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MEMORANDUM

To: Chairman Waymaster and members of the House Appropriations Committee
From: David Wiese, Assistant Revisor
Date: March 21, 2018
Subject: HB 2767; Reinstating the enterprise zone program.

House Bill No. 2767 reinstates the enterprise zone program beginning with tax year 2019. The enterprise zone program was suspended after tax year 2011. The enterprise zone program provides various tax incentives depending on: (1) The type of business; (2) the location of the business within the state; and (3) the number of net new jobs created.

Enhanced business and job development tax credits against the Kansas income, premium or privilege tax are available for an investment in a qualified business facility and the business meets the definition of: (1) Manufacturing, (2) nonmanufacturing or (3) retail; and a specified minimum number of qualified business facility employees are hired as a direct result of that investment. To qualify for the credit a manufacturing business must hire at least two qualified business facility employees as a direct result of the investment, a nonmanufacturing business must hire at least five qualified business employees and a retail business must hire at least 20 qualified business employees and must have begun operations after December 31, 1992. The retail business must also be considered as the headquarters of the retail operation, an ancillary support operation of a retail business or a business identified under NAICS code 4541 or 5112.

The amount of the credit depends upon the location of the business. If the business is in a Kansas metropolitan county (defined as Douglas, Johnson, Leavenworth, Sedgwick, Shawnee or Wyandotte counties), the credit is \$1,500 for each qualified employee and \$1,000 for each \$100,000 of qualified investment. If the business is in a Kansas nonmetropolitan region, the credit is \$2,500 for each qualified employee and \$1,000 for each \$100,000 of qualified investment.

The income tax credit is limited to 50% of Kansas income tax. For investments that began operations on or after January 1, 1996, the limitation is 100% of Kansas income tax for the tax year in which the credit is claimed. The credit is computed once, and the remainder is carried forward until used as long as the taxpayer maintains the minimum number of qualified employees.

The bill also reinstates the sales tax exemption on or after January 1, 2019, for all sales of tangible personal property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business that meets the requirements of K.S.A. 74-50,115, and amendments thereto, for the enterprise zone program. To receive a sales tax exemption, a manufacturing business would be required to create at least two jobs, a nonmanufacturing business would need to create at least five jobs and a retail business would need to create at least two jobs located in a city with a population of 2,500 or less or in a county with a population of 10,000 or less.

The bill becomes effective upon publication in the statute book.