Approved: 4-3-07
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Nick Jordan at 8:30 A.M. on March 8, 2007 in Room 123-S of the Capitol.

All members were present.

Committee staff present:
Kathie Sparks, Kansas Legislative Research Department
Jason Long, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:
Secretary Joan Wagnon, Department of Revenue
Patty Clark, Department of Commerce
Christy Caldwell, Topeka Chamber
Betty Nelson, CBIZ
Ashley Sherard, Lenexa Chamber

Others attending:
See attached list.

SB 342--Enacting the Kansas investment credit act and the Kansas jobs credit act

Chairperson Jordan introduced Kathie Sparks, Legislative Research, to explain **SB 342.** Ms. Sparks referred the Committee to written outline reviewing the bill. (Attachment 1) Ms. Sparks stated the bill was concerning taxation: relating to credits; enacting the Kansas investment credit act and the Kansas jobs credit act; relating to qualifications and procedures; eliminating certain existing credits. The bill proposes a new Opportunity Zone program that will work in conjunction with the existing Enterprise Zone program. She reviewed the bill for the Committee. During the review, Ms. Sparks referred the Committee to the *Kansas Metropolitan and Micropolitan Statistical Areas* (Attachment 2). She also referred the Committee to written copy regarding the Kansas Enterprise Zone Act (Attachment 3) and explained the Kansas Enterprise Zone Act.

Questions and discussion followed.

Chairperson Jordan introduced Secretary Wagnon, Department of Revenue, to give her testimony as a proponent of **SB 342.** Secretary Wagnon presented written copy. (Attachment 4) She stated that the bill makes a more stream line and simple program. The Department of Revenue is in support of the bill and offered a Kansas Department of Revenue (KDOR) balloon. (Attachment 5) Secretary Wagnon explained the balloon to the Committee.

Questions and a discussion followed.

Chairperson Jordan introduced Patty Clark, Department of Commerce, to give her testimony as a proponent of **SB 342.** Ms. Clark presented written copy. (Attachment 6) Ms. Clark stated the Opportunity Zone proposal should give rural Kansas a competitive advantage over rural areas in neighboring and border states. She also called the Committee's attention to written comparison of Enterprise Zone and Opportunity Zone metro and micropolitan areas and rural areas. (Attachment 7)

Chairperson Jordan introduced Betty Nelson, CBIZ, to give her testimony as a proponent of **SB 342.** Ms. Nelson presented written copy (Attachment 8) She stated they have concerns with the bill and offered changes. They feel that raising the thresholds and eliminating the training tax credit will diminish Kansas' ability to compete with its neighbors.

Questions and discussion followed.

Chairperson Jordan announced the hearing would be continued to tomorrow and adjourned the meeting at 9:30 a.m. with the next scheduled meeting March 9th at 8:30 a.m. in room 123 S.

Senate Commerce Committee
Guest List
Date: March 8, 2007

Darla Price, KS Commerce	
Ted, Warner	KS Gov Consulting
J. Kent Eckles	O.P. Chamber of Commerce
Dan Kelter	Kansas Inc.
Jacquelyn Koehler	Kansas Inc.
Marlee Carpenter	KS Chamber
Kathleen Smith	KDOR
Christy Caldwell	Topeka Chamber
Richard Cram	KDOR
Chad Giles	KTLA
Emily Greer	Hein Law

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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

kslegres@klrd.state.ks.us http://www.kslegislature.org/klrd

March 8, 2007

To: Senate Committee on Commerce

From: Kathie Sparks, Principal Analyst

Re: SB 342 — The Kansas Investment Credit Act; the Kansas Jobs Credit Act; and Elimination of Certain Credits

The following is a brief outline of the changes proposed in SB 342.

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 be comprised of 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).
- 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

Senate Commerce Committee
March 8, 2007
Attachment 1-1

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 a 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.

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 (Sections 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.

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 is 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 20 – 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 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 17: The bill would eliminate the tax credits for the qualified business facilities.

Section 18: The bill would require any taxpayer claiming the 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;
- 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 19: The bill would provide a sales tax exemption on the construction, reconstruction, enlargement, or remodeling of a facility for a taxpayer that qualifies for a Kansas jobs or opportunity zone credit. The bill also would provide for a fraction of the sales tax exemption when the qualified taxpayer only leases or only uses part of the facility.

Section 20: The bill would provide for repealers for listed statutes.

Kansas Enterprise Zone Act: 74-50,113; 74-50,116; 74-50,117; 74-50,118; 74-50,119; 2006 Supp. 74-50,114 and 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. 2006 Supp. 74-50,132)

Business and Job Development Credit: 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

Professional Employer Associations (Note: they will be eligible for the new investment and jobs credit programs) 79-3269.

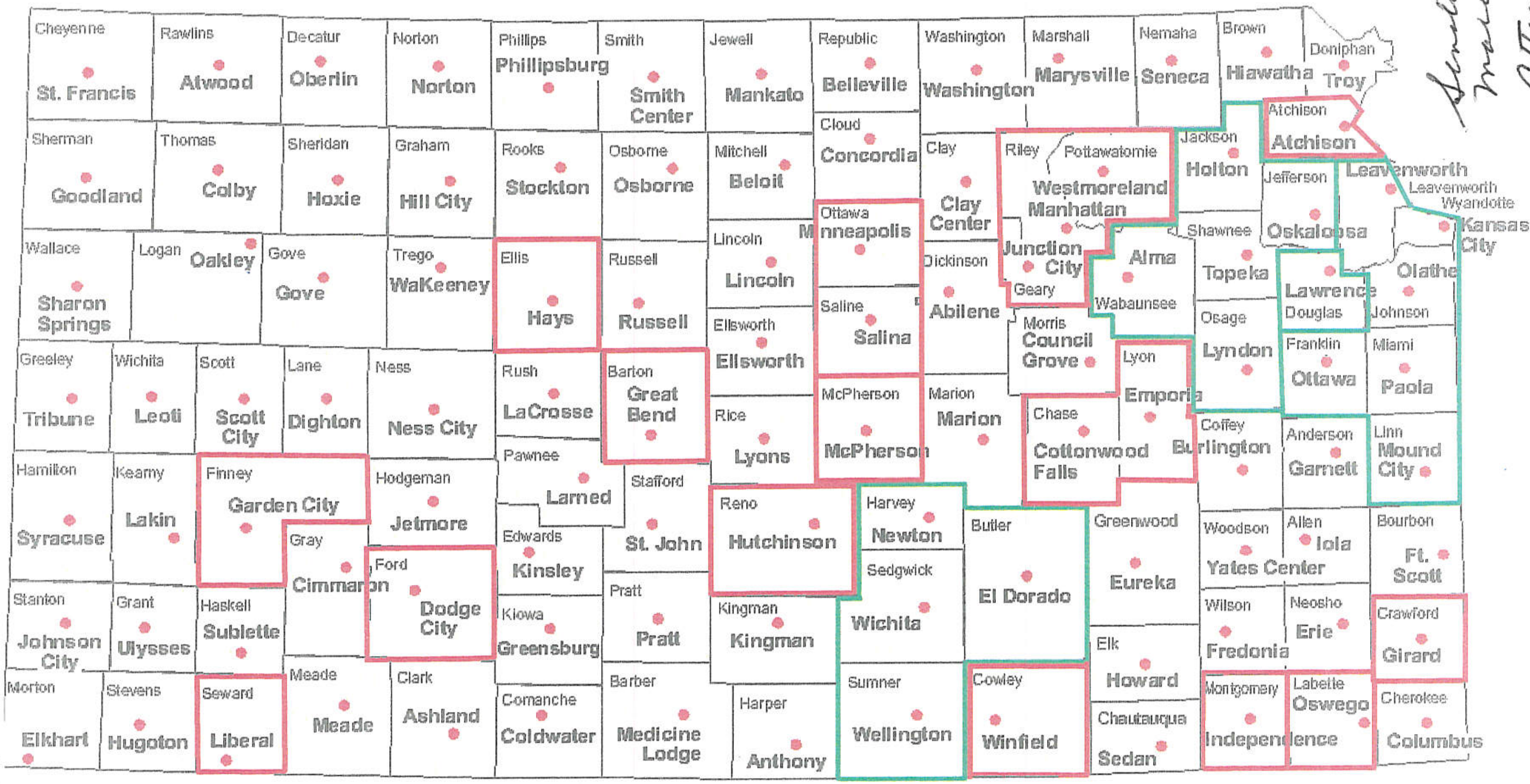
The bill does **not** repeal the Plugging Abandoned Oil/Gas Wells; Swine Facility Improvement Credit; Temporary Assistance to Families Contribution Credit; Ag Loan Interest Reduction Credit; nor the Habitat Management Credit statutes.

Section 21: The Act would take effect after its publication in the statute book.

KLS/kal

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

Micropolitan Statistical Area	(pink box)
Metropolitan Statistical Area	(teal box)

Senate Commerce
March 8, 2007
Attachment 2

Senate Commerce Committee
March 8, 2007
Attachment 2

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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

kslegres@klrd.state.ks.us http://www.kslegislature.org/klrd

March 7, 2007

To: Senate Committee on Commerce

From: Kathie Sparks, Principal Analyst

Re: Kansas Enterprise Zone Act

The Kansas Enterprise Zone Act links tax benefits to the type of business meeting certain qualifications. The Enterprise Zones were eliminated in 1992. What remains is the following:

Jobs Criteria/Definitions	Metropolitan Counties or Non-Designated Counties	Designated Non-Metropolitan Regions
A manufacturing business is defined as any commercial enterprise identified under Standard Industrial Classification Codes, and must create a minimum of 2 net new jobs.	○ Sales Tax Exemption ○ Job Creation Tax Credit – $1,500 per net new job. ○ Investment Tax Credit – $1,000 per $100,000 of qualified business facility investment.	○ Sales Tax Exemption ○ Job Creation Tax Credit – $2,500 per net new job. ○ Investment Tax Credit – $1,000 per $100,000 of qualified business facility investment.
A nonmanufacturing business is defined as any commercial enterprise other than a manufacturing or retail business that creates a minimum of 5 net new jobs. This category also includes business headquarters and ancillary support of an enterprise if the facility creates at least 20 new full-time positions.	○ Sales Tax Exemption ○ Job Creation Tax Credit – $1,500 per net new job. ○ Investment Tax Credit – $1,000 per $100,000 of qualified business facility investment.	○ Sales Tax Exemption ○ Job Creation Tax Credit – $2,500 per net new job. ○ Investment Tax Credit – $1,000 per $100,000 of qualified business facility investment.
A retail business is defined as any business providing goods or services taxable under the Kansas Retailers' Sales Tax Act; any professional service provider; any bank, savings and loan, or lending institution; any commercial enterprise whose primary business activity includes the sale of insurance; any commercial enterprise deriving its revenues directly from noncommercial customers in exchange for personal services. Retail businesses must create a minimum of 2 net new jobs.	Sales Tax Exemption Available for retail businesses located in a city of less than 2,500 population, or in the unincorporated county area of a county less than 10,000 population. ○ Job Creation Tax Credit–$100 per year for 10 years for each net new job created. ○ Investment Tax Credit–$100 per year for 10 years for each $100,000 in qualified business investment.	Sales Tax Exemption Available for retail businesses located in a city of less than 2,500 population, or in the unincorporated county area of a county less than 10,000 population. ○ Job Creation Tax Credit–$100 per year for 10 years for each net new job created. ○ Investment Tax Credit–$100 per year for 10 years for each $100,000 in qualified business investment.

Senate Commerce Committee
March 8, 2007
Attachment 3-1

The Kansas Enterprise Zone Act defines the six counties of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, and Wyandotte as metropolitan counties. The sales tax exemption is available on materials, equipment, and services purchased when building, expanding, or renovating a business facility. Earned credits may be used to offset up to 100 percent of a company's annual state income tax liability, premium tax privilege fees, or privilege tax.

Finally, under the Act a racetrack in Kansas realizing a cost of not less than $100 million in capital improvements also is defined as a "nonmanufacturing business."

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KANSAS
DEPARTMENT OF REVENUE

Kathleen Sebelius, Governor
Joan Wagnon, Secretary

www.ksrevenue.org

Testimony to the Senate Commerce Committee
SB 342
March 8, 2007

Earlier this year, the Governor released a plan for improving the business tax climate in Kansas. The plan contained a multiyear strategy for reducing corporate tax rates and simplifying tax incentives, two things often requested by the business community. The Departments of Commerce and Revenue, in consultation with a business advisory group developed the plan, which was introduced as Senate Bill 213 and House Bill 2170.

This bill consists of the tax incentive portion of the plan that was developed. Initially, the idea was to put the available money into reducing the corporate tax rate and increasing the small business exemption in the franchise tax; adjustments in the incentive portion of the plan were to remain revenue neutral. In order to achieve this goal, as well as to achieve needed simplification, thresholds for accessing these incentives were set correspondingly high. Since then, in discussions internally and with stakeholders, the department is now recommending changing those thresholds as described in the attached balloon. These changes are still consistent with the original objectives, and although the fiscal note is not longer neutral. The changes advocated below will add $3 million to the current tax credit expenditures of approximately $30 million annually. Adding costs through further changes in these thresholds, however, is inadvisable.

The following describes the bill as introduced with the suggested changes in [brackets].

A. **Business Tax Incentives/Tax Credits** *(Sections 1 - 14, 20)*
   - The Enterprise Zone incentives, HPIP credit and Business and Job Development Credits will be replaced by two new, simplified incentives.
   - Any existing credits will still be allowed to carry forward until used under the old plans.
   - In addition, enhanced incentives will be available in Opportunity Zones—a new program.
   - The worksheet on the back of the testimony will help explain the new, improved process in order to bring certainty to decision-making.

   1. **Investment Tax Credit** – 10% of investment if you qualify:
      - Minimum of $1,000,000 [$300,000]
      - No retail, mining, agriculture, construction (only certain NAICS codes apply, or headquarters or ancillary support companies.)
      - Higher than average wage still required
      - 10 year carry forward
      - for profit business
      - Sales tax exemption available for construction

Senate Commerce Committee
March 8, 2007
Attachment 4-1

2. **Jobs Credit** - $1,500 per job created if you qualify:
   - Minimum of 20 jobs [10 over 2 years, except headquarters still at 20]
   - No retail, mining, agriculture, construction (same NAICS)
   - No wage requirement
   - No investment requirement
   - Unlimited carry forward
   - Sales tax exemption available for construction

B. Opportunity Zones Incentives *(Subsection 2(f) and 10(e))*

The legislation sets out three criteria for Opportunity Zones:

- Must be a county
- Must be economically disadvantaged
- Shall not include counties in a metro or micropolitan statistical area. *(p. 8, l32-38.)*

Department of Commerce will establish this program by rule and regulation, setting out the program parameters. The eligible areas will be evaluated and reviewed every 3 years. Incentive thresholds and awards will be established by statute.

The incentives within Opportunity Zones are also a Jobs credit, and Investment credit but with different thresholds and awards:

- $3,500 Job Credit per new employee for each business creating at least 5 [2] jobs in an Opportunity Zone. Open to <u>any business, including retail</u>. *(Subsection 11(a))*
- A minimum of $100,000 [$50,000] in investment in an O-Zone will qualify. All other rules apply. *(Subsection 3(a)(2); subsection 4(e))*
- Eligible for the sales tax exemption. *(Subsection 19(cc))*

The Department has a balloon to present to the committee which would make the bracketed changes, and also change the enactment date to January 1, 2008.

(DRAFT)

Investment Credit	Commerce		Revenue	
	Planned Project:		Completed Project:	
Name:				
FEIN:				
Address of Facility				
Project Number:				
Project Name:				
Project Description:				
Project Duration: beginning and ending dates				
NAICS of facility				
Description of NAICS				
Headquarters operation				
Ancillary support operation				
Average wage per NAICS Code		$0.00		$0.00
Average wage at facility		$0.00		$0.00
Difference:		$0.00		$0.00
Dates:				
Tax Period: beginning and ending				
Project investment estimate:				
Date placed in service:				
Depreciable asset categories:	Acct Number:		Acct Number:	
Building		$0.00		$0.00
Furniture and fixtures		$0.00		$0.00
Machinery and equipment		$0.00		$0.00
Leasehold improvements		$0.00		$0.00
Land		$0.00		$0.00
Other: specify		$0.00		$0.00
Rents: specify		$0.00		$0.00
		$0.00		$0.00
Total investment:		$0.00		$0.00
$100,000 or $1,000,000 minimum investment				
If greater than minimum investment: Credit @ 10%		$0.00		$0.00

(Investment excludes property that leaves the facility.)

Signature of taxpayer	Signature
Date	Date
Commerce signature	
Date	
Revenue signature	Revenue signature
Date	Date

4-3

KDOR balloon

Session of 2007

SENATE BILL No. 342

By Committee on Commerce

2-8

AN ACT concerning taxation; relating to credits; enacting the Kansas investment credit act and the Kansas jobs credit act; relating to qualifications and procedures; eliminating certain existing credits related thereto; amending K.S.A. 40-253a and 74-8945 and K.S.A. 2006 Supp. 79-32,111, 79-32,243 and 79-3606 and repealing the existing sections; also repealing K.S.A. 74-50,113, 74-50,116, 74-50,117, 74-50,118, 74-50,119, 74-50,135, 74-50,135a, 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 and 79-32,160c and K.S.A. 2006 Supp. 74-50,114, 74-50,115, 74-50,131, 74-50,132, 74-50,133, 74-50,134, 79-3269, 79-32,153, 79-32,154 and 79-32,160a.

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

New Section 1. The provisions of sections 1 through 8, and amendments thereto, shall be known and may be cited as the Kansas investment credit act.

New Sec. 2. As used in the Kansas investment credit act, unless otherwise provided: (a) "Act" means the Kansas investment credit act;

(b) "ancillary support operation" means a Kansas business facility at which the business activities are ancillary processing functions and from which no or de minimis primary business activities occur. Ancillary processing functions shall support and improve operating efficiencies of the primary focus of the business, but are not of themselves, integral and necessary to performing the primary business activities;

(c) "eligible taxpayer" means a for-profit business establishment subject to the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, the privilege tax as measured by the net income of financial institutions imposed pursuant to chapter 79, article 11 of the Kansas Statutes Annotated, sales or property taxes and that meets the eligibility criteria in section 3, and amendments thereto and is current in payment of Kansas taxes;

(d) "headquarters" means a Kansas business facility where principal officers of the business are housed and from which direction, management, or administrative support of transactions is provided for a business or division of a business and from which no more than de minimis rev-

Senate Commerce Committee
March 8, 2007

Attachment 5-1

enues are generated from primary business activities.

(e) "Kansas business facility" means any factory, mill, plant, refinery, warehouse, feedlot, building or complex of buildings that operate as a single unit on a contiguous piece of property, located within the state, including the land on which such facility is located and all machinery, equipment and other real and tangible personal property located at or within such facility used in connection with the operation of such facility. The term "Kansas business facility" includes only structures within which individuals are customarily employed or which are customarily used to house machinery, equipment or other property and that are not designed with the capability of being transported, moved or relocated. Such Kansas business facility shall satisfy the following requirements: (1) Such facility must be employed by the eligible taxpayer in the operation of a revenue producing enterprise. Such facility shall not be considered a Kansas business facility in the hands of the taxpayer if the taxpayer's only activity with respect to such facility is to lease it to another person or persons. If the taxpayer employs only a portion of such facility in the operation of a revenue producing enterprise, and leases another portion of such facility to another person or persons or does not otherwise use such other portions in the operation of a revenue producing enterprise, the portion employed by the taxpayer in the operation of a revenue producing enterprise shall be considered a Kansas business facility, if the requirements of subsection (e)(2) are satisfied; and

(2) if such facility was acquired by the taxpayer from another person or persons, such facility was not employed, immediately prior to the transfer of title to such facility to the taxpayer, or to the commencement of the term of the lease of such facility to the taxpayer, by any other person or persons in the operation of a revenue producing enterprise and the taxpayer continues the operation of the same or substantially identical revenue producing enterprise at such facility;

(f) "opportunity zone" shall be established by the secretary of commerce through rules and regulations. In addition to other opportunity zone designation criteria established by the secretary, such criteria shall include: (1) An opportunity zone, which shall be comprised of at least one county; (2) shall be economically disadvantaged; and (3) shall not include any counties in a metropolitan statistical area or micropolitan statistical area;

(g) "qualified investment" means the value of the real and tangible personal property permanently and physically located at the Kansas business facility, except that "qualified investment" does not include inventory, construction in progress, or property held for sale to customers in the ordinary course of the taxpayer's business, which constitutes the Kansas business facility, or which is used by the taxpayer in the operation of the Kansas business facility, during the taxable year for which the credit is claimed. The value of such property during such taxable year shall be: (1) The original cost of such property, if owned by the eligible taxpayer; or (2) eight times the net annual rental rate, if leased by the eligible taxpayer. Original cost is deemed to be the basis of the property for federal income tax purposes, prior to any federal adjustments, at the time of acquisition by the taxpayer and adjusted by subsequent capital additions or improvements thereto and partial disposition thereof, by reason of sale, exchange or abandonment. The net annual rental rate shall be the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals. "Qualified investment" shall be determined by calculating the value of the qualified investment that has been newly placed into service at the eligible taxpayer's Kansas business facility during the taxpayer's tax year. In order to remain eligible the investment must continue to be used during the tax year and remain in service on the last business day of the taxpayer's tax year for which the credit is claimed. For plans that show a project shall extend beyond one tax period in which the minimum investment is not met at the end of the first tax period that the qualified investment is placed in service, the qualified investment can be accumulated into the next consecutive tax period for computation of the investment credit until the minimum investment has been met as long as the qualified investment remains in service and is identified as part of the same project. Once the minimum investment has been initially met on a project, subsequent qualified investment may be claimed in the tax period that it is placed in service;

(h) "revenue producing enterprise" means: (1) The assembly, fabrication, manufacture or processing of any agricultural, mineral or manufactured product;

(2) the storage, warehousing, distribution or sale of any products of agriculture, aquaculture, mining or manufacturing;

(3) the feeding of livestock at a feedlot;

(4) the operation of laboratories or other facilities for scientific, agricultural, aquacultural, animal husbandry or industrial research, development or testing;

(5) the performance of services of any type;

(6) the feeding of aquatic plants and animals at an aquaculture operation;

(7) the administrative management of any of the foregoing activities; or

(8) any combination of any of the foregoing activities.

"Revenue producing enterprise" shall not mean a swine production facility as defined in K.S.A. 17-5903, and amendments thereto; and

(i) "same or substantially identical revenue producing enterprise" means a revenue producing enterprise in which the products produced or sold, services performed or activities conducted are the same in character and use, are produced, sold, performed or conducted in the same manner and to or for the same type of customers as the products, services or activities produced, sold, performed or conducted in another revenue producing enterprise.

New Sec. 3. (a) An eligible taxpayer may qualify for the investment credit if all of the following criteria are met: (1) The taxpayer's Kansas business facility must be:

(A) Identified under the North American industry classification system (NAICS) subsector of 221, 311-425, 481-624, 812-813, or 922-928, as assigned by the secretary of the department of labor; or

(B) identified as a headquarters or ancillary support operation by the secretary of commerce for purposes of this act, regardless of NAICS classification;

(2) the qualified investment for the project must equal or exceed $50,000 $100,000 for those Kansas business facilities that are located in an opportunity zone and $1,000,000 for those Kansas business facilities that $300,000 are not located in an opportunity zone;

(3) the taxpayer shall satisfy payment of a higher-than-average wage within a wage region at the Kansas business facility at which qualified investment occurs by performing one of the options described below: (A) 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 the quarterly wage reports;

(B) the taxpayer's Kansas business facility with 500 or fewer full-time equivalent employees is the sole facility within its assigned NAICS category that has reported wages for 500 or fewer employees to the Kansas department of labor on the quarterly wage reports;

(C) the taxpayer's Kansas business facility with more than 500 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 more than 500 employees to the Kansas department of labor on the quarterly wage reports;

(D) the taxpayer's Kansas business facility with more than 500 full-time equivalent employees is the sole facility within its assigned NAICS category that has reported wages for more than 500 employees to the Kansas department of labor on the quarterly wage reports, in which event it shall either provide an average wage that is above the average wage paid by all Kansas business facilities that share the same assigned NAICS category and that have reported wages for 500 or fewer employees to the Kansas department of labor on the quarterly wage reports, or be the sole Kansas business facility within its assigned NAICS category that has reported wages to the Kansas department of labor on the quarterly wage reports;

(E) the number of NAICS digits to use in developing each set of wage thresholds for comparison purposes shall be determined by the secretary of commerce; or

(F) the composition of wage regions used in connection with each set of wage thresholds shall be determined by the secretary of commerce; and

(4) as an alternative to the requirements of subsection (a)(3), a taxpayer having met the requirements of subsections (a)(1) and (2) may wage-qualify its Kansas business facility if, after excluding the headcount and wages reported on the quarterly wage reports to the Kansas department of labor for employees at that Kansas business facility who own five percent or more equity in the taxpayer, the average wage calculated for the taxpayer's Kansas business facility is greater than or equal to 1.5 times the aggregate state-wide average wage paid by industries covered by the employment security law based on data maintained by the secretary of labor.

(b) For the purposes of this section, the number of full-time equivalent employees shall be determined by dividing the number of hours worked by part-time employees during the pertinent measurement interval by an amount equal to the corresponding multiple of a 40-hour work week and adding the quotient to the average number of full-time employees.

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New Sec. 4. (a) For taxable years commencing after December 31, 2006, an eligible taxpayer that makes a qualified investment in a Kansas business facility shall be entitled to a credit in an amount equal to 10% of the qualified investment. Qualified investment must be identified and submitted to the secretary of commerce prior to making a commitment to invest. The credit allowed by this subsection shall be a one-time credit. The credit shall be allowed against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by the net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, for the taxable year during which the qualified investment is placed into service.

(b) The eligible taxpayer shall claim the credit on the original return for the tax year in which the qualified investment is placed into service.

(c) If the tax credit amount thereof exceeds the tax imposed, the tax credit amount thereof which exceeds the eligible taxpayer's tax liability may be carried forward for credit in the succeeding taxable year or years until the total amount of the tax credit is used, except that no such tax credit shall be carried forward for deduction after the tenth taxable year succeeding the taxable year in which such credit initially was claimed and no carry forward shall be allowed for deduction in any succeeding taxable year unless the taxpayer continues to satisfy the eligibility criteria in section 3, and amendments thereto, for such succeeding taxable year.

(d) A qualified investment, of at least $1,000,000, made by the eligible taxpayer in a Kansas business facility that is not located in a designated opportunity zone, may qualify for the investment credit.

$300,000

(e) A qualified investment, of at least $100,000, made by the eligible taxpayer in a Kansas business facility that is located in a designated opportunity zone, may qualify for the investment credit.

$50,000

(f) If the eligible taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners, or members account for their proportionate shares of income or loss of the corporation, partnership or limited liability company.

New Sec. 5. (a) The secretary of revenue and the secretary of commerce shall work together to coordinate a set of procedures to implement the provisions of this act.

(b) Any taxpayer claiming credits pursuant to this act, as a condition for claiming and qualifying for such credits, shall provide information pursuant to K.S.A. 2006 Supp. 79-32,243, and amendments thereto, as part of the tax return in which such credits are claimed. Such credits shall not be denied solely on the basis of the contents of the information provided by the taxpayer pursuant to K.S.A. 2006 Supp. 79-32,243, and amendments thereto.

(c) The secretary of revenue shall submit an annual report to the legislature regarding utilization of the credits claimed pursuant to this act, for purposes of evaluation. Such report shall be due during the legislative session, commencing with the 2009 legislative session.

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New Sec. 6. The secretary of revenue and secretary of commerce may adopt such rules and regulations as necessary to carry out the purposes of this act.

New Sec. 7. (a) Except as otherwise provided, for tax years commencing on or after December 31, 2006 no additional credits may be earned through the Kansas enterprise zone act, K.S.A. 79-32,160a; or the job expansion and investment tax credit act, K.S.A. 79-32,153. Any carry

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forward credit that has been earned through the Kansas enterprise zone act, K.S.A. 79-32,160a and is remaining after December 31, 2006, may be carried forward to succeeding taxable years as long as all requirements continue to be met. Any credit that has been earned through the job expansion and investment tax credit act, K.S.A. 79-32,153, with years left in recomputing the credit after December 31, 2006, may continue for the remainder of the 10-year period as long as all requirements continue to be met.

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(b) Except as otherwise provided, for tax years commencing on or after December 31, 2006, no additional credits may be earned through the high performance incentive act, K.S.A. 74-50,115, K.S.A. 74-50,132, and subsection (e) of K.S.A. 79-32,160a. Any carry forward credit that has been earned through the high performance incentive act, subsection (e) of K.S.A. 79-32,160a and is remaining after December 31, 2006, may be carried forward to succeeding taxable years, providing all requirements continue to be met and subject to the applicable carryforward limitations. Any taxpayer who has filed an application to be certified under K.S.A. 74-50,131, prior to July 1, 2007, may claim credits under the high performance incentive act, subsection (e) of K.S.A. 79-32,160a, K.S.A. 74-50,131 and K.S.A. 74-50,132 during the certification period in tax years 2007 and 2008, which credits may be carried forward until used or for a maximum of ten years, as long as such taxpayer does not claim any credits for the same investment under the Kansas investment credit act. To accommodate unusual timing situations during the 2007 transition period, timing modifications may be authorized at the discretion of the secretary of commerce and the secretary of revenue.

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New Sec. 8. The provisions of this act shall be applicable to all taxable years commencing after December 31, 2006, and prior to January 1, 2012.

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New Sec. 9. The provisions of sections 9 through 14 may be cited and shall be known as the Kansas jobs credit act.

New Sec. 10. As used in the Kansas jobs credit act, unless otherwise provided: (a) "Act" means the Kansas jobs credit act;

(b) "employed" means that an employer-employee relationship exists. A person who performs services for the taxpayer shall be considered as an employee if the taxpayer has the right to direct and control when, where, and how work will be done. In addition the taxpayer shall pay for the employee's wages directly, or indirectly through inter-company transfers. Independent contractors shall not be considered as employed for purposes of the Kansas jobs credit;

(c) "Kansas job credit taxpayer" means any business entity authorized to do business in the state of Kansas which is subject to the state income tax imposed by the provisions of the Kansas income tax act, any national banking association, state bank, trust company or savings and loan association paying an annual tax on its net income pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, or any insurance company paying the premium tax and privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, is current in payment of Kansas taxes, and has a Kansas business facility as defined in the investment credit act: (1) Identified under the North American industry classification system (NAICS) subsector of 221, 311-425, 481-624, 812-813, or 922-928, as assigned by the secretary of the department of labor; or

(2) identified as a headquarters or ancillary support operation, regardless of NAICS classification;

(d) "new employee" means a person newly employed by the taxpayer in the taxpayer's business operating in Kansas during the taxable year for which the credit allowed by section (11), and amendments thereto, is claimed. A person shall be deemed to be so engaged if such person performs duties in Kansas in connection with the operation of the Kansas business on: (A) A regular, full-time basis; (B) a part-time basis, provided such person is customarily performing such duties at least 20 hours per week throughout the taxable year; or (C) a seasonal basis, provided such person performs such duties for substantially all of the season customary for the position in which such person is employed. For a Kansas business that becomes operational during the current tax year, new employees shall be the number of employees employed at the taxpayer's Kansas business on the last business day of the taxpayer's tax year. In the case of employees hired, in which the Kansas business existed and was operated by the taxpayer prior to such hiring, the number of new employees employed in the operation of the Kansas business shall be reduced by the number of employees employed at such Kansas business on the last business day of the taxpayer's previous tax year. Employees acquired through an acquisition or merger of a business operating in Kansas shall not be considered as new employees;

(e) "opportunity zone" shall be established by the secretary of commerce through rules and regulations. In addition to other criteria established by the secretary, such criteria shall include: (1) An opportunity zone which shall be comprised of at least one county;

(2) shall be economically disadvantaged; and

(3) shall not include any counties in a metropolitan statistical area or micropolitan statistical area;

(f) "opportunity zone job credit taxpayer" means any business entity with a Kansas business facility as defined in the Kansas investment credit act authorized to do business in the state of Kansas which is subject to the state income tax imposed by the provisions of the Kansas income tax act, any national banking association, state bank, trust company or savings and loan association paying an annual tax on its net income pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, or any insurance company paying the premium tax and privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, and that is current in payment of Kansas taxes; and

(g) "related taxpayer" means: (1) A corporation, partnership, trust or association controlled by the taxpayer; (2) an individual, corporation, partnership, trust or association in control of the taxpayer; or (3) a corporation, partnership, trust or association controlled by an individual, corporation, partnership, trust or association in control of the taxpayer. "Control of a corporation" means ownership, directly or indirectly, of stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of all other classes of stock of the corporation. "Control of a partnership or association" means ownership of at least 80% of the capital or profits interest in such partnership or association. "Control of a trust" means ownership, directly or indirectly, of at least 80% of the beneficial interest in the principal or income of such trust.

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two

New Sec. 11. (a) For taxable years commencing after December 31, 2006, any opportunity zone job credit taxpayer who engages in new employment at least five new employees in the taxpayer's business operating in a designated opportunity zone in Kansas shall be allowed a credit of $3,500 per new employee, against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by the net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, for the taxable year during which the employees were hired. To be considered employed in an opportunity zone, the employee must perform the majority of the services for the opportunity zone job credit taxpayer in the opportunity zone. Any Kansas job credit taxpayer located in the state of Kansas who engages in new employment at least 20 new employees in the taxpayer's business operating in Kansas shall be allowed a credit of $1,500 per new employee, against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by the net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, for the taxable year during which the employees were hired.

as defined in subsection (c)(1) of section 10, and amendments thereto,

10

within two consecutive years

Insert A (attached)

(b) The taxpayer shall claim any credits pursuant to this act on the original return for the tax year in which the employees were hired.

(c) If the amount of the tax credit exceeds the tax imposed, the amount thereof which exceeds such tax liability may be carried forward

INSERT A

"Any Kansas job credit taxpayer, as defined in subsection (c)(2) of section 10, and amendments thereto, located in the state of Kansas who engages in new employment at least 20 new employees in the taxpayer's business operating in Kansas shall be allowed a credit of $1,500 per new employee, against the tax imposed by the Kansas income tax act, the premium tax or privilege fees imposed pursuant to K.S.A. 40-252, and amendments thereto, or the privilege tax as measured by the net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, for the taxable year during which the employees were hired.";

for credit in the succeeding taxable year or years until the total amount of the tax credit is used. In the event the taxpayer does not continue to employ the required minimum number of employees, any credit remaining will be forfeited and no longer available for carry forward.

(d) If the taxpayer is a corporation having an election in effect under subchapter S of the federal internal revenue code, a partnership or limited liability company, the credit provided by this section shall be claimed by the shareholders of such corporation, the partners of such partnership or the members of such limited liability company in the same manner as such shareholders, partners, or members account for their proportionate shares of income or loss of the corporation, partnership or limited liability company.

(e) A taxpayer that qualifies for the opportunity zone job credit for an employee may not also qualify for the Kansas job credit for the same employee.

(f) Only one taxpayer may claim a specific employee for purposes of the opportunity zone job credit or the Kansas job credit. Employees transferred or reassigned within Kansas between related taxpayers will not qualify for the credit.

New Sec. 12. (a) Any taxpayer claiming credits pursuant to this act, as a condition for claiming and qualifying for such credits, shall provide information pursuant to K.S.A. 2006 Supp. 79-32,243, and amendments thereto, as part of the tax return in which such credits are claimed. Such credits shall not be denied solely on the basis of the contents of the information provided by the taxpayer pursuant to K.S.A. 2006 Supp. 79-32,243, and amendments thereto.

(b) The secretary of revenue shall submit an annual report to the legislature regarding utilization of the credits claimed pursuant to this act, for purposes of evaluation. Such report shall be due during the legislative session, commencing with the 2009 legislative session. 2010

New Sec. 13. The secretary of revenue may adopt such rules and regulations as necessary to carry out the purposes of this act.

New Sec. 14. The provisions of this act shall be applicable to all taxable years commencing after December 31, 2006 and prior to January 1, 2012. 2007

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Sec. 15. K.S.A. 40-253a is hereby amended to read as follows: 40-253a. For purposes of calculating any tax due under K.S.A. 40-253, and amendments thereto, from a taxpayer not organized under the laws of this state, the credits allowed pursuant to K.S.A. 40-2813, ~~74-50,132, 79-32,153, 79-32,160~~ and 79-32,196, *and the Kansas investment credit act and the Kansas jobs credit act,* and amendments thereto, shall be treated as tax paid under K.S.A. 40-252, and amendments thereto.

Sec. 16. K.S.A. 74-8945 is hereby amended to read as follows: 74-

KANSAS

DEPARTMENT OF COMMERCE

Steve Kelly, Acting Secretary

Enterprise Zone and Opportunity Zone

Commerce

March 8, 2007

For more information on this topic contact:
Patty Clark, Deputy Secretary
Phone: (785) 296-5253
Fax: (785) 296-3665
pclark@kansascommerce.com

www.kansascommerce.com

Senate Commerce Committee
March 8, 2007
Attachment 6-1

Co-Chairs Brownlee and Jordan, I am Patty Clark and I serve as Deputy Secretary for the Department of Commerce. Thank you for providing time for us to outline a comparison between the provisions of the existing Enterprise Zone program and the proposed Opportunity Zone program.

In short, both the existing Enterprise Zone and the proposed Opportunity Zone are business recruitment and retention tools specifically designed for non-metropolitan areas. The greatest difference between the programs is the amount of the tax credits. You will note from the side-by-side comparison that the Opportunity Zone program provides a greater tax credit for job creation and a greater immediate tax credit for capital investment. The Opportunity Zone proposal is more reflective of the types of businesses and jobs that are created in rural areas and provides for more flexibility in implementation.

The Opportunity Zone proposal also weights the job creation tax credit more heavily when compared to the job creation tax credits for metro and micropolitan areas. This is intended to have a leveling, though certainly not an equalizing, affect on the ability to recruit and retain businesses between the rural and urban areas. It also should give rural Kansas a competitive advantage over rural areas in neighboring and border states.

This is a very brief outline of the similarities and differences between the two programs, but we would be happy to answer any questions the Committee may have at this time.

ENTERPRISE ZONE	ENTERPRISE ZONE	OPPORTUNITY ZONE
All Regions	*All Regions*	*Rural Areas excluding metro and micropolitan regions*
Manufacturing/Non-Manufacturing	**Retail**	**Manufacturing, Non-Manufacturing and Retail**
Sales Tax Exemption	**Sales Tax Exemption in cities less than 2,500 population**	**Sales Tax Exemption**
Job Creation Tax Credit **\$2,500/non-metro areas** **\$1,500/metro areas**	**Job Creation Tax Credit** **\$100/job for 10 years**	**Job Creation Tax Credit** **\$3,500 per job with a minimum of five net new jobs**
Investment Tax Credit **\$1,000 per \$100,000 of investment**	**Investment Tax Credit** **\$100/for each \$100,000 of investment for 10 years**	**Investment Tax Credit** **10% credit on capital investment on anything over \$100,000**
Investment and Job Creation are coupled	**Investment and Job Creation are coupled**	**Investment and Job Creation are decoupled**

Senate Commerce Committee
March 8, 2007
Attachment 7

Testimony on Senate Bill 342

by Betty Nelson
Senior State Incentive Manager
CBIZ Accounting, Tax & Advisory Services of Kansas City

March 8, 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 SB 342 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.

Senate Commerce Committee
March 8, 2007
Attachment 8-1

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 $150,000 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.

7-8

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						
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.

7-8

8-5

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 ($50,000will 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.

8-5