
<u>42312</u>	Motor Vehicle Supplies and New Parts Merchant Wholesalers
<u>423120</u>	Motor Vehicle Supplies and New Parts Merchant Wholesalers
<u>42313</u>	Tire and Tube Merchant Wholesalers
<u>423130</u>	Tire and Tube Merchant Wholesalers
<u>42314</u>	Motor Vehicle Parts (Used) Merchant Wholesalers
<u>423140</u>	Motor Vehicle Parts (Used) Merchant Wholesalers
<u>4232</u>	Furniture and Home Furnishing Merchant Wholesalers
<u>42321</u>	Furniture Merchant Wholesalers
<u>423210</u>	Furniture Merchant Wholesalers
<u>42322</u>	Home Furnishing Merchant Wholesalers
<u>423220</u>	Home Furnishing Merchant Wholesalers
<u>4233</u>	Lumber and Other Construction Materials Merchant Wholesalers
<u>42331</u>	Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers
<u>423310</u>	Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers
<u>42332</u>	Brick, Stone, and Related Construction Material Merchant Wholesalers
<u>423320</u>	Brick, Stone, and Related Construction Material Merchant Wholesalers
<u>42333</u>	Roofing, Siding, and Insulation Material Merchant Wholesalers
<u>423330</u>	Roofing, Siding, and Insulation Material Merchant Wholesalers
<u>42339</u>	Other Construction Material Merchant Wholesalers
<u>423390</u>	Other Construction Material Merchant Wholesalers
<u>4234</u>	Professional and Commercial Equipment and Supplies Merchant Wholesalers
<u>42341</u>	Photographic Equipment and Supplies Merchant Wholesalers
<u>423410</u>	Photographic Equipment and Supplies Merchant Wholesalers

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<u>423410</u>	Photographic Equipment and Supplies Merchant Wholesalers
<u>42342</u>	Office Equipment Merchant Wholesalers
<u>423420</u>	Office Equipment Merchant Wholesalers
<u>42343</u>	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers
<u>423430</u>	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers
<u>42344</u>	Other Commercial Equipment Merchant Wholesalers
<u>423440</u>	Other Commercial Equipment Merchant Wholesalers
<u>42345</u>	Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers
<u>423450</u>	Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers
<u>42346</u>	Ophthalmic Goods Merchant Wholesalers
<u>423460</u>	Ophthalmic Goods Merchant Wholesalers
<u>42349</u>	Other Professional Equipment and Supplies Merchant Wholesalers
<u>423490</u>	Other Professional Equipment and Supplies Merchant Wholesalers
<u>4235</u>	Metal and Mineral (except Petroleum) Merchant Wholesalers
<u>42351</u>	Metal Service Centers and Other Metal Merchant Wholesalers
<u>423510</u>	Metal Service Centers and Other Metal Merchant Wholesalers
<u>42352</u>	Coal and Other Mineral and Ore Merchant Wholesalers
<u>423520</u>	Coal and Other Mineral and Ore Merchant Wholesalers
<u>4236</u>	Electrical and Electronic Goods Merchant Wholesalers
<u>42361</u>	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers
<u>423610</u>	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers
<u>42362</u>	Electrical and Electronic Appliance, Television, and Radio Set Merchant Wholesalers
<u>423620</u>	Electrical and Electronic Appliance, Television, and Radio Set Merchant Wholesalers
<u>42369</u>	Other Electronic Parts and Equipment Merchant Wholesalers
<u>423690</u>	Other Electronic Parts and Equipment Merchant Wholesalers
<u>4237</u>	Hardware, and Plumbing and Heating Equipment and Supplies Merchant Wholesalers
<u>42371</u>	Hardware Merchant Wholesalers
<u>423710</u>	Hardware Merchant Wholesalers
<u>42372</u>	Plumbing and Heating Equipment and Supplies (Hydronics) Merchant Wholesalers
<u>423720</u>	Plumbing and Heating Equipment and Supplies (Hydronics) Merchant Wholesalers
<u>42373</u>	Warm Air Heating and Air-Conditioning Equipment and Supplies Merchant Wholesalers
<u>423730</u>	Warm Air Heating and Air-Conditioning Equipment and Supplies Merchant Wholesalers
<u>42374</u>	Refrigeration Equipment and Supplies Merchant Wholesalers
<u>423740</u>	Refrigeration Equipment and Supplies Merchant Wholesalers
<u>4238</u>	Machinery, Equipment, and Supplies Merchant Wholesalers
<u>42381</u>	Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers
<u>423810</u>	Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers
<u>42382</u>	Farm and Garden Machinery and Equipment Merchant Wholesalers
<u>423820</u>	Farm and Garden Machinery and Equipment Merchant Wholesalers

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<u>42383</u>	Industrial Machinery and Equipment Merchant Wholesalers
<u>423830</u>	Industrial Machinery and Equipment Merchant Wholesalers
<u>42384</u>	Industrial Supplies Merchant Wholesalers
<u>423840</u>	Industrial Supplies Merchant Wholesalers
<u>42385</u>	Service Establishment Equipment and Supplies Merchant Wholesalers
<u>423850</u>	Service Establishment Equipment and Supplies Merchant Wholesalers
<u>42386</u>	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers
<u>423860</u>	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers
<u>4239</u>	Miscellaneous Durable Goods Merchant Wholesalers
<u>42391</u>	Sporting and Recreational Goods and Supplies Merchant Wholesalers
<u>423910</u>	Sporting and Recreational Goods and Supplies Merchant Wholesalers
<u>42392</u>	Toy and Hobby Goods and Supplies Merchant Wholesalers
<u>423920</u>	Toy and Hobby Goods and Supplies Merchant Wholesalers
<u>42393</u>	Recyclable Material Merchant Wholesalers
<u>423930</u>	Recyclable Material Merchant Wholesalers
<u>42394</u>	Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers
<u>423940</u>	Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers
<u>42399</u>	Other Miscellaneous Durable Goods Merchant Wholesalers
<u>423990</u>	Other Miscellaneous Durable Goods Merchant Wholesalers
<u>424</u>	Merchant Wholesalers, Nondurable Goods
<u>4241</u>	Paper and Paper Product Merchant Wholesalers
<u>42411</u>	Printing and Writing Paper Merchant Wholesalers
<u>424110</u>	Printing and Writing Paper Merchant Wholesalers
<u>42412</u>	Stationery and Office Supplies Merchant Wholesalers
<u>424120</u>	Stationery and Office Supplies Merchant Wholesalers
<u>42413</u>	Industrial and Personal Service Paper Merchant Wholesalers
<u>424130</u>	Industrial and Personal Service Paper Merchant Wholesalers
<u>4242</u>	Drugs and Druggists' Sundries Merchant Wholesalers
<u>42421</u>	Drugs and Druggists' Sundries Merchant Wholesalers
<u>424210</u>	Drugs and Druggists' Sundries Merchant Wholesalers
<u>4243</u>	Apparel, Piece Goods, and Notions Merchant Wholesalers
<u>42431</u>	Piece Goods, Notions, and Other Dry Goods Merchant Wholesalers
<u>424310</u>	Piece Goods, Notions, and Other Dry Goods Merchant Wholesalers
<u>42432</u>	Men's and Boys' Clothing and Furnishings Merchant Wholesalers
<u>424320</u>	Men's and Boys' Clothing and Furnishings Merchant Wholesalers
<u>42433</u>	Women's, Children's, and Infants' Clothing and Accessories Merchant Wholesalers
<u>424330</u>	Women's, Children's, and Infants' Clothing and Accessories Merchant Wholesalers
<u>42434</u>	Footwear Merchant Wholesalers
<u>424340</u>	Footwear Merchant Wholesalers
<u>4244</u>	Grocery and Related Product Wholesalers

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<u>42441</u>	General Line Grocery Merchant Wholesalers
<u>424410</u>	General Line Grocery Merchant Wholesalers
<u>42442</u>	Packaged Frozen Food Merchant Wholesalers
<u>424420</u>	Packaged Frozen Food Merchant Wholesalers
<u>42443</u>	Dairy Product (except Dried or Canned) Merchant Wholesalers
<u>424430</u>	Dairy Product (except Dried or Canned) Merchant Wholesalers
<u>42444</u>	Poultry and Poultry Product Merchant Wholesalers
<u>424440</u>	Poultry and Poultry Product Merchant Wholesalers
<u>42445</u>	Confectionery Merchant Wholesalers
<u>424450</u>	Confectionery Merchant Wholesalers
<u>42446</u>	Fish and Seafood Merchant Wholesalers
<u>424460</u>	Fish and Seafood Merchant Wholesalers
<u>42447</u>	Meat and Meat Product Merchant Wholesalers
<u>424470</u>	Meat and Meat Product Merchant Wholesalers
<u>42448</u>	Fresh Fruit and Vegetable Merchant Wholesalers
<u>424480</u>	Fresh Fruit and Vegetable Merchant Wholesalers
<u>42449</u>	Other Grocery and Related Products Merchant Wholesalers
<u>424490</u>	Other Grocery and Related Products Merchant Wholesalers
<u>4245</u>	Farm Product Raw Material Merchant Wholesalers
<u>42451</u>	Grain and Field Bean Merchant Wholesalers
<u>424510</u>	Grain and Field Bean Merchant Wholesalers
<u>42452</u>	Livestock Merchant Wholesalers
<u>424520</u>	Livestock Merchant Wholesalers
<u>42459</u>	Other Farm Product Raw Material Merchant Wholesalers
<u>424590</u>	Other Farm Product Raw Material Merchant Wholesalers
<u>4246</u>	Chemical and Allied Products Merchant Wholesalers
<u>42461</u>	Plastics Materials and Basic Forms and Shapes Merchant Wholesalers
<u>424610</u>	Plastics Materials and Basic Forms and Shapes Merchant Wholesalers
<u>42469</u>	Other Chemical and Allied Products Merchant Wholesalers
<u>424690</u>	Other Chemical and Allied Products Merchant Wholesalers
<u>4247</u>	Petroleum and Petroleum Products Merchant Wholesalers
<u>42471</u>	Petroleum Bulk Stations and Terminals
<u>424710</u>	Petroleum Bulk Stations and Terminals
<u>42472</u>	Petroleum and Petroleum Products Merchant Wholesalers (except Bulk Stations and Terminals)
<u>424720</u>	Petroleum and Petroleum Products Merchant Wholesalers (except Bulk Stations and Terminals)
<u>4248</u>	Beer, Wine, and Distilled Alcoholic Beverage Merchant Wholesalers
<u>42481</u>	Beer and Ale Merchant Wholesalers
<u>424810</u>	Beer and Ale Merchant Wholesalers
<u>42482</u>	Wine and Distilled Alcoholic Beverage Merchant Wholesalers
<u>424820</u>	Wine and Distilled Alcoholic Beverage Merchant Wholesalers
<u>4249</u>	Miscellaneous Non-durable Goods Merchant Wholesalers

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<u>4242</u>	MISCELLANEOUS NONDURABLE GOODS MERCHANT WHOLESALERS
<u>42491</u>	Farm Supplies Merchant Wholesalers
<u>424910</u>	Farm Supplies Merchant Wholesalers
<u>42492</u>	Book, Periodical, and Newspaper Merchant Wholesalers
<u>424920</u>	Book, Periodical, and Newspaper Merchant Wholesalers
<u>42493</u>	Flower, Nursery Stock, and Florists' Supplies Merchant Wholesalers
<u>424930</u>	Flower, Nursery Stock, and Florists' Supplies Merchant Wholesalers
<u>42494</u>	Tobacco and Tobacco Product Merchant Wholesalers
<u>424940</u>	Tobacco and Tobacco Product Merchant Wholesalers
<u>42495</u>	Paint, Varnish, and Supplies Merchant Wholesalers
<u>424950</u>	Paint, Varnish, and Supplies Merchant Wholesalers
<u>42499</u>	Other Miscellaneous Nondurable Goods Merchant Wholesalers
<u>424990</u>	Other Miscellaneous Nondurable Goods Merchant Wholesalers
<u>425</u>	Wholesale Electronic Markets and Agents and Brokers
<u>4251</u>	Wholesale Electronic Markets and Agents and Brokers
<u>42511</u>	Business to Business Electronic Markets
<u>425110</u>	Business to Business Electronic Markets
<u>42512</u>	Wholesale Trade Agents and Brokers
<u>425120</u>	Wholesale Trade Agents and Brokers

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- 481 Air Transportation
- 4811 Scheduled Air Transportation
- 48111 Scheduled Air Transportation
- 481111 Scheduled Passenger Air Transportation
- 481112 Scheduled Freight Air Transportation
- 4812 Nonscheduled Air Transportation
- 48121 Nonscheduled Air Transportation
- 481211 Nonscheduled Chartered Passenger Air Transportation
- 481212 Nonscheduled Chartered Freight Air Transportation
- 481219 Other Nonscheduled Air Transportation

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Social Assistance

- 6241 Individual and Family Services
- 62411 Child and Youth Services
- 624110 Child and Youth Services
- 62412 Services for the Elderly and Persons with Disabilities
- 624120 Services for the Elderly and Persons with Disabilities
- 62419 Other Individual and Family Services
- 624190 Other Individual and Family Services
- 6242 Community Food and Housing, and Emergency and Other Relief Services
- 62421 Community Food Services
- 624210 Community Food Services
- 62422 Community Housing Services
- 624221 Temporary Shelters
- 624229 Other Community Housing Services
- 62423 Emergency and Other Relief Services
- 624230 Emergency and Other Relief Services
- 6243 Vocational Rehabilitation Services
- 62431 Vocational Rehabilitation Services
- 624310 Vocational Rehabilitation Services
- 6244 Child Day Care Services
- 62441 Child Day Care Services
- 624410 Child Day Care Services

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<u>812</u>	Personal and Laundry Services
<u>8121</u>	Personal Care Services
<u>81211</u>	Hair, Nail, and Skin Care Services
<u>812111</u>	Barber Shops
<u>812112</u>	Beauty Salons
<u>812113</u>	Nail Salons
<u>81219</u>	Other Personal Care Services
<u>812191</u>	Diet and Weight Reducing Centers
<u>812199</u>	Other Personal Care Services
<u>8122</u>	Death Care Services
<u>81221</u>	Funeral Homes and Funeral Services
<u>812210</u>	Funeral Homes and Funeral Services
<u>81222</u>	Cemeteries and Crematories
<u>812220</u>	Cemeteries and Crematories
<u>8123</u>	Drycleaning and Laundry Services
<u>81231</u>	Coin-Operated Laundries and Drycleaners
<u>812310</u>	Coin-Operated Laundries and Drycleaners
<u>81232</u>	Drycleaning and Laundry Services (except Coin-Operated)
<u>812320</u>	Drycleaning and Laundry Services (except Coin-Operated)
<u>81233</u>	Linen and Uniform Supply
<u>812331</u>	Linen Supply
<u>812332</u>	Industrial Launderers
<u>8129</u>	Other Personal Services
<u>81291</u>	Pet Care (except Veterinary) Services
<u>812910</u>	Pet Care (except Veterinary) Services
<u>81292</u>	Photofinishing
<u>812921</u>	Photofinishing Laboratories (except One-Hour)
<u>812922</u>	One-Hour Photofinishing
<u>81293</u>	Parking Lots and Garages
<u>812930</u>	Parking Lots and Garages
<u>81299</u>	All Other Personal Services
<u>812990</u>	All Other Personal Services
<u>813</u>	Religious, Grantmaking, Civic, Professional, and Similar Organizations
<u>8131</u>	Religious Organizations
<u>81311</u>	Religious Organizations
<u>813110</u>	Religious Organizations
<u>8132</u>	Grantmaking and Giving Services
<u>81321</u>	Grantmaking and Giving Services
<u>813211</u>	Grantmaking Foundations
<u>813212</u>	Voluntary Health Organizations

<u>813219</u>	Other Grantmaking and Giving Services
<u>8133</u>	Social Advocacy Organizations
<u>81331</u>	Social Advocacy Organizations
<u>813311</u>	Human Rights Organizations
<u>813312</u>	Environment, Conservation and Wildlife Organizations
<u>813319</u>	Other Social Advocacy Organizations
<u>8134</u>	Civic and Social Organizations
<u>81341</u>	Civic and Social Organizations
<u>813410</u>	Civic and Social Organizations
<u>8139</u>	Business, Professional, Labor, Political, and Similar Organizations
<u>81391</u>	Business Associations
<u>813910</u>	Business Associations
<u>81392</u>	Professional Organizations
<u>813920</u>	Professional Organizations
<u>81393</u>	Labor Unions and Similar Labor Organizations
<u>813930</u>	Labor Unions and Similar Labor Organizations
<u>81394</u>	Political Organizations
<u>813940</u>	Political Organizations
<u>81399</u>	Other Similar Organizations (except Business, Professional, Labor, and Political Organizations)
<u>813990</u>	Other Similar Organizations (except Business, Professional, Labor, and Political Organizations)

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922 Justice, Public Order, and Safety Activities
9221 Justice, Public Order, and Safety Activities
92211 Courts
922110 Courts
92212 Police Protection
922120 Police Protection
92213 Legal Counsel and Prosecution
922130 Legal Counsel and Prosecution
92214 Correctional Institutions
922140 Correctional Institutions
92215 Parole Offices and Probation Offices
922150 Parole Offices and Probation Offices
92216 Fire Protection
922160 Fire Protection
92219 Other Justice, Public Order, and Safety Activities
922190 Other Justice, Public Order, and Safety Activities
923 Administration of Human Resource Programs
9231 Administration of Human Resource Programs
92311 Administration of Education Programs
923110 Administration of Education Programs
92312 Administration of Public Health Programs
923120 Administration of Public Health Programs
92313 Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
923130 Administration of Human Resource Programs (except Education, Public Health, and Veterans' Affairs Programs)
92314 Administration of Veterans' Affairs
923140 Administration of Veterans' Affairs
924 Administration of Environmental Quality Programs
9241 Administration of Environmental Quality Programs
92411 Administration of Air and Water Resource and Solid Waste Management Programs
924110 Administration of Air and Water Resource and Solid Waste Management Programs
92412 Administration of Conservation Programs
924120 Administration of Conservation Programs
925 Administration of Housing Programs, Urban Planning, and Community Development
9251 Administration of Housing Programs, Urban Planning, and Community Development
92511 Administration of Housing Programs
925110 Administration of Housing Programs
92512 Administration of Urban Planning and Community and Rural Development
925120 Administration of Urban Planning and Community and Rural Development

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926 Administration of Economic Programs
9261 Administration of Economic Programs
92611 Administration of General Economic Programs
926110 Administration of General Economic Programs
92612 Regulation and Administration of Transportation Programs
926120 Regulation and Administration of Transportation Programs
92613 Regulation and Administration of Communications, Electric, Gas, and Other Utilities
926130 Regulation and Administration of Communications, Electric, Gas, and Other Utilities
92614 Regulation of Agricultural Marketing and Commodities
926140 Regulation of Agricultural Marketing and Commodities
92615 Regulation, Licensing, and Inspection of Miscellaneous Commercial Sectors
926150 Regulation, Licensing, and Inspection of Miscellaneous Commercial Sectors
927 Space Research and Technology
9271 Space Research and Technology
92711 Space Research and Technology
927110 Space Research and Technology
928 National Security and International Affairs
9281 National Security and International Affairs
92811 National Security
928110 National Security
92812 International Affairs
928120 International Affairs

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List of Repealed Statutes in House Bill 2170

Kansas Enterprise Zone Act: 74-50,113; 74-50,116; 74-50,117; 74-50,118; 74-50,119;
2006 Supp. 74-50,114; 2006 Supp. 74-50,115

HPIP statutes: 74-50,135; 74-50,135a; 2006 Supp. 74-50,131; 2006 Supp. 74-50,132;
2006 Supp. 74-50,133; 2006 Supp. 74-50,134; 2006 Supp. 79-32,160a

Training & Education Credit portion of HPIP: 74-50,132

Business & Job Development credit ("old" and "new") statutes: 79-32,155; 79-32,156;
79-32,157; 79-32,158; 79-32,159; 79-32,159a; 79-32,159b; 79-32,159c; 79-32,160; 79-
32,160b; 79-32,160c; 2006 Supp. 79-32,153; 2006 Supp. 79-32,154

Note: KSA 2006 Supp. 79-32,160a pertains to both B&J and HPIP--the 10% investment
credit that is part of HPIP is found at (e), rest is B&J

K.S.A. 79-3269 (provisions applicable professional employer associations—they will be
eligible for the new investment and jobs credit programs)

Repeal these unused credits (Section 24):

- o Plugging abandoned oil/gas wells (K.S.A. 79-32,207)
- o Swine Facility Improvement Credit (K.S.A. 79-32,204; K.S.A. 79-32,117; KSA
65-1,194 needs to be amended to reflect elimination of this tax credit)
- o Temporary Assistance to Families Contribution credit (K.S.A. 79-32,200; K.S.A.
39-7,132)
- o Ag loan interest reduction (K.S.A. 79-32,181a; 79-1126a; 75-4245)
- o Habitat management (expired) (K.S.A. 79-32,203; K.S.A. 79-32,117)

Note: K.S.A. 2006 Supp. 79-32,117l is repealed to reconcile the two versions of K.S.A.
79-32,117 resulting from 2006 legislation.

Richard Cram

Economic Development & Tourism

Date: 2-7-07

Attachment # 3

Testimony on House Bill 2170
House Economic Development/Tourism
February 6, 2007

Kent Heermann, CEcD
President
Regional Development Association of East Central Kansas

Representative Gordon and members of the committee, I am Kent Heermann, President of the Regional Development Association of East Central Kansas, which is the economic development organization for Emporia and Lyon County.

As a professional economic developer, I am generally supportive of House Bill 2170, which reduces the franchise tax and proposes to reduce the corporate income tax rate. Both of these measures will enhance the pro-business climate of Kansas. However, the proposed tax credits qualifications need some fine tuning with regard to counties in the Opportunity Zone and those Counties not in the opportunity zone, and the minimum thresholds for investment and job creation.

Current investment & job creation tax credits

The current tax credit system for job creation in qualified Non-metropolitan County is fairly straight forward. If a manufacturer creates a minimum of two new full-time jobs, then the business would be eligible for a tax credit of \$2,500 per job or a total of \$5,000 in tax credits. In the metropolitan counties of Johnson, Wyandotte, Sedgwick, Shawnee, Douglas County and those Kansas Counties which do not qualify for Non-metropolitan status, the job tax credits are \$1,500 per job or \$3,000.

Under the current system, the investments credits for a manufacturer are the same for all counties, i.e., with a minimum investment of \$100,000, the investment credit is \$1,000.

The spirit and intent of the High Performance Investment Program (HPIP) was to grant a 10 percent investment credit for those qualified companies that paid higher than average wage. With the amount of documentation - a 16 page application form plus appendixes, a Chief Financial Officer mentioned to me that this incentive program "*...the juice is not worth the squeeze.*" So my hope is that the proposed Kansas Investment credits act will streamline the 10 percent investment credit qualification process.

Proposed investment & job creation tax credits

The Kansas Counties will be divided into two groups – opportunity zone (OZ) counties and the non-opportunity zone (Non-OZ) counties. To qualify as an opportunity zone, the zone must be in at least one county, and shall be economically disadvantaged and shall not be any county in a metropolitan statistical area or micropolitan statistical area.

Today in Kansas there are four (4) metropolitan statistical areas and fifteen (15) micropolitan statistical areas. Attached to my written testimony is a Kansas County map depicting twenty areas. (Source: http://www.census.gov/population/estimate/metro_general/List1.txt)

The four (4) metropolitan statistical areas (MSA) are the Kansas City MSA which includes Franklin, Johnson, Leavenworth, Linn, Miami and Wyandotte Counties. The Lawrence MSA is Douglas County. The Topeka MSA includes Jackson, Jefferson, Osage, Shawnee and Wabaunsee Counties. The Wichita MSA includes Butler, Harvey, Sedgwick and Sumner Counties.

Twelve (12) of the micropolitan statistical areas are in one county and the other three (3) are in two or more counties. Those cities in a micropolitan statistical area are Garden City, Liberal, Dodge City, Hays, Great Bend, Hutchinson, McPherson, Coffeyville, Parsons, Pittsburg, Atchison and Winfield. The Manhattan Micropolitan statistical area includes Geary, Riley and Pottawatomie Counties. The Salina micropolitan statistical area includes Ottawa and Saline Counties. And the Emporia Micropolitan statistical area includes Chase and Lyon Counties.

From 2000 to 2005, the majority of the Counties in the metropolitan statistical areas grew in population. In the Kansas City MSA, Wyandotte County's population decreased by 1.35 %; And in Wichita's MSA, Sumner County's population decreased by 4.43 percent. Whereas in the fifteen (15) Micropolitan Statistical areas nine (9) counties lost population and the other six (6) counties grew. Attached to this testimony are copies of the U.S. Census data on the population change from 2000 to 2005 for metropolitan areas in Kansas and Kansas Cities over 10,000 in population.

According to the U.S. Census, the July 1, 2005 population estimate for the City of Emporia was 26,456, for Lyon County the population was 35,609 and for Chase County it was 3,081. Chase County would not qualify for the opportunity zone, it would be held to the same investment and job creation thresholds as Johnson and Sedgwick counties.

The minimum threshold of jobs created to receive a \$3,500 tax credit per job in an opportunity zone is five (5). In a non-opportunity zone in order to receive a \$1,500 tax credit per job, a minimum of twenty (20) jobs need to be created. The new job thresholds will not help small businesses in any size community grow, and small communities will not benefit from the new thresholds of five or twenty jobs created. I believe the minimum threshold of two (2) jobs worked well.

The minimum investment threshold in an opportunity zone is \$100,000 and \$1,000,000 in the non-opportunity zone. There is no job creation threshold. Prior to committing to the investment, the business must identify and submit the information to the Secretary of Commerce. The business must pay a higher than average wage in the region and for their NAICS in order to receive a 10% tax credit. Most small business rarely invests more than \$1,000,000 in real or personal property at one time.

My request of this committee is to first, allow counties in micropolitan statistical areas to be included in an opportunity zone if the county is economically disadvantaged. Secondly, keep the minimum job creation threshold of two (2) full-time jobs in all counties. Thirdly, consider an amount lower than \$1,000,000 for non-opportunity zone threshold but greater than \$100,000. And finally, if the HB 2170 is enacted into law

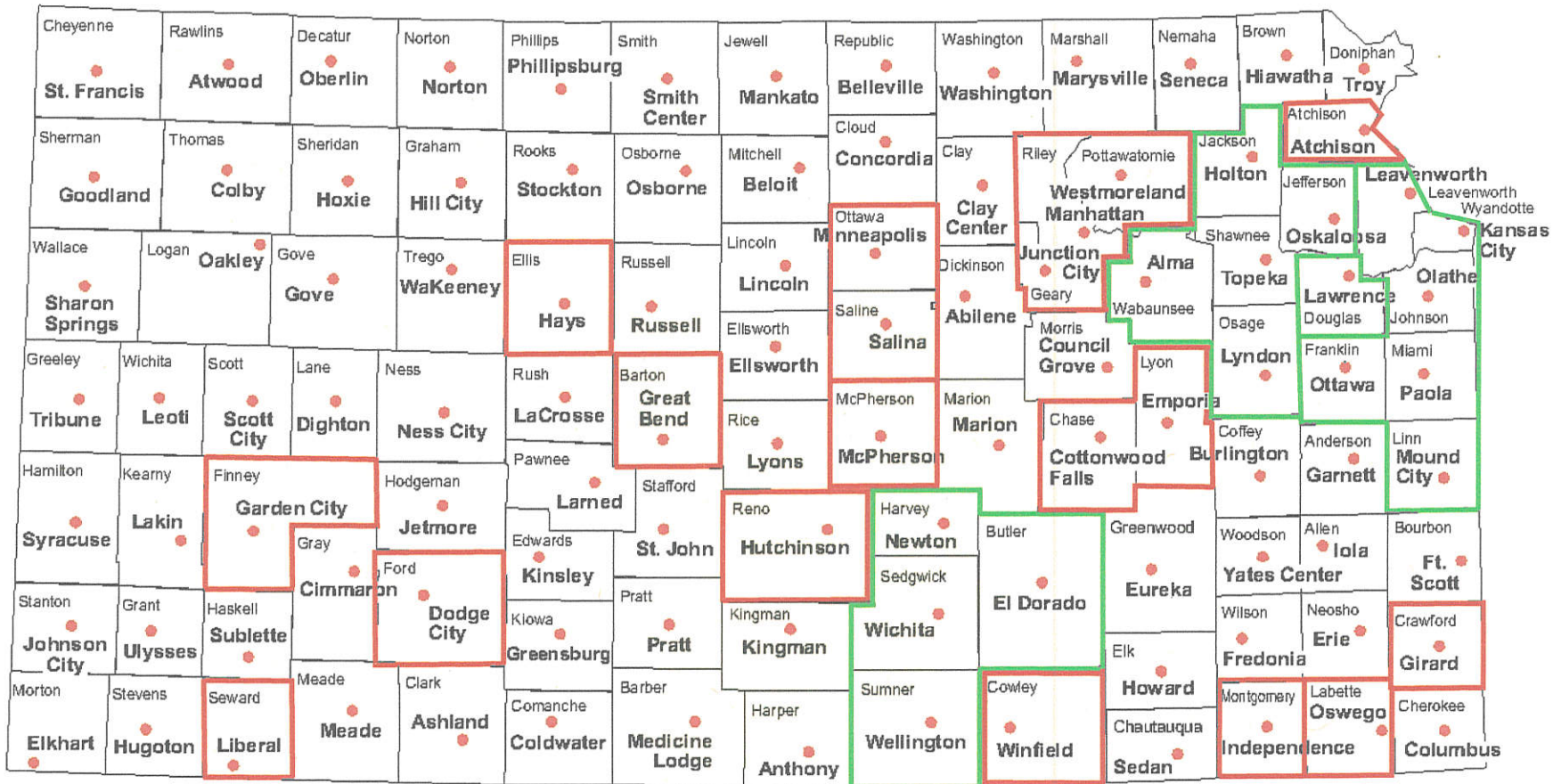
effective July 1, 2007, then allow those businesses who qualified for job and investment through the enterprise zone, non-metropolitan enterprise zone and the high performance incentive act from January 1, 2007 to June 30, 2007 be able to utilize those credits.

Thanks you for the opportunity to speak to you today.

4-4

Kansas Metropolitan and Micropolitan Statistical Areas

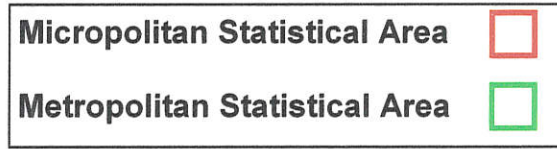
Kansas Counties and County Seats



Source: Institute for Policy & Social Research.

Data—<http://www.census.gov/population/estimates/metro/general/List1.txt>

Map—Kansas Statistical Abstract 2005 page 16



Population of Cities over 10,000 in Kansas
April 1, 2000 to July 1, 2005

City	April 1, 2000 Population Census	July 1, 2001 Population Estimate	July 1, 2002 Population Estimate	July 1, 2003 Population Estimate	July 1, 2004 Population Estimate	July 1, 2005 Population Estimate	Percent Change April 2000- July 2005
Arkansas City	11,963	11,775	12,085	11,835	11,764	11,581	-3.19
Atchison	10,232	10,227	10,171	10,168	10,205	10,169	-0.62
Coffeyville	11,060	10,875	10,676	10,552	10,467	10,359	-6.34
Derby	17,807	18,469	18,828	19,140	20,309	20,543	15.36
Dodge City	25,176	25,132	25,182	25,560	25,901	26,104	3.69
El Dorado	12,057	12,715	12,684	12,707	12,689	12,659	4.99
Emporia	26,760	26,802	26,629	26,621	26,735	26,456	-1.14
Garden City	28,451	28,124	27,472	27,204	27,242	27,098	-4.76
Gardner	9,396	10,284	10,739	11,661	12,942	14,317	52.37
Great Bend	15,345	15,453	15,456	15,461	15,441	15,440	0.62
Hays	20,013	19,988	19,931	19,921	19,827	19,632	-1.90
Hutchinson	40,787	41,613	41,285	41,143	40,974	40,961	0.43
Junction City	18,886	18,287	17,785	17,502	16,828	16,402	-13.15
Kansas City	146,866	147,107	146,320	145,580	144,536	144,210	-1.81
Lansing	9,199	9,458	9,587	10,045	10,120	10,214	11.03
Lawrence	80,098	80,592	81,009	81,394	81,842	81,816	2.14
Leavenworth	35,420	35,473	35,680	35,473	35,285	35,213	-0.58
Leawood	27,656	28,049	28,215	28,915	29,516	30,145	9.00
Lenexa	40,238	40,666	41,189	42,060	42,632	43,434	7.94
Liberal	19,666	19,754	20,040	20,164	20,236	20,257	3.01
McPherson	13,770	13,717	13,717	13,700	13,681	13,695	-0.54
Manhattan	45,007	46,126	46,520	46,803	47,915	48,668	8.13
Merriam	11,008	10,903	10,811	10,826	10,778	10,769	-2.17
Newton	17,190	17,748	17,950	18,045	18,140	18,229	6.04
Olathe	92,962	96,299	101,301	105,468	108,440	111,334	19.76
Ottawa	11,921	12,079	12,197	12,330	12,499	12,597	5.67
Overland Park	149,080	154,306	158,487	160,534	162,795	164,811	10.55
Parsons	11,514	11,391	11,321	11,319	11,234	11,212	-2.62
Pittsburg	19,243	19,253	19,073	19,249	19,215	19,214	-0.15
Prairie Village	22,072	21,861	21,669	21,672	21,520	21,454	-2.80
Salina	45,679	45,918	46,023	45,865	45,964	45,956	0.61
Shawnee	47,996	50,805	52,615	54,145	56,201	57,628	20.07
Topeka	122,377	122,685	122,197	122,227	121,691	121,946	-0.35
Wichita	346,753	352,087	354,163	354,249	353,562	354,865	2.34
Winfield	12,206	12,172	12,213	12,011	11,990	11,861	-2.83

Source: U.S. Census Bureau, <http://www.census.gov/prod/cen2000/notes/cqr-ks.pdf>, <http://www.census.gov/popest/cities/SUB-EST2005-4.html>
(accessed June 21, 2006).

July 1 population estimates are revised annually; therefore, previously published July 1 estimate data are not comparable.

4-5

H-6

Population of Metropolitan Areas in Kansas
2000-2005

Metropolitan Area (MA) and County	April 1, 2000 Census	July 1, 2000 Estimate	July 1, 2001 Estimate	July 1, 2002 Estimate	July 1, 2003 Estimate	July 1, 2004 Estimate	July 1, 2005 Estimate	Numerical Change	Percent Change
								April 1, 2000 - July 1, 2005	April 1, 2000 - July 1, 2005
Kansas	2,688,824	2,692,671	2,700,879	2,712,454	2,724,224	2,733,697	2,744,687	55,863	2.08
Inside MAs	1,636,438	1,641,402	1,656,655	1,675,691	1,690,997	1,705,212	1,721,126	84,688	5.18
Outside MAs	1,052,386	1,051,269	1,044,224	1,036,763	1,033,227	1,028,485	1,023,561	-28,825	-2.74
Kansas City, Kansas MA	740,757	744,370	755,912	769,009	780,660	791,005	802,082	61,325	8.28
Franklin County	24,784	24,873	25,212	25,587	25,940	26,130	26,247	1,463	5.90
Johnson County	451,479	454,582	463,901	475,939	486,852	496,892	506,562	55,083	12.20
Leavenworth County	68,691	68,966	69,947	71,175	71,948	72,443	73,113	4,422	6.44
Linn County	9,570	9,604	9,708	9,715	9,736	9,748	9,914	344	3.59
Miami County	28,351	28,501	28,705	28,934	29,231	29,811	30,496	2,145	7.57
Wyandotte County	157,882	157,844	158,439	157,659	156,953	155,981	155,750	-2,132	-1.35
Lawrence MA	99,962	100,118	100,679	101,493	102,011	102,738	102,914	2,952	2.95
Douglas County	99,962	100,118	100,679	101,493	102,011	102,738	102,914	2,952	2.95
Topeka MA	224,551	224,861	225,272	225,656	226,660	227,609	229,075	4,524	2.01
Jackson County	12,657	12,683	12,720	12,876	13,073	13,193	13,535	878	6.94
Jefferson County	18,426	18,467	18,590	18,699	18,812	18,951	19,106	680	3.69
Osage County	16,712	16,767	16,724	16,820	16,894	17,050	17,150	438	2.62
Shawnee County	169,871	170,068	170,419	170,490	171,051	171,553	172,365	2,494	1.47
Wabaunsee County	6,885	6,876	6,819	6,771	6,830	6,862	6,919	34	0.49
Wichita MA	571,168	572,053	574,792	579,533	581,666	583,860	587,055	15,887	2.78
Butler County	59,484	59,692	59,960	60,478	61,035	61,694	62,354	2,870	4.82
Harvey County	32,869	32,882	32,995	33,381	33,557	33,697	33,843	974	2.96
Sedgwick County	452,869	453,491	456,090	460,154	461,835	463,383	466,061	13,192	2.91
Sumner County	25,946	25,988	25,747	25,520	25,239	25,086	24,797	-1,149	-4.43

Source: U.S. Census Bureau, <http://www.census.gov/popest/counties/CO-EST2005-01.html>; <http://www.census.gov/prod/cen2000/notes/cqr-ks.pdf> (accessed June 1, 2006).
Census 2000-based Metropolitan areas appear as defined by the Office of Management and Budget (OMB) in OMB Bulletin 04-03 released 2/18/2004.

Testimony: HB 2170
House Economic Development and Tourism Committee
Tuesday, February 6, 2007
By: Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce
ccaldwell@topekachamber.org

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Topeka, Kansas 66603-3515

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Chairwoman Gordon and members of the Committee:

I would like to express our appreciation to the Governor, Secretary Wagnon and the Department of Revenue for the work they have done on HB 2170. The President of the Greater Topeka Chamber of Commerce was asked by Secretary Wagnon to participate in a working group to look at Kansas tax policy and recommend positive changes that would make our state more competitive. He and his peers were able to make suggestions and review concepts intended to help grow the Kansas economy. HB 2170 is a product of that discussion and has many positive elements.

First of all, the reduction in the corporate income tax will definitely continue to enhance Kansas tax climate for corporations within our state and for those considering locating here as well. It is a change that is embraced by our economic development specialists who meet regularly with site locaters and company representatives considering placing new investment and jobs in Topeka/Shawnee County. A lower income tax rate will also assist our local corporations who have been stalwart in our community for years and continue to work to remain viable in a global competitive environment. It will allow them to utilize more of their profits to strengthen and hopefully expand their operations.

The Topeka Chamber appreciates the attention the Franchise Tax is receiving in legislation to reduce or eliminate its impact on the corporate community. The language of HB 2170 does reduce the number of companies that would be required to pay the tax; that would be a good thing for many businesses. However, we think the tax should be eliminated for all businesses either through a complete repeal this year, or a through a reasonable phase out of the tax within a couple of years. The recent increases in the Franchise tax is burdensome to many businesses; we would prefer employers be able to invest these dollars in keeping their business strong and growing in Kansas.

The third component of the bill deals with the investment and jobs tax credit programs currently available to qualified companies growing and locating in Kansas. This legislation makes significant strides to simplify the process to utilize the tax credits, which we greatly appreciate. However, the bill also changes the qualifications necessary to attain the tax credits by requiring \$1 million in new investment, instead of the current \$50,000; and the creation of 20 new jobs instead of 2 manufacturing jobs (or 5 non-manufacturing jobs) in existing law. This is a significant departure from what are now the current thresholds, and could result in many small and mid-sized companies no longer being eligible to participate. Our state and community may miss some great opportunities to assist small companies today in growing to be the giants of industry tomorrow.

The legislation has created a new category of Opportunity-Zones to encourage investment in more rural areas of the state. We believe this to be a very positive component of the bill. Strengthening the ability of the entire state to grow economically is good business for our urban community too. We do suggest that the thresholds in the O-Zones be carefully scrutinized to assure that companies who want to expand or new companies locating in rural Kansas will be able to meet these thresholds as well.

Finally, we commend you for your review and efforts to make adjustments to Kansas business tax policy to further encourage the growth of investment and jobs in Kansas. A giant step was made last year with the removal of property tax on newly purchased machinery and equipment. Thank you for that action. We all appreciate continued outcomes of more jobs and more assets in our state; the Kansas Legislature has become a significant partner in that goal. The president of our chamber joins others in asking that you also examine the possibility of providing cash-based front-end incentives. Other states are already out there with such programs and are having great success. Many companies ready to develop find the early costs of growing their business most challenging, so cash assistance can be very attractive when making location decisions. Locally, the citizens of Shawnee County have seen the benefit of using local tax revenues to provide similar cash support; this has assisted our efforts to attract business and turn around our economy here in Topeka/Shawnee County. The state's involvement in a similar program should enhance our local efforts and assist all Kansas communities in their work to attract new business investment and jobs.

We encourage your support for legislation such as HB 2170; and we would appreciate your consideration of our suggested modifications. Thank you for the opportunity to address this important issue today.

Economic Development & Tourism
Date: 2-6-07
Attachment # 5



The Historic Lackman-Thompson Estate
11180 Lackman Road
Lenexa, KS 66219-1236
913.888.1414
Fax 913.888.3770

TO: Representative Lana Gordon, Chairperson
Members, House Eco Devo and Tourism Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 6, 2007

RE: **HB 2170—Franchise and Corporate Income Tax
Reductions and Changes to Incentive Programs**

The Lenexa Chamber of Commerce appreciates the opportunity to express its views on House Bill (HB) 2170, which would increase the franchise tax threshold from \$100,000 of net worth up to \$1 million, reduce the corporate income tax surcharge, and streamline key economic development incentive programs.

We strongly support the business-friendly concepts represented in HB 2170. Reduction or elimination of the franchise tax, reduction of corporate income taxes, and simplified incentive programs would provide companies additional resources to reinvest in their operations and workforce as well as increase the state's competitiveness in attracting and retaining businesses. Both of these outcomes would play a critical role in helping to foster a healthy and growing statewide economy.

While we applaud this effort to promote economic growth, we do have very serious concerns about specific proposals in the bill that revise current tax incentive programs. We believe these proposals will simply put economic incentives out of reach of most growing companies and make Kansas much less competitive in attracting new businesses, particularly against our neighboring states.

First, we do not believe increasing the investment tax credit threshold from \$50,000 to \$1 million is good public policy. This significant jump effectively limits the availability of investment tax credits to only the largest companies and ignores the many growing companies that make up our economic foundation. It also does not make sense to simplify the program's application process to encourage broader participation, and concurrently increase the eligibility criteria to the point that few companies can qualify! We do understand the need to control the fiscal impact of the bill and to also ensure tax credits are awarded to projects that represent meaningful new investment in the state, so we would propose an increase in the minimum investment threshold up to a level between \$100,000-\$200,000.

Economic Development & Tourism

Date: 2-7-07

Attachment # 6-1

Second, we do not believe increasing the job creation tax credit from 5 net new jobs up to 20 jobs is good public policy. Again, this significant jump effectively limits the availability of job creation tax credits to only the largest companies – it's simply not realistic for most growing businesses. It would also put us at a specific competitive disadvantage with Missouri, which offers a job creation tax incentive based on the addition of 10 net new jobs. To maintain a job creation stimulus for growing companies and preserve our competitiveness, we would propose a minimum job creation threshold of five to seven net new jobs.

Lastly, we do not believe eliminating the excessive training tax credit program is good public policy. In a globally competitive marketplace, why would Kansas want to stop encouraging and rewarding employers that spend above-average resources investing in their workforce? More highly skilled workers are both more productive and earn better wages – all of which generates additional revenue for the state. We would propose not only preserving the training tax credit program, but also recognizing the 21st century workplace by including computer-based training among the program's eligible expenditures.

Without these suggested changes, HB 2170 will hurt backbone Kansas businesses like Z3 Graphix, a printing operation with 32 full-time employees located on two sites in Lenexa. Z3 Graphix's net worth exceeds \$1 million, so it would not receive HB 2170's franchise tax relief. Like most businesses Z3 Graphix is structured as a pass-through organization and not a corporation, so it would not receive HB 2170's corporate income tax relief. Z3 Graphix has consistently added employees and invested \$200,000-\$500,000 per year in additional equipment and a second operational site, all of which increased capacity and generated new revenue for the state. Z3 Graphix would not have made these investments and hired additional employees without the investment tax credit – but under HB 2170, Z3 Graphix would no longer qualify for those incentives. In short, the provisions of HB 2170 not only don't help Z3 Graphix, they actually hurt Z3 Graphix. We don't believe these consequences reflect what HB 2170 should intend to achieve.

While we strongly support the tax reduction and simplification concepts embodied in HB 2170, we must oppose specific details currently in the proposal. We sincerely hope that our concerns can be resolved so that we may fully support the bill, which we believe can enhance business attraction and expansion efforts across Kansas. Thank you very much for your time and attention to these important issues.

**Testimony on House Bill
2170
House Economic
Development and Tourism
Committee
February 6, 2007**



**WICHITA METRO
CHAMBER OF COMMERCE**

Representative Gordon and members of the committee, I'm Bernie Koch, the Vice President for Government Relations at the Wichita Metro Chamber of Commerce. Thank you for the opportunity to appear before you today on House Bill 2170.

Our chamber has over 1,800 members.

Half of our members are small businesses with ten or fewer employees, but we also number among our members some of the largest companies in the state. The employees of our members make up approximately 55 percent of the workforce of the four-county Wichita Metropolitan Area, comprised by Sedgwick, Harvey, Butler, and Sumner Counties.

We are generally supportive of House Bill 2170, but have some comments about the individual components.

Franchise tax

Our Chamber supports elimination of the business franchise tax and we welcome changes in this or any other bill that move us closer to that goal. Because we have such a diverse membership, I'm not sure they would agree on the best way to do that.

As others have ably pointed out, it can be a double or triple taxation of the same assets.

Corporate tax rate

We look at the reduction of the corporate tax rate as a positive. Our professional staff at the Greater Wichita Economic Development Coalition tells me we seem to suddenly be getting a lot of serious contacts from very large companies looking at us as a location for what might be called "back office" operations.

Many large companies are spinning off middle level jobs to a more cost-effective location. The headquarters might be in New York City or Chicago or Los Angeles, where real estate prices are high and other costs of doing business are prohibitive.

The company can save money by spinning some operations off to places where there are lower costs, but a great work force. I'm referring to operations like payroll, customer service, processing, benefits administration, and legal.

I believe a strong factor causing these companies to look at us seriously is our highly educated work force with a great work ethic. Adjusting our corporate tax rates could be very helpful in tipping the balance on a decision. Those are great jobs that any community would love to have. They pay well. Those kind of well-educated employees buy homes, they shop in your stores, and they support your economy and they support your community.

If we wanted to be very serious about becoming very aggressive in attracting these kinds of operations, at some point in the future Kansas should probably look at not just the corporate tax rate, but how the tax is applied. . However, states like Iowa and the Dakotas are very successful in attracting these kinds of operations because of their work force and their corporate tax structure. There is a huge fiscal note to that

Tax credits

My local economic developers tell me they have some concerns about the tax credit changes but they believe they can be adjusted to make them more workable.

For small and middle size businesses that are considering an expansion, this is the only incentive available. Our economic developers have a difficult time right now supporting small business expansions. We would support reducing the thresholds, as has been discussed. We appreciate Secretary Wagnon's willingness to discuss that.

There are many small to medium sized businesses in the MSA and the region that do not add 20 employees at a time as a direct result of a qualified investment.

I'd like to make an important point about the transition from the current system to this new system. The Wichita area is recovering from the worst economic downturn in 30 years. Many small and medium sized companies are in the process of expanding once again with the economy. It typically takes two or three years for an expansion. Those companies made their business decisions based on projections made with the current law in mind, expecting that they would qualify for tax credits. We believe there are several expansions in the pipeline.

We would hate for those businesses to be hurt because they made expansion plans based on current law. Please review the transition process carefully before making any changes.

Thank you again for your willingness to look at these topics.

21st Annual Corporate Survey of Site Selection Factors
Area Development Magazine
Site and Facility Planning
2006

FIGURE 25

Available at www.areadevelopment.com

Combined Ratings* of 2006 Factors

SITE SELECTION FACTORS		2005	2006
Ranking			
1.	Labor costs	87.9	95.0
2.	Highway accessibility	91.4	90.9
3.	Corporate tax rate	85.0	90.8
4.	State and local incentives	86.0	88.6
5.	Availability of telecommunications services	79.8	88.3
6.	Tax exemptions	83.6	86.7
7.	Occupancy or construction costs	83.7	85.5
8.	Availability of skilled labor	87.2	85.1
9.	Energy availability and costs	82.8	82.4
10.	Availability of high-speed Internet access	85.7	82.1
11.	Cost of land	79.1	79.2
12.	Low union profile	77.0	78.4
13.	Proximity to major markets	83.2	76.9
14.	Availability of land	75.0	73.3
15.	Environmental regulations	71.1	68.9
16.	Right-to-work state	69.7	67.1
17.	Availability of unskilled labor	50.6	65.3
18.	Raw materials availability	62.3	64.1
18T.	Availability of long-term financing	56.5	64.1
19.	Accessibility to major airport	50.0	61.4
20.	Training programs	59.6	56.0
21.	Proximity to suppliers	66.7	49.3
22.	Proximity to technical university	30.2	30.0
23.	Railroad service	28.9	20.8
24.	Waterway or oceanport accessibility	20.2	17.0

QUALITY-OF-LIFE FACTORS

QUALITY-OF-LIFE FACTORS		2005	2006
Ranking			
1.	Low crime rate	67.8	70.8
2.	Ratings of public schools	56.8	64.4
3.	Housing costs	60.0	63.9
4.	Health facilities	62.1	60.8
5.	Housing availability	59.3	54.4
6.	Climate	46.5	48.6
7.	Colleges and universities in area	46.0	44.6
8.	Recreational opportunities	44.8	43.7
9.	Cultural opportunities	48.8	41.4

*All figures are percentages and are the total of "very important" and "important" ratings of the Area Development Corporate Survey and are rounded to the nearest tenth of a percent.

7.3

Testimony supporting legislation for the Investment Credit Act (HB 2170)

Delivered to the Kansas House Economic Development and Tourism
Committee

February 6, 2007

Good afternoon, Madame Chairman and members of the committee. Thank you for the opportunity to appear before you on HB 2170. My name is Rob Johnson, I am the President and CEO of the Northeast Johnson County Chamber of Commerce. The chamber represents the interests of the business community in the cities of Fairway, Merriam, Mission, Mission Hills, Mission Woods, Northern Overland Park, Prairie Village, Roeland Park, Westwood, and Westwood Hills.

HB 2170 and its counterpart in the Senate SB 213 are important bills because they impact the bottom line for many businesses in Kansas. On behalf of the Northeast Johnson County Chamber of Commerce, I want to thank the Governor and the legislature for bringing this issue to the table for discussion.

The proposed legislation which will change the current structure of the franchise tax and reduce the corporate income tax paid by Kansas companies; and that is a great first step. The proposed legislation in effect will allow Kansas companies to grow and prosper. It will also allow Kansas to be more competitive when companies consider relocating from out of state. Because of these provisions, the Northeast Johnson County Chamber of Commerce supports HB 2170.

Like many Chambers of Commerce throughout Kansas, the Northeast Johnson County Chamber of Commerce represents many small businesses. In fact, 70% of our membership has 25 or fewer employees. Small businesses are essential to the economy in Kansas and new small businesses are starting everyday. That is why it is important that the legislature work to simplify the current HPIP. HPIP, if simplified and updated, could benefit many Kansas communities as a powerful economic development tool.

This bill is a good start, however, I encourage the committee to continue looking at ways in which all Kansas businesses can benefit from this legislation.

Economic Development & Tourism

Date: 2-7-07

Attachment # 8



**Testimony before the
House Economic Development and Tourism Committee
Re: House Bill 2170**

February 7, 2007

Presented by Andrew Nave
Business Recruitment & Retention Manager,
Overland Park Chamber of Commerce & Economic Development Council

The Overland Park Chamber of Commerce appreciates the opportunity to submit written testimony in support of House Bill 2170. Our legislative agenda has long included support for the elimination or gradual reduction of the franchise tax. We also support the reduction of the corporate income tax as a means to reduce costs for Overland Park and Kansas businesses. These tax cuts would enhance the business environment in our state.

The Overland Park Chamber also supports simplification of Kansas incentive programs as a means to promote increased capital investment and job creation. We believe that future success in economic development in our state will be dependent upon fostering a favorable economic climate as well as providing competitive economic incentives for business prospects. We are also supportive of the Opportunity Zones, because we believe rural economic development is crucial to the economic health of Kansas.

There has been debate about where the investment and job creation thresholds should be for tax credit programs. In analyzing our economic development projects, fewer than ten percent of the new business recruitment and retention projects we've assisted with would be affected by the thresholds proposed by this bill.

We encourage this committee to consider the proposal as presented, but to think creatively of additional options that will make us even more competitive in the marketplace. Our experience has found that high-wage, fast-growth companies are

Continued page 2

Economic Development & Tourism
Date: 2-7-07
Attachment # 901

more receptive to front-loaded, cash-based incentives when making relocation decisions than to tax credit-based incentives given the significant investment of a facility relocation. Our competing states like Missouri, Oklahoma, and Texas all have cash or cash-equivalent funds to attract these type companies.

For that reason, the Overland Park Chamber supports the creation of a cash-based incentive program or enhancement of the Investments in Major Projects and Community Training (IMPACT) program. The IMPACT program's training focus meets very well the upfront relocation costs associated with training and re-training new employees. Increasing the capacity of the program to cover other upfront costs like relocation expenses, labor recruitment, building purchases, and equipment and machinery purchases would further enhance the program's effectiveness and provide Kansas the cash-based or cash-equivalent program that is needed.

We recognize the additional administration and fiscal impact involved, but believe the nature of economic development demands that we examine our programs for flexibility, ease and competitiveness in each area.

Your task as a committee is two-fold with this proposed legislation. On one hand, the tax cuts will help create a more favorable climate for business growth. On the other, we need economic development tools to create jobs and capital investment in communities across our state. We appreciate your consideration of the tax cuts as well as creative solutions to provide those economic development incentives to maintain a competitive edge.



Kansas Grain & Feed Association

Kansas Agribusiness Retailers Association

Joint Statement in Support of House Bill 2170 House Economic Development and Tourism Committee

Lana Gordon, Chair

February 7, 2007



Thank you Madam Chair and members of the House Economic Development and Tourism Committee; I am Duane Simpson, Vice President of Government Affairs for the Kansas Grain and Feed Association (KGFA) and the Kansas Agribusiness Retailers Association (KARA).

KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. KGFA's membership includes over 950 Kansas business locations and represents 99% of the commercially licensed grain storage in the state.

KARA's membership includes over 700 agribusiness firms that are primarily retail facilities that supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry. On behalf of these organizations, I am testifying in support of House Bill 2170.

While many of our members may not qualify for business incentives and tax credits we believe that the simplification of the program will make it more likely that those members who do qualify are able to receive the incentive. We agree with the other conferees that the investment limits and job creation limits are too high and need to be adjusted.

KGFA and KARA are very concerned about the rural economy. Population loss and job loss hurts the local tax base and threatens the viability of rural schools and hospitals. We applaud the Administration for proposing Rural Opportunity Zones because we believe that the future of our industry depends on reversing the trend of population loss by creating an atmosphere of job growth in rural Kansas. Unfortunately, while the Departments of Revenue and Commerce are helping create rural jobs, the state's water agencies are pushing legislation that will destroy rural jobs. Kansas State University estimates that if House Bill 2184 becomes law, 10 rural counties will lose 119 jobs per year for the next 15 years. I understand that this hearing is not related to HB 2184, but you cannot legislate in a vacuum and if that bill becomes law, rural Kansas will need Rural Opportunity Zones even more than it does now.

As for the corporate tax changes, only a handful of our members pay a significant amount of corporate income taxes. We certainly welcome the reduction in rates and believe that it is fair to reduce corporate income taxes to try to bring parity with other classes of rate payers, but we must note that most of our members will not receive a benefit from the tax break.

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Economic Development & Tourism

Date: 2-7-07

Attachment # 10-1

Our members are not satisfied with HB 2170's franchise tax provisions. The Secretary of Revenue has noted that small businesses will benefit from the increased exemption and that big businesses will benefit more from the corporate income tax rate cuts. Our members, however do not typically qualify as either. Once again, this bill is based upon the flawed premise that only a "big business" has a high net worth. When we think of big businesses, we think of profitable businesses. Indeed, only profitable businesses have income that can be taxed. But agribusiness, like so many other small businesses, by their nature have considerable net worth despite very thin operating margins. We applaud the Secretary for attempting to simplify the tax credit and incentive process and we urge this committee to also simplify the franchise tax. Not all of the cost of a tax policy is the tax itself, there is also a cost of compliance. If you pass the franchise tax as it is written in this bill, every business entity in the state will continue to have to file a corporate franchise tax return. That's 115,000 business entities that have to fill out paperwork while the vast majority of them won't even be required to pay the tax. If you want to simplify the tax code, repeal the franchise tax so businesses can not only save the tax dollars, but the also the cost of tax preparation.

Also, this bill does nothing to stop the unfair double taxation of subsidiaries under the franchise tax law. When a subsidiary pays the franchise tax on its net worth, the parent company must include that subsidiary's net worth on its own tax return making the tax be paid twice. Once again, a full repeal of the franchise tax solves this problem.

If the franchise tax is not repealed in its entirety, many of our members will not see any tax relief from this proposal at all. We understand that your resources are limited and that we cannot, "have it all." Therefore, Madam Chair, I urge the committee to take the best parts of this bill and combine that with a full repeal of the state franchise tax. If you cannot afford to fully repeal the franchise tax this year, phase it out over multiple years.

Legislative Testimony

HB 2170

February 6, 2007

Testimony before the Kansas House Economic Development Committee
By Marlee Carpenter, Vice President of Government Affairs



The Force for Business

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Chairman Gordon and members of the committee;

The Kansas Chamber and our over 10,000 members encourages the Kansas Legislature to look at pro-growth business tax policy that will encourage capitol investment and job creation in the state. The Kansas Chamber represents business of all sizes and from all part of the state. More than 95% of our members have less than 50 employees so we speak on behalf of large medium and small business.

On behalf of the entire business community, we would like to thank the legislature and the administration for working together to pass the repeal of the property tax on newly purchased business machinery and equipment as well as increasing the deminimus property tax exemption to \$1,500. These tax changes will help grow the Kansas economy and will encourage businesses to locate and expand in the state. This tax change along with the repeal of the Kansas Estate Tax is much needed and positive step in the right direction however the Kansas business climate still needs attention.

The Kansas Chamber is here is support of HB 2170. The reduction in the corporate income tax, franchise tax changes and simplification of the tax credits are all issues that top our legislative agenda. Corporate income tax reductions would be very beneficial to the Kansas tax climate. This reduction will help Kansas compete with other states for investment and jobs. We support this measure and urge the committee to act favorably upon this tax reduction initiative.

The Kansas Chamber also supports franchise tax changes. HB 2170 increases the threshold to exempt out very small businesses. We think that this is a good first step. The Kansas Chamber would prefer to see an approach that would repeal the franchise tax all together or a combination of rate and cap reduction. If the Governor's plan for franchise tax relief is enacted, there is nothing that will address the subsidiary issue. In Kansas, each subsidiary must pay the full franchise tax. Companies that choose to organize with many subsidiary companies are penalized under Kansas law and the penalty has increased significantly over the last few years. If full repeal is not an option, we urge this committee to consider addressing the subsidiary issue and the double taxation that occurs under the franchise tax.

The Kansas Chamber also supports the simplification of the tax credits. The current HPIP program is the flagship economic development program of the state. The current HPIP program is so complicated and complex that only very sophisticated taxpayers that have access to accountants or lawyers can claim this credit. The proposed simplification is overdue and supported by our business members.

Economic Development & Tourism

Date: 2-6-07

Attachment # 11-1

Our concern comes with the threshold increase. We believe that the proposed \$1 million threshold is much too high. Many small and medium sized businesses that make significant investments in the state would not qualify for tax credits. We believe that a threshold amount between \$100,000 and \$200,000 would be more reflected of the types of investments make in Kansas.

The same is true with the new Jobs Credit. We believe that the 20 jobs requirement is too high, even in the metro area. We would suggest that this number is reduced below Missouri's 10 net new job credit.

In addition, the Kansas Chamber would advocate for the investment tax credit to be claimed by a unitary group. Kansas is a unitary state and companies must report income on a combine basis. This is a very complicated and fact specific area. Currently, only the company that generates the tax credit can claim it, even if their income is grouped together with other related entities for income tax purposes.

There is much litigation around this area of tax law and we believe that if income is combine for income tax purposes, then tax credits should apply to income taxed in Kansas from the unitary group.

The Kansas Chamber is supportive of the overall goal of the bill and is ready and willing to continue to work with the Department of Revenue and Department of Commerce to come to an agreement so that these pro-jobs, pro-business measures advance though the legislative process and gain passage.

Thank you for your time and I will be happy to answer any questions.



The Voice of Small Business®

Legislative Testimony
Derrick Sontag, NFIB State Director
House Bill 2170
February 6, 2007

Madam Chair and members of the committee:

Thank you for the opportunity to appear before you in support of House Bill 2170.

As you may know, NFIB/KS determines its' legislative agenda by balloting the more than 5,400 NFIB members in Kansas. A large majority of those balloted must respond on the prevailing side, in order for NFIB to support or oppose the issue in question. This process allows the organization's legislative agenda to be determined by the thousands of Kansans who are operating small and independent businesses on a daily basis.

Specific to this issue, the members of NFIB have long supported the existence of tax incentives that recognize the contributions small businesses make to the Kansas economy.

The simplification of the tax incentive process, as described in HB 2170, is noted and greatly appreciated by NFIB members. Often times, small businesses do not have the adequate resources in place to pursue tax credit incentives. The work done by the departments of Revenue and Commerce in improving this process directly addresses this problem.

However after reviewing the legislation, concerns exist as it relates to the eligibility requirements. I would like to take this time to discuss the proposed eligibility requirements for both, the investment tax credit and the job credit.

Investment Tax Credit

Currently, the investment requirement is \$50,000. NFIB has members that have reached that threshold by making further investments in their business. The existence of the tax credit provided an added incentive to make that investment and in some cases, helped solidify the decision.

House Bill 2170 sets the minimum investment requirement at \$1,000,000. Most small businesses will never make a single investment of that magnitude, thus eliminating them from consideration for receiving this investment tax credit.

NFIB recently heard from a member who has been in business for more than 37 years. During that time, the business has achieved significant growth throughout the state and has offices in three Kansas communities. The business is prepared to embark upon another growth project in 2007. However, this will be the first time that a single, \$1million plus investment will be made by the company. For 37 years this Kansas small business, that employs more than 100 people, has been contributing to the Kansas economy. Yet it just now will make an investment worthy of a tax credit as proposed by HB 2170.

NFIB encourages the committee to explore lowering the minimum investment requirement to an amount more accessible to small business. An amount that is closer to the \$100,000, as proposed in the Opportunity Zones Program, would be satisfactory.

Job Credit

HB 2170, as written, would allow businesses that create at least 20 new net jobs to seek a job credit in the amount of \$1,500 for each new employee. Considering that the average small business has ten employees, this proposal would eliminate a large majority of businesses from seeking this credit.

NFIB encourages the committee to consider lowering the new net job requirement to a number that makes it more accessible for a greater number of small businesses.

According to the Small Business Administration (SBA), small businesses annually are responsible for at least 60% of new net jobs and are responsible for employing 54% of the state's non-farm private work force. These are businesses that already contribute to the growth of the Kansas work force and economy. Simply lowering the threshold requirements would provide further incentive for small businesses to continue adding employees.

Thank you for your time and consideration on this important matter.

Derrick Sontag
Kansas State Director
National Federation of Independent Business
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Derrick.sontag@nfib.org

Testimony on House Bill 2170

by Betty Nelson

Senior State Incentive Manager

CBIZ Accounting, Tax & Advisory Services of Kansas City

February 6, 2007

CBIZ is a national leader in accounting, tax and advisory services with 140 offices in 34 major cities throughout the country. We are one of the nation's leading providers of outsourced business services, including accounting and tax, benefits and insurance, and a wide range of consulting services.

CBIZ is headquartered in Cleveland, Ohio with our mid-west regional office in Leawood, KS. CBIZ moved our regional office from Missouri to Kansas in July of 2003 based on the incentive package we received from the State of Kansas for committing to \$20,000,000 of new investment and 540 net new jobs.

I am part of our State and Local Tax (SALT) group and work with clients every day that are expanding, creating jobs and adding capital investment. We prepare our clients' State and Federal tax returns and advise them on related issues such as tax credits, training grants and sales tax exemptions. Taxes are important to business. Business decisions are affected by them. Job creation and retention, site selection, competition and numerous other decisions hinge on them. Our clients make location decisions based on our advice.

Currently, companies have three *separate* ways to invest in the State of Kansas:

1. Invest in capital by purchasing or leasing new equipment and/or expanding facilities.
2. Create net new jobs, thereby increasing payroll.
3. Invest in training initiatives by spending greater than 2% of their gross payroll on training their workforce (both existing and new employees).

We are extremely concerned that this proposal will adversely affect our clients' desire and determination to move to or expand in Kansas. Although we applaud the State's efforts to simplify the document preparation, we believe that the raising of the thresholds and elimination of the training tax credit will diminish Kansas' ability to compete with its neighbors.

Until now, Kansas has been very effective at winning new businesses in the state based on the incentive packages they have offered to those who are considering opening a business or moving an existing business to the state. If the tax credits for smaller businesses are removed, the state will certainly not be in a competitive position and will struggle to catch up with the surrounding states.

Economic Development & Tourism

Date: 2-9-07

Attachment # 13-1

Investment Tax Credit

Current investment level required

- Currently all companies must subtract out the first \$50,000 of investment and can earn a 10% tax credit on qualified investment greater than \$50,000.

New Legislation proposed

- Raise the investment threshold to \$1,000,000.

Our proposal

- Investment threshold (if it must be raised) should be no more than \$200,000 to account for companies making routine investment in their business.

Job Creation Tax Credit

Current job creation level required

- Manufacturers must create two net new jobs in all areas of the state.
- Retail businesses must create two net new jobs in all areas of the state.
- Non manufacturing/non-retail businesses must create five net new jobs.
- Business headquarters and ancillary support must create 20 net new jobs in all areas of the state.

New Legislation proposed

- All businesses in Metropolitan Statistical Area (MSA) would be required to create 20 net new jobs.
- Retail businesses will not be eligible.
- In Opportunity Zones manufacturers will be required to create five net new jobs.

Our proposal

- Manufacturing and non-manufacturing/non-retail businesses must create five net new jobs
- Business headquarters and ancillary support operation must create 20 net new jobs.
Twenty jobs are too many for a small to medium business to create in any given year.

Excessive Training Tax Credit

Current Training Tax Credit

- Companies who invest greater than 2% of their gross payroll in training their workforce can earn a dollar for dollar tax credit up to \$50,000 for providing Kansas with a well-trained workforce.

New Legislation proposed

- *Eliminate* this tax credit for all businesses.

Our proposal

- Make this a separate tax credit and allow all companies who meet the NAICS code requirements and wage standards to receive a tax credit for investing in human capital for training that exceeds 2% of their gross payroll. Training employees is expensive, especially if your employees leave. However, not training them and having them stay is even more expensive.

Incentives are a natural lightning rod for criticism. Debate often centers on whether they are necessary and effective or simply a waste of resources. Companies seek such objectives as a skilled labor force, the availability of raw materials and a short distance to markets. In the final analysis, however, government incentives are crucial to a company's ultimate decision on where to locate that new facility.

Many of our clients are small businesses that are growing and expanding. These companies pay higher than above average wages. They generate greater than 50% of their revenues from out of state, and they invest in properly training their workforce. These are the types of businesses all of you want in your communities. This legislation, as proposed, will discourage desirable businesses from locating in Kansas from outside of the state and will hinder businesses already located in the state from expanding.

Attached is a spreadsheet showing how the new legislation proposed will affect both a new business coming to Kansas and an existing business that is considering leaving the state.

Thank you for your consideration.

Software business considering locating from out of state into the Kansas Metropolitan Statistical Area (MSA)

Assumptions:

Total investment of \$6,500,000 over 5 years
 Total jobs of 70 over 5 years
 Type of business - Software developer
 Job creation is \$1,500 per net new job

13-4

	Year 1	Year 2	Year 3	Year 4	Year 5	
Investment	\$3,000,000	\$875,000	\$875,000	\$875,000	\$875,000	\$6,500,000
Job creation	30	10	10	10	10	70
Benefits under the current tax credit programs						
HPIP (minus first \$50,000)	\$295,000	\$82,500	\$82,500	\$82,500	\$82,500	\$625,000
Business & Job Tax credit	\$45,000	\$15,000	\$15,000	\$15,000	\$15,000	\$105,000
Training tax credit	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Sales tax exemption (using 7.225)	\$72,250	\$63,219	\$63,219	\$63,219	\$63,219	\$325,126
Total benefit						\$1,305,126
Benefits under the proposed legislation						
Investment tax credit (\$50,000 will no longer be deducted)	\$300,000	\$0	\$0	\$0	\$0	\$300,000
Jobs Credit	\$45,000	\$0	\$0	\$0	\$0	\$45,000
Sales tax exemption (using 7.225)	\$72,250	\$0	\$0	\$0	\$0	\$72,250
Training Tax Credit	\$0	\$0	\$0	\$0	\$0	\$0
Total benefit						\$417,250

By raising the investment level from \$50,000 to \$1,000,000 in any given year and raising the job creation requirement from 5 to 20 jobs the company would lose \$887,876 in incentives that would be offered under the current incentive programs.

13-4

Existing manufacturing business considering a new location/could locate in either Kansas or Missouri

Assumptions:

Total investment of \$1,400,000 over 5 years

Total of 25 jobs added over the next 5 years

Type of business - Manufacturer of electronic components

Job creation is \$1,500 per net new job

Existing jobs - 30

One half of the equipment investment each year is for non-manufacturing equipment.

Training tax credit - The company can earn up to \$50,000 each year, but we are only estimating the company earns \$20,000 each year.

This company is a Sub S and is taxed at the individual level.

	Year 1	Year 2	Year 3	Year 4	Year 5	
Investment	\$600,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,400,000
Job creation	5	5	5	5	5	25
Benefits under the current tax credit programs						
HPIP (minus first \$50,000)	\$45,000	\$15,000	\$15,000	\$15,000	\$15,000	\$105,000
Business & Job Tax credit	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$37,500
Training tax credit	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000
Sales tax exemption (using 7.225)	\$7,225	\$7,225	\$7,225	\$7,225	\$7,225	\$36,125
Total benefit						\$278,625
Benefits under the proposed legislation						
Investment tax credit (\$50,000 will no longer be deducted)	\$0	\$0	\$0	\$0	\$0	\$0
Jobs Credit	\$0	\$0	\$0	\$0	\$0	\$0
Sales tax exemption (using 7.225)	\$0	\$0	\$0	\$0	\$0	\$0
Training Tax Credit	\$0	\$0	\$0	\$0	\$0	\$0
Total benefit						\$0

By raising the investment level from \$50,000 to \$1,000,000 in any given year and raising the job creation requirement from 2 to 20 jobs, the company would lose \$278,625 in incentives that would be offered under the current incentive programs.

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Testimony on HB 2170
Before the House Economic Development Committee
Kelly Schoen, CEO, Z3 Graphix
February 6, 2007

Z3 Graphix HPIP Program History

- In 1999 I purchased the assets of a Missouri corporation to use as the basis to launch a new business model. The predecessor company had low-tech equipment and pay rates that were low by industry standards. Given that, I purchased the assets with the intention of leveraging them into a “High Value” marketing services company that utilized technology to produce value-based marketing products and services.

- As we built the plan for the new business model, we began the search for a location to launch our new printing & marketing services center. We evaluated properties in both Kansas & Missouri, as the predecessor organization had facilities in both states. During the evaluation process, our realtor introduced us to CBIZ so that they could educate us on the potential tax incentives that might be available if we chose to locate in Kansas. After learning more about the HPIP program, and factoring the tax benefits of the HPIP program into our decision, we chose to locate in the College Crossing business park in Lenexa, Kansas.

- Like most small businesses we struggled with the challenges of meeting our debt service related to the leveraged buy out, while still committing the financial resources necessary to equip the company with the assets necessary to execute our business model. By utilizing the HPIP investment tax credit program, we were able to justify investments that we wouldn’t otherwise have been able to make. We averaged over \$200,000 in equipment investments per year for a total of over \$1,000,000.

- Another thing that most small businesses struggle with is dedicating the financial resources and time to train their workforce. The purchase of higher tech equipment required a higher skilled operator. The HPIP Training Tax Credit program provided us with the incentive to dedicate the resources to train our employees to higher skill levels. The result is that we have a work force with significantly higher skill levels, and in turn can deliver a higher level of value to our customers, and accordingly are compensated at significantly higher levels (average compensation is nearly double that of the predecessor organization).

- More skilled employees operating higher tech equipment led to a higher value of products and services for our clients. In turn, our sales grew at double-digit annual rates (sales growth of approximately \$2 mm over the past 5 years). This in turn has allowed us to add new jobs (10 over the past 5 years).

Economic Development & Tourism
Date: 2-7-07
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- As we grew sales and added equipment and employees, space became tight. Once again the HPIP investment tax credit program provided us with the incentive to open a new facility in the State of Kansas. In 2005 we opened our second facility in Lenexa.

Primary Concerns With Proposed Legislative Changes To The HPIP Program:

- The raising of the investment threshold from \$50,000 would eliminate the incentive for small businesses such as Z3 to continue to invest in equipment and facilities in the State of Kansas. Very often the investment tax credit is the difference maker in allowing a small business to be able to stretch into a deal. Small business provides the majority of jobs and fuel for the economy, and the proposal to raise the investment threshold to a level that is not attainable for most small business would be detrimental.
- The elimination of the training credit would significantly reduce the incentive for small businesses to properly train their employees to be competitive into the future. Because employees in small companies wear a lot of hats, it is extremely difficult to justify the time and expense to train employees to the levels that will enhance their future value. Without the incentive of the HPIP Training Credit, small businesses will be more likely to take a shorter-term approach and reduce or eliminate much of their training. Over time, this will lead to lower skilled and lower paid employees.
- Increasing the jobs creation requirement from 2 to 20 will essentially eliminate the incentive for small businesses. While it may be possible to strive to add 2-5 new jobs per year, it is not realistic to expect to add 20.
- While I understand the proposed legislation does provide for a reduction in the Kansas corporate income tax rate, this will not benefit most small businesses. This is because most small businesses are flow-through entities (S-Corp or LLC) with the earnings being taxed at the individual shareholder level.

Summary

- In summary, I see the proposed legislative changes to the HPIP program as being extremely detrimental to the small businesses of Kansas. It will eliminate much of the incentive for investment and training, which in turn will slow the growth potential for the company, which in turn will slow the growth of the economy.
- I believe the Z3 story is a classic example of how the HPIP program can provide the incentive and capability to expand and grow the company. The result has been a substantial increase in sales which has led to increased sales tax revenue and income tax revenue for the State of Kansas. It has also led to substantially higher wages which has provided increased income tax revenue for the State. Increased equipment has led to increased property taxes.

February 6, 2007

House Economic Development Committee
Kansas Statehouse
Topeka, Kansas

RE: **HB 2170--Proposed Tax Reforms**

Dear Representatives:

I am writing to express my concern regarding the Governor's proposed tax reforms, which I believe will have a tremendously negative impact on small and medium businesses in the State of Kansas. These changes, while being presented as potential savings to business owners in the state, will gravely affect the small and medium-sized business in our state. Furthermore, the changes will affect the state's ability to attract new companies to relocate their businesses to Kansas.

Taxes matter to business. They affect business decisions, job creation and retention, plant location, competition and the long-term health of our state's economy. Although some things are beyond our control in creating an attractive business climate, Kansas can direct its own tax policies.

The Governor's proposed changes will most negatively affect small and medium-sized businesses in the following areas:

Qualification for Investment Tax Credit

- Current Standard:
Invest at least **\$50,000** at a company's qualified business facility.
- Proposed Standard:
Invest at least **\$1,000,000** at a company's qualified business facility. Investments less than that amount (except in Opportunity Zones) will not qualify.

HPIP "Simplifications/Eliminations"

- Current Standard:
Businesses can receive up to \$50,000 in a training tax credit each year.
- Proposed Standard:
Eliminate the training tax credit altogether.

This will affect approximately 90 percent of businesses that are currently HPIP certified in Kansas.

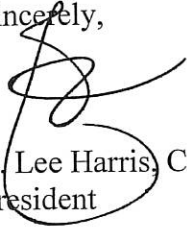
February 6, 2007

Job Credit Requirements to Qualify for a Credit of \$1,500 for Each Net New Employee

- Current Standard:
 - 2 Net New Manufacturing Jobs
- OR
- 5 Net New Non-Manufacturing / Non-Retail Jobs
(As determined by the net gain in employees on the payroll at year-end)
- Proposed Standard:
 - Minimum of **20** Net New Jobs

As our legislative representatives, it is imperative that you protect and foster the business climate in the State of Kansas. Kansas has worked tirelessly to attract new businesses and to retain the ones that it currently has. Why would we now take a step backward, damaging the groundwork that has been laid to create a positive culture for business in our state? Small and mid-size businesses stand to lose and lose greatly in this new equation. With that in mind, I implore you to act in the best interest of those in your districts by taking steps *now* to diffuse this situation *before* the proposed changes become a bitter reality.

Sincerely,



R. Lee Harris, CRE, CPM
President



February 2, 2007

House Economic Development Committee
Kansas House of Representatives
Topeka, KS

Dear Representatives:

I, D. Roxanne Helphingstine, am president of Mission Electronics, a small business in Lenexa. We are an audio visual integrator and have been in business for 27 years. In 1995 when we began to see an increase in internet business, Mission Electronics had to change the direction of its sales and service.

Until that time, we were focused on production equipment sales to television stations and production companies. Those entities began purchasing their equipment on the internet to save on sales tax and pricing. We knew if we did not change our business plan, we would most likely be forced to close our doors.

To do so, we had to expand our staff and hire more technically oriented personnel. In this ever changing technological world, we send our employees to training whenever possible. Consequently, we are very concerned by the proposal to eliminate the training tax credit.

This tax credit has enabled us to send more employees to additional training. We would need to pare down some of that training if this occurs. This tax credit has been a great incentive for us to further educate our employees here at Mission Electronics. As our expenses as a small business have continued to increase (such as in health insurance costs), we appreciate any incentives that are available to us.

I appreciate your consideration in not abolishing the training tax credits.

Sincerely,

A handwritten signature in cursive script that reads "D. Roxanne Helphingstine".

D. Roxanne Helphingstine
President



MEI is proud to have been awarded the Gold Level as a Certified Solutions Provider
11450 W. 79th Street Lenexa, Kansas •Phone: 913.894.8480 •Fax: 913.894.8485

Economic Development & Tourism

Date: 2-6-07

Attachment # 16-1