

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on February 1, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Jason Thompson, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Others attending:

Senator Schmidt moved to introduce a bill that would create local option for the district attorney system. Senator Jordan seconded the motion, and the motion carried.

Senator Schmidt moved to introduce a bill to put all district court costs into the State budget. Senator Jordan seconded the motion, and the motion carried.

Senator Schmidt moved to introduce a bill granting sales tax exemption to the historic Booth Theater. Senator Jordan seconded the motion, and the motion carried.

Senator Apple moved to introduce a bill that would create an excise tax on sexually-oriented businesses. Senator Goodwin seconded the motion, and the motion carried.

Senator Donovan moved to introduce a bill that would reduce the assessment rate from 20% to 12% over a period of time on motor vehicles and reinstate the 20 mill levy on automobiles. Senator Schmidt seconded the motion, and the motion carried.

SB 213—creating the Kansas investment credit act and the Kansas jobs credit act and providing changes to the franchise tax and the income tax on corporations.

Richard Cram, KDOR, provided information the Committee had requested from KDOR.

Corporate Income and Financial Institution Tax Liabilities by Bracket (Attachment 1)

Update to Analysis of Kansas corporate Income Tax (Attachment 2)

Distribution of employing units in Kansas (Attachment 3)

Kansas Corporation Income Tax Return Filings (Attachment 4)

A chart from Betty Nelson's, CBIZ, testimony from January 31 was received into record. (Attachment 5)

Joan Wagon, KDOR Secretary, agreed to furnish information from the Department of Commerce to the Committee concerning the Impact Fund, including a brief history.

Chairperson Allen appointed the following sub committee to study the proposed tax policy ideas which have been presented to the Committee, and to make recommendations back to the Committee as to which policies can be afforded in the State budget:

Senator Allen, Sub Committee chairperson; Senators Bruce, Donovan, Lee and Jordan

Being no further business, the Committee adjourned at 11:08 a.m. The next meeting will be February 8. The Sub-Committee will meet February 6 and 7 at 10:30 a.m. in Room 519S.

Corporate Income and Financial Institution Tax Liabilities by Bracket

Tax Year 2004 Returns Filed In Calendar Year 2005

Corporate Income Tax Liability By Taxable Income Bracket

<u>Taxable Income Brackets</u>	<u>Number Returns</u>	<u>Percent of Total Returns</u>	<u>Tax Liability</u>	<u>Percent of Total Liability</u>
No Taxable Income	19,044	62.0%	\$0	0.0%
\$0 - \$75,000	9,197	30.0%	\$5,263,547	3.3%
\$75,000.01 - \$100,000	457	1.5%	\$1,798,217	1.1%
\$100,000.01 - \$500,000	1,316	4.3%	\$15,633,497	9.8%
\$500,000.01 - \$1,000,000	284	0.9%	\$11,479,486	7.2%
\$1,000,000.01 - Over	<u>397</u>	<u>1.3%</u>	<u>\$126,161,052</u>	<u>78.7%</u>
Total	30,695	100.0%	\$160,335,800	100.0%

Bank Tax Liability By Taxable Income Bracket

<u>Taxable Income Brackets</u>	<u>Number Returns</u>	<u>Percent of Total Returns</u>	<u>Tax Liability</u>	<u>Percent of Total Liability</u>
No Taxable Income	65	16.3%	\$0	0.0%
\$0 - \$500,000	163	41.0%	\$1,316,501	6.1%
\$500,000.01 - \$1,000,000	68	17.1%	\$1,959,201	9.1%
\$1,000,000.01 - Over	<u>102</u>	<u>25.6%</u>	<u>\$18,154,042</u>	<u>84.7%</u>
Total	398	100.0%	\$21,429,744	100.0%

Savings and Loan Tax Liability By Taxable Income Bracket

<u>Taxable Income Brackets</u>	<u>Number Returns</u>	<u>Percent of Total Returns</u>	<u>Tax Liability</u>	<u>Percent of Total Liability</u>
No Taxable Income	12	31.6%	\$0	0.0%
\$0 - \$500,000	9	23.7%	\$59,297	0.9%
\$500,000.01 - \$1,000,000	1	2.6%	\$27,875	0.4%
\$1,000,000.01 - Over	<u>16</u>	<u>42.1%</u>	<u>\$6,502,266</u>	<u>98.7%</u>
Total	38	100.0%	\$6,589,438	100.0%



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
POLICY AND RESEARCH

KATHLEEN SEBELIUS, GOVERNOR

November 1, 2006

Update to Analysis of Kansas Corporate Income Tax Dated October 14, 2004 To Reflect Tax Year 2004 Data

The Analysis dated October 14, 2004 focused on the Kansas corporate income tax during tax years 2000, 2001 and 2002 and the impact of the 4 largest business income tax credit incentive programs on corporate income tax receipts, in an effort to determine how the corporate income tax burden falls within various industry sectors. Attached are updates to Tables 2 and 3 of the Analysis, to reflect the addition of tax year 2004 data. The discussion of the Top 20 claimants of the Business and Job Development (B&J) income tax credit is updated for tax year 2004 data. For comparison purposes, also attached are Analysis Tables 2 and 3, updated to include tax year 2003 data. Data on the Top 12 claimants of the High Performance Incentive Program (HPIP) tax credits for tax year 2004 is also discussed.

Recent History of Corporate Income Tax Receipts

Annual Kansas corporate income tax receipts (by fiscal year) since 1995 are shown below:

Fiscal Year	Amount Collected	Percent Change
1995	\$229,421,376	
1996	\$218,586,552	-4.7%
1997	\$263,573,332	20.6%
1998	\$281,651,300	6.9%
1999	\$227,369,923	-19.3%
2000	\$250,122,826	10.0%
2001	\$211,906,919	-15.3%
2002	\$93,958,484	-55.7%
2003	\$105,222,316	12.0%
2004	\$141,173,000	34.2%
2005	\$226,071,634	60.1%
2006	\$350,201,000	55.0%

Although the bottom fell out of corporate income tax receipts in FY 2002, the recent trend is very encouraging. Fiscal Year 2006 receipts set a new record. Thus far in FY 2007, corporate income tax receipts of \$135 million through the end of October are 55% above the April 2006 Consensus Revenue Estimate of \$306 million for FY 2007 and 50% above actual corporate income tax receipts for this same time period last year.

Corporate Income Tax Burden

In updating the Analysis dated October 14, 2004, tax returns from a sample of the largest 414 corporate taxpayers for tax year 2004 were reviewed in order to determine how much impact the business tax credit programs (Business & Job Development, High Performance Incentive Program, Research & Development, Business Machinery & Equipment) have on the corporate income tax burden. These corporations accounted for approximately 60% of the corporate income tax base for tax year 2004. The North American Industry Classification System (NAICS) code, Kansas taxable income, Kansas corporate income tax liability before credits, credits claimed, and the net tax receipts after credits for tax year 2004 for each of these corporations were captured in the database.

The update to Table 2 (attached) summarizes the results by NAICS code categories (using the first 2 digits of the NAICS code) for tax year 2004. The number of corporations included in each NAICS code category is shown in parenthesis in the first column.

Consistent with the Table 2 in the prior Analysis, the Update to Table 2 for tax year 2004 continues to show disparity between the various industry sectors in the proportion of tax liability that is reduced or eliminated by tax credits from participation in business incentive tax credit programs. The "payment percentage" column shown on the attached Update to Table 2 reflects the percent of tax liability (measured before credits are taken) actually paid after credits were applied to reduce tax liability. Manufacturers continue to experience a low tax payment percentage rate, 59.9% for tax year 2004, although higher than the 54.35% payment percentage rate for tax year 2003, and 45.60% tax payment percentage rate for tax years 2000 through 2002. The retail trade sector, now by far the largest in generating total tax liability before credits, as well as in the amount of net taxes paid (tax paid after credits are taken), had a higher tax payment percentage rate of 88.01% for tax year 2004, compared to 87.21% for tax year 2003, and the wholesale trade sector an even higher tax payment percentage rate than retail, 91.29%, although slightly lower than for tax year 2003, which was 94.61%.

While the Analysis dated October 14, 2004 (see Charts 2 and 3 of that document) indicated that manufacturers represented the largest portion of Kansas tax liability before credits (and Kansas taxable income) in the sample during tax years 2000 through 2002, the tax year 2003 data (see Update to Table 2 for tax year 2003) shows that retail trade represents the largest portion of Kansas taxable income, Kansas income tax liability generated before credits are taken, and net taxes paid after credits are taken. The 2004 tax year data continues that trend. As Update to Table 2 for tax year 2004 indicates, the retail sector's total corporate income tax liability before credits was \$35.6 million and tax payments after credits (see "net receipts" column) were \$31.3 million, while the manufacturing sector's total corporate income tax liability before credits was \$31.2 million and tax payments after credits were \$18.7 million.

B&J Credit Data

Within the sample of 414 corporations, the group of top 20 corporations that claimed the most B&J credits during tax year 2004 were identified. Corporations in this group were divided into 2 broad categories by NAICS code: manufacturing/transportation/warehousing and retail/wholesale/other. The effective tax rate for each corporation was computed, as well as the average effective tax rate for each of the two categories. The results are shown below.

Top 20 B & J Credit Claimants Tax Year 2004

Tax Year 2004

5 in Manufacturing/Transportation/Warehousing
Total Taxable Income: \$99.9 million
Total Net Tax: \$6.32 million
Ave. Effective Tax Rate: 6.33%
Range: .69% to 6.78%

15 in Retail/Wholesale/Other
Total Taxable Income: \$323.14 million
Total Net Tax: \$19.45 million
Ave. Effective Tax Rate: 6.02%
Range: -2.23% to 6.47%

This compares to the data for tax year 2003, shown below.

Top 20 B & J Credit Claimants Tax Year 2003

Tax Year 2003

6 in Manufacturing/Transportation/Warehousing
Total Taxable Income: \$40.96 million
Total Net Tax: \$1.742 million
Ave. Effective Tax Rate: 4.2%
Range: -.58% to 7.78%

14 in Retail/Wholesale/Other
Total Taxable Income: \$247.77 million
Total Net Tax: \$15.69 million
Ave. Effective Tax Rate: 6.3%
Range: 3.51% to 6.59%

The tax year 2004 results show rough parity between the manufacturing/transportation/warehousing category and the retail/wholesale/other category in terms of effective tax rates. In fact, the manufacturing/transportation/warehousing category averaged a higher effective tax rate (6.33%) than the retail/wholesale/other category (6.02%), and the range of effective tax rates within the manufacturing/transportation/warehousing category is narrower than for the retail/wholesale/other sector. This contrasts with the tax year 2003 results, which continued to show a significant disparity between the average effective tax rate paid by the manufacturing/transportation/warehousing category vs. the retail/wholesale/other category and wide disparity in effective tax rates paid by individual corporations within the manufacturing/transportation/warehousing category. For example, in tax year 2003, the 6 corporations in the manufacturing/transportation/warehousing category had an average effective tax rate of 4.2% (compared to a lower effective tax rate of 2.1% for tax years 2000 through 2002), although within that category, the effective tax rate ranged from -.58% to 7.78%. Of the corporations in the retail/wholesale/other category in tax year 2003, the average effective tax rate was 6.3%, although within that category, the effective tax rate ranged from 3.51% to 6.59%, a much smaller variance.

The Update to Table 3 for tax years 2000 through 2004 (attached) compares the manufacturing firms and retail firms within the group of corporations included in the "top 20" in B & J credit claimants during tax years 2000 through 2004 (a sample size of 114 corporations). The amount of tax liability (measured before credits are taken), credits and net receipts (tax paid after credits were taken) for all four tax years for manufacturing and retail firms in the group are listed. Of the 114 corporations in the group, 34 were manufacturing corporations and 30 were retail trade corporations. The "total" row at the bottom sums the information not only for these 34 manufacturers and 30 retailers, but also the rest of the 114 corporations in the group.

The Update to Table 3 for tax years 2000 through 2004 shows that manufacturing firms that are large B & J credit claimants continue to succeed in offsetting significant tax liability with tax credits, owing only 32.75% of the amount of their tax liability measured before credits were applied, while retailers offset a much smaller portion of their tax liability, owing 81.52% of the

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amount their tax liability measured before credits. The average payment percentage for all 114 corporations in this group of largest B&J credit claimants is 61.23%. Comparing this table to Update to Table 3 for tax years 2000 through 2003, manufacturers owed only 24.14% of their tax liability measured before credits were applied, while retailers owed 81.38% of their tax liability measured before credits. The average payment percentage for all 78 corporations in this group of largest B&J credit claimants for tax years 2000 through 2003 was 56.95%.

HPIP Data

Within the sample of 414 corporations, the top 12 corporations claiming the most HPIP credits during tax year 2004 were identified. Corporations in this group were divided into 2 broad categories by NAICS code: manufacturing and other. The effective tax rate for each corporation was computed, as well as the average effective tax rate for each of the two categories. The results are shown below.

Top 12 HPIP Credit Claimants Tax Year 2004

Tax Year 2004

7 in Manufacturing

Total Taxable Income: \$146.4 million

Total Net Tax: \$2.548 million

Ave. Effective Tax Rate: 1.74%

Range: -1.35% to 4.07%

5 in Other

Total Taxable Income: \$50.6 million

Total Net Tax: \$2.423 million

Ave. Effective Tax Rate: 4.79%

Range: -2.23% to 6.6%

The tax year 2004 data indicates that manufacturers benefited the most from the HPIP program, with over half (7) of the "top 12" claimants being manufacturers, paying a low average effective tax rate of 1.74%. Some participants had negative effective tax rates, eliminating their corporate income tax liability entirely with credit offsets. The 5 non-manufacturer HPIP claimants in the "top 12" group succeeded in offsetting significant tax liability with tax credits, maintaining a low effective tax rate of 4.79% (although not as low as for manufacturers in HPIP), with some of these participants also eliminating their tax liability entirely. This data shows that large-scale participants in HPIP are able to offset most, if not all, of their corporate income tax liability with tax credits, the majority of large claimants being manufacturers.

Updated Conclusions

Many of the conclusions in the Analysis dated October 14, 2004 remain valid for the tax year 2004 corporate income tax data sample: manufacturers continue to utilize the business tax credit incentive programs heavily and have claimed the largest amounts of the credits. Because tax credits are used to lower tax burden, the effective tax rates continue to vary within industry groups of all types, although that disparity narrowed in tax year 2004, a year for strong corporate income tax receipts, and manufacturers were able to offset a lower percentage of their tax liability with credits than in prior years. Generally, the manufacturing sector bears a smaller share of the corporate income tax burden than other sectors of the economy, compared to the taxable income generated by those sectors. However, the tax year 2004 data indicates that the average tax payment percentage for manufacturers increased from 54.35% for tax year 2003 to 59.9% for tax year 2004, while the average tax payment percentage for all corporations in the sample decreased from 85.15% for tax year 2003 to 78.44% for tax year 2004. Also, among the top 20 B&J credit claimants for tax year 2004, the manufacturing/transportation/warehousing category average effective tax rate (6.33%) actually exceeded the average effective tax rate for

the retail/wholesale/other category (6.02%). During years when the economy and tax receipts are strong (such as 2004), even manufacturers have a higher average tax payment percentage.

The tax year 2004 data, as did the 2003 data, continues to show that the retail sector is the most dominant portion of the corporate income tax base, generating the largest amount of Kansas taxable income and contributing the largest portion of the corporate income tax receipts. In tax years 2000, 2001 and 2002, the manufacturing sector generated the largest amount of Kansas taxable income (but not corporate income tax receipts). The retail sector has benefited somewhat less than the manufacturing sector from the tax credit programs. The retail sector typically bears a higher share of the corporate income tax burden, and pays higher effective tax rates, although that disparity did narrow in tax year 2004.

Update to Table 2: Tax and Credits Statistics by Industry from a sample of 414 Corporations for Tax year 2004.

Industry (# of corporations)	Total Tax Liability	Total NR Credits	B&J	R&D	HPIP	CIME Credit	Total Ref. Credits	Net Receipts	Payment Percentage
Mining (10)	\$10,164,775	\$5,337,022	\$0	\$0	\$0	\$84,965	\$0	\$4,742,788	46.66%
Utilities (8)	\$2,617,772	\$0	\$0	\$0	\$0	\$4,814	\$8,362	\$2,604,596	99.50%
Construction (10)	\$1,062,113	\$436,967	\$0	\$0	\$436,967	\$25,456	\$0	\$599,690	56.46%
Manufacturing (75)	\$31,200,763	\$8,711,141	\$764,439	\$112,185	\$7,380,319	\$3,771,681	\$30,000	\$18,687,941	59.90%
Wholesale Trade (84)	\$20,218,220	\$597,101	\$18,000	\$216,734	\$416,225	\$1,133,930	\$30,324	\$18,456,864	91.29%
Retail Trade (59)	\$35,563,751	\$3,325,521	\$3,326,251	\$3,718	\$2,599,171	\$940,131	\$0	\$31,298,099	88.01%
Transportation and Warehousing (10)	\$10,628,394	\$519,233	\$210,113	\$0	\$0	\$313,500	\$0	\$9,795,661	92.17%
Information (25)	\$8,717,709	\$1,055,292	\$23,800	\$0	\$1,028,986	\$2,234,716	\$2,502,520	\$2,925,181	33.55%
Finance and Insurance (41)	\$11,617,309	\$1,123,859	\$473,727	\$0	\$27,715	\$79,849	\$0	\$10,413,601	89.64%
Real Estate and Rental and Leasing (8)	\$842,259	\$0	\$0	\$0	\$0	\$87,435	\$0	\$754,824	89.62%
Professional, Scientific, and Technical Se (21)	\$5,509,049	\$208,037	\$15,760	\$0	\$0	\$63,188	\$0	\$5,237,824	95.08%
Management of Companies and Enterprises (16)	\$9,850,735	\$179,062	\$179,062	\$0	\$0	\$206,854	\$0	\$9,464,819	96.08%
Administrative and Support and Waste Manag (1)	\$862,623	\$24,000	\$24,000	\$0	\$0	\$47,204	\$0	\$791,419	91.75%
Health Care and Social Assistance (15)	1670376	0	0	0	0	1102	0	\$1,669,274	99.93%
Accommodation and Food Services (10)	\$2,140,856	\$370,973	\$365,477	\$0	\$0	\$65,054	\$0	\$1,704,829	79.63%
Other Industries (12)	4826240.77	175608	175608	0	0	266212	0	\$4,384,421	90.85%
Total All Industries (415)	\$157,492,944	\$22,063,816	\$5,576,237	\$332,637	\$11,889,383	\$9,326,091	\$2,571,206	\$123,531,830	78.44%

Other industries includes: Agriculture, Forestry, Fishing and Hunting, Educational Services, Arts, Entertainment and Recreation, and other service sectors not specified by the current codes

Update to Table 3. Summary information for the corporations that claimed most B&J Credits from TY 2000 to 2004

Sector (# of sample)	Total Tax Liability	Total NR Credits	B&J	R&D	HPIP	BM&E	Total Ref. Credits	Net Receipts	Payment Percentage
Manufacturing (34)	\$52,737,690	\$30,965,768	\$16,272,236	\$6,140,317	\$8,400,818	\$4,199,955	\$298,675	\$17,273,292	32.75%
retail Trade (30)	\$61,975,221	\$10,362,521	\$10,643,159	\$0	\$2,599,171	\$1,091,391	\$0	\$50,521,310	81.52%
Total (114)	\$160,070,038	\$52,296,474	\$36,265,460	\$6,694,224	\$12,430,647	\$7,148,085	\$2,013,593	\$98,004,077	61.23%

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Update to Table 2: Tax and Credits Statistics by Industry from a sample of 244 Corporations for Tax year 2003.

Industry (# of corporations)	Total Tax Liability	Total NR Credits	B&J	R&D	HPIP	CIME Credit	Total Ref. Credits	Net Receipts	Payment Percentage
Agriculture, Mining and Utilities (10)	\$12,487,012	\$544,410	\$0	\$0	\$544,410	\$219,237	\$0	\$11,723,364	93.88%
Construction (6)	\$666,750	\$0	\$0	\$0	\$0	\$15,329	\$16,256	\$635,165	95.26%
Manufacturing (39)	\$20,412,158	\$7,894,827	\$613,466	\$283,740	\$6,897,871	\$1,378,092	\$46,100	\$11,093,139	54.35%
Wholesale Trade (51)	\$16,840,931	\$135,443	\$96,000	\$39,443	\$0	\$771,757	\$0	\$15,933,731	94.61%
Retail Trade (44)	\$30,064,738	\$3,170,582	\$2,493,213	\$12,165	\$665,204	\$673,794	\$0	\$26,220,362	87.21%
Information (12)	\$7,102,178	\$243,117	\$900	\$0	\$0	\$390,130	\$19,952	\$6,448,979	90.80%
Finance and Insurance (24)	\$6,874,239	\$0	\$0	\$0	\$0	\$17,780	\$0	\$6,856,459	99.74%
Real Estate and Rental and Leasing (5)	\$979,887	\$0	\$0	\$0	\$0	\$1,194	\$0	\$978,693	99.88%
Professional and Technical Services (17)	\$4,715,392	\$124,700	\$99,700	\$0	\$0	\$59,258	\$0	\$4,531,434	96.10%
Management of Companies and Enterprises (11)	\$6,246,353	\$0	\$0	\$0	\$0	\$234,429	\$0	\$6,011,924	96.25%
Health Care and Social Assistance (6)	\$1,372,700	\$0	\$0	\$0	\$0	\$19,756	\$0	\$1,352,944	98.56%
Accommodation and Food Services (7)	\$2,086,084	\$295,116	\$222,956	\$0	\$0	\$67,261	\$0	\$1,723,707	82.63%
Other Services (12)	\$6,099,645	\$590,426	\$379,484	\$0	\$188,946	\$287,194	\$0	\$5,222,025	85.61%
Total All Industries (244)	\$115,948,066	\$12,998,621	\$3,905,719	\$335,348	\$8,296,431	\$4,135,211	\$82,308	\$98,731,927	85.15%

Other services includes: Administrative and Waste Service, Educational Services, Arts, Entertainment and Recreation, Transportation and Warehousing, and other service sectors not specified by the current codes

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Update to Table 3. Summary information for the corporations that claimed most B&J Credits from TY 2000 to 2003

Sector (# of sample)	Total Tax Liability	Total NR Credits	B&J	R&D	HPIP	BM&E	Total Ref. Credits	Net Receipts	Payment Percentage
Manufacturing (17)	\$45,169,004	\$30,137,026	\$15,507,797	\$6,140,317	\$8,400,818	\$3,830,802	\$298,675	\$10,902,501	24.14%
retail Trade (18)	\$41,517,023	\$7,125,540	\$7,125,540	\$0	\$0	\$605,059	\$0	\$33,786,424	81.38%
Total (78)	\$125,095,156	\$46,969,073	\$30,689,223	\$6,694,224	\$9,387,536	\$5,917,080	\$359,019	\$71,242,175	56.95%



"Inayat Noormohmad"
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01/31/2007 02:54 PM

To Kathleen_Smith@kdor.state.ks.us,
 Richard_cram@kdor.state.ks.us
 cc "Dorothy Stites" <Dorothy.Stites@dol.ks.gov>

bcc

Subject Employing unit by size class.

Dear Richard and Kathleen,

Please see the below attached table with the distribution of employing units in Kansas by size class. Please note that these are employing units and not employers. The distinction being that one employer (eg. WalMart) may have more than one unit in the state of Kansas.

I have also attached a document which contains the above mentioned table (pg. 16) and other information that you may find relevant for your purpose.

Please let us know if we could be of further help in this matter.

Table 2
 Kansas
 Covered Employment and Employing Units
 by Size Class
 Second Quarter 2006

Employment Size	Employment	Units	Percent	
			Employment	Units
Total	1,313,676	83,521		
0	0	10,673	0.0	12.8
1 - 4	75,710	37,404	5.8	44.8
5 - 9	96,560	14,599	7.4	17.5
10 - 19	129,365	9,601	9.8	11.5
20 - 49	201,889	6,664	15.4	8.0
50 - 99	168,306	2,420	12.8	2.9
100 - 249	232,625	1,541	17.7	1.8
250 - 499	139,225	402	10.6	0.5
500 - 999	95,653	141	7.3	0.2
1000 +	174,343	76	13.3	0.1

Used June 2006 employment.

See definition of Covered Employment on page 2.

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Number of C Corporation Kansas Income Tax Returns for Tax Year 2004 filed in calendar year 2005: 30,695

Number of S Corporation Kansas Income Tax Returns received in process year 2005: 34,524

Number of partnership returns received in process year 2005: 31,082

HPIP and B&J Credit Carryforward Information:

Amount of HPIP Carryforward Credits

Approx. \$300 million—C Corporations

Approx. \$100 million—pass-through entities

Amount of B&J Carryforward Credits

Approx. \$35 million—C Corporations

Approx. \$10 million—pass-through entities

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

	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 (SB 213)						
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.

(SB 213)

Testimony on SB 213, Governor's Tax Plan
 By Betty Nelson, Senior State Incentive Manager
 CBIZ Accounting, Tax + Advisory Services