



March 21st, 2018

To: Chairman Troy Waymaster and the House Appropriations Committee
From: Heather Morgan, Executive Director, Project 17
Re: Testimony in Support of HB 2767

Dear Chairman Waymaster and Members of the Committee:

Thank you for the opportunity to provide written testimony to outline how HB 2767 would provide rural economic developers a tool to help spur Kansas economic growth. Project 17 is a 17 county regional economic development organization in Southeast Kansas. We work with communities, businesses, and citizens throughout our region to improve the economic vitality of Southeast Kansas. Recently a meeting was held of Southeast Kansas economic developers and agreement was overwhelming that HB 2767 would provide almost immediate increased economic development in the region. The group also stressed how enterprise zones provide a flexible tool to stimulate new growth. Very experienced economic developers in the room outlined how they previously used these tools to spur economic development in all sectors of the economy and the challenges that exist without this tool.

For those of you not familiar with the provisions of HB 2767, and the previously existing enterprise zones, I have attached a historical document which explains the program very clearly as it previously existed. Specifically, the sales tax exemption is a tremendously needed tool for economic developer's toolboxes. Today there are ways that projects can receive this benefit through the issuance of Industrial Revenue Bonds (IRB's) by cities, while other projects may happen to fall within the many sales tax exemptions which currently exists for certain entities. Therefore, some of the fiscal impact of reinstating that provision of the enterprise zones is softened because a number of projects are currently not paying sales taxes through various mechanisms already in statute.

However, some rural places don't have staff to execute IRB's, some projects come with most of the cash in hand and don't need the financing, but do need the sales tax exemption to close the smallest gap to move the project forward. While others fall outside of the specific few exemptions currently in statute. Reinstating enterprise zones would provide a tool to assist retail, non-manufacturing, and manufacturing businesses. It would also level the playing field related to project sales tax exemptions, provide another tool in economic developer's tool boxes, and especially in rural areas help spur new projects which may appear small- but are critical to rural communities economic development and the future of Kansas.

Sincerely,

A handwritten signature in black ink, appearing to read "H Morgan".

Heather Morgan, Executive Director
Project 17

Heather Morgan: Project 17 Executive Director Phone: 785-323-7001 Email: hmorgan@twsp17.org
Serving Allen, Anderson, Bourbon, Chautauqua, Cherokee, Coffey, Crawford, Elk, Franklin, Greenwood, Lnette,
Linn, Miami, Montgomery, Neosho, Wilson, and Woodson Counties

SUMMARY OF ENTERPRISE ZONE INCENTIVES

Eligibility for the various incentives and the value of the incentive depend on 1) the type of business, 2) the location of the business within the state, and 3) the number of net new jobs created. The *Kansas Enterprise Zone Act* defines six counties of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, and Wyandotte as metropolitan counties. As such, they are ineligible to apply for the enhanced job credits available to designated non-metropolitan counties.

Jobs Criteria/Definitions

MANUFACTURING - A manufacturing business is defined as any commercial enterprise identified under North American Industry Classification System (NAICS) 311-339 or Standard Industrial Classification (SIC) 20-39 and must create a minimum of two (2) net new jobs.

NONMANUFACTURING - A non-manufacturing business is defined as any commercial enterprise other than a manufacturing or retail business that creates a minimum of five (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.

RETAIL - A retail business is defined as any business providing goods or services taxable under the Kansas retailers' sales tax act; any professional service provider set forth in K.S.A. 17-2707; any bank, S&L, 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 two (2) net new jobs.

Basic EZ Incentives for Undesignated Non-Metro Counties & Metro Counties

MANUFACTURING

Sales Tax Exemption

Job Creation Tax Credit - \$1,500 per net new job

Investment Tax Credit - \$1,000 for each qualified business facility investment of \$100,000

NON-MANUFACTURING

Sales Tax Exemption

Job Creation Tax Credit - \$1,500 per net new job

Investment Tax Credit - \$1,000 for each qualified business facility investment of \$100,000

RETAIL

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 for each net new job created is available for up to 10 years under K.S.A. 1993 Supp. 79-32,153 as amended

Investment Tax Credit - \$100 for each \$100,000 in qualified investment is available for up to 10 years under K.S.A. 1993 Supp. 79-32,153 as amended

Enhanced EZ Incentives for Designated Non-Metropolitan Counties

MANUFACTURING

Sales Tax Exemption

Job Creation Tax Credit - \$2,500 per net new job

Investment Tax Credit - \$1,000 for each qualified business facility investment of \$100,000

NON-MANUFACTURING

Sales Tax Exemption

Job Creation Tax Credit - \$2,500 per net new job

Investment Tax Credit - \$1,000 for each qualified business facility investment of \$100,000

RETAIL

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