

SESSION OF 2018

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 430**

As Amended by Senate Committee on  
Commerce

**Brief\***

SB 430, as amended, would extend 50.0 percent of the unused High Performance Incentive Program (HPIP) tax credits beyond the current carryforward limit, from 16 years to 25 years, for those taxpayers who initially claimed an HPIP credit prior to January 1, 2018. In any tax year after the 16<sup>th</sup> year, the amount of tax credits used by a taxpayer would be limited to 10.0 percent of the reduced amount. Taxpayers would be required annually to certify under oath to the Secretary of Commerce that they continue to meet HPIP requirements.

The bill would not revive HPIP tax credits that expired before January 1, 2018.

**Background**

HPIP provides persons with a 10.0 percent non-refundable income tax credit for eligible capital investments that exceed either \$50,000 in non-metropolitan counties or \$1.0 million in the five metropolitan counties of Douglas, Johnson, Sedgwick, Shawnee, or Wyandotte. In 2011, the Legislature passed legislation that provided for an extension to use HPIP credits from 10 years to 16 years.

The bill was introduced by the Senate Committee on Ways and Means. The Senate Committee on Commerce did not receive testimony since the contents of the bill were

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\*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>

identical to the provisions of SB 334, as amended by the Senate Committee. The history of SB 334 may be found in the supplemental note for that bill.

The Senate Committee amended the bill to:

- Limit the amount of unused HPIP credits that would be extended beyond the 16<sup>th</sup> year, from 75.0 percent to 50.0 percent;
- Cap the annual amount of credits that could be claimed after the 16<sup>th</sup> year to 10.0 percent of the reduced amount; and
- Clarify the extension beyond the 16<sup>th</sup> year would be for taxpayers who initially claimed a credit.

According to the fiscal note prepared by the Division of the Budget, the Department of Commerce estimates the additional costs of certifying HPIP companies beyond the 16<sup>th</sup> year would be negligible and could be absorbed within existing resources. The Department of Revenue (Department) indicates 289 taxpayers claimed approximately \$51.7 million in HPIP tax credits in tax year 2015. There are more than \$600.0 million in outstanding HPIP credits that may be claimed. The Department estimates it would require \$29,100 from the State General Fund (SGF) in FY 2019 to implement the bill, assuming existing staff is utilized to modify the programming of the automated tax system. The Department estimated the bill, as introduced, would have decreased revenues to the SGF by up to \$30.0 million in FY 2019 and future fiscal years. The Department estimates the bill, as amended by the Senate Committee, would decrease revenues to the SGF by \$7.5 million in FY 2019 and future fiscal years. Any fiscal effect associated with the bill is not reflected in *The FY 2019 Governor's Budget Report*.