REVISED
SESSION OF 2012

SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR HOUSE BILL NO. 2157

As Amended by Senate Committee of the Whole

Brief*

Senate Sub. for HB 2157 would authorize an optional single-factor (sales) income tax apportionment formula beginning in tax year 2013 as an exception to the normal three-factor (property, payroll, and sales) formula for certain corporations relocating to Kansas which employ ten or more full-time employees. To qualify, a taxpayer must have had no employees, nor owned or rented any real or tangible personal property in Kansas prior to January 1, 2013.

Taxpayers making the election would be prohibited from also claiming certain tax benefits pursuant to the Promoting Employment Across Kansas (PEAK) Program and the High Performance Incentive Program (HPIP).

A decision to use the sales-only apportionment formula would be required to remain in effect for ten tax years.

Finally, additional provisions would relate to the HPIP program. Certain language would allow sharing of HPIP credits under certain circumstances between and among members of a unitary group of corporations. To qualify for the tax-credit-sharing authorization, a taxpayer would have had to file a certificate of intent prior to June 30, 2013, to place in service a qualified business facility investment of at least $10 million and create a minimum of 50 new jobs that meet certain average wage requirements. A second provision would repeal a provision enacted in 2011 that increased the HPIP minimum investment threshold in five urban counties

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

(Douglas, Johnson, Sedgwick, Shawnee, and Wyandotte) from $50,000 to $1 million.

Background

The original bill (introduced in the 2011 Session) would have authorized the Department of Revenue to cooperate with the State Treasurer to share certain designated mailing addresses for assistance in administering the unclaimed property program, but that subject matter ultimately was addressed in another bill.

In the 2012 Session, the Senate Assessment and Taxation Committee removed the original bill's contents; recommended a substitute bill be created; and inserted the substance of SB 457 (with some clarifying changes) regarding the single-factor corporation income tax apportionment option.

The Senate Committee of the Whole added the provisions of SB 467 relating to unitary sharing of HPIP credits.

The Department of Revenue indicated the bill would be expected to reduce State General Fund receipts as follows:

(dollars in millions)

	Single Factor Apportionment Formula	HPIP Credit Unitary Sharing	Total
FY 2013	$ (0.120)	$ (2.000)	$ (2.120)
FY 2014	(0.520)	(2.100)	(2.620)
FY 2015	(0.930)	(2.210)	(3.140)
FY 2016	(1.350)	(2.320)	(3.670)
FY 2017	(1.780)	(2.430)	(4.210)
5-yr Total	$ (4.700)	$ (11.060)	$ (15.760)