



House Committee on Commerce, Labor and Economic Development

Senate Bill 90

Written Proponent Testimony

March 12, 2019

INTRODUCTION:

Thank you for allowing me to provide written testimony regarding Senate Bill 90 currently before this committee. I am Shan Hanes, President and CEO of Heartland Tri-State Bank in Elkhart, Kansas. In regard to the bill currently up for discussion, I am also a member of the Morton County Economic Development Committee and the Chair of the Business Retention and Expansion sub-committee within Economic Development.

DISCUSSION:

In 2017, our community applied to Network Kansas to become an E-community. E-community stands for Entrepreneurship Community. The process is competitive as they strive to be good stewards of the overall program. Our community was one of two who received approval in 2017.

In our initial application, we agreed to sell \$62,500 of tax credits in order to qualify for \$50,000 in E-community loan funds. In addition, Network Kansas matched our \$50,000 to provide a total of \$100,000 of E-community loan funds to Morton County. Thus, the challenge began to sell \$62,500 worth of tax credits in a small rural community. We wanted to involve anyone in the community who would like to participate so the minimum amount was only \$250. Due to the Bank being integrally involved with Economic Development and specifically working on the E-community application, we felt the bank could make up any potential deficiency regarding the \$62,500. After taking collections from

the community, we were \$5,000 short of the required \$62,500. This was when we learned that banks were NOT allowed to participate in the tax credit program that funds E-community.

I believe a small error in the original bill's approval only allowed entities and individuals paying "income tax" in the state to participate. While bank's pay an income tax, the tax on banks is called the "privilege tax". Thus, there aren't any banks across the state who are allowed to participate in the support of their local E-community program. I am confident in saying and feel this committee would agree, that in many small communities, the local bank is the principal economic driver and major supporter of any economic development initiatives. To not allow banks to participate in this program is to deny the primary business who dedicates itself every day to the growth and success of local economies and communities.

To finish the story, we were able to gather the additional \$5,000 just before the deadline. As a result, we were approved to participate in the E-community program. To date, we have approved and established two new businesses in our very small community of 2,200 people and have two more in the approval process. An essential part of the startup of these businesses was a participation in the E-community program. That program provides the necessary assistance to make their application complete and acceptable to other lending institutions. The E-community program is NOT a grant or a hand-out. Additionally, it cannot provide all of the necessary input costs. Thus, the support of either the local bank, personal investment, or family involvement is still required. The E-community program is simply another tool at the disposal of small communities to provide economic growth and expansion for their home town. While four new businesses may not seem much in a large metropolitan area, to Morton County, the addition of four new businesses is a huge success and essential to the long-term viability of our county and community.

CONCLUSION:

I am personally very supportive of the E-community program and Network Kansas as a whole. They have provided a number of supportive programs for our youth down to the middle school to our successful small businesses. However, to fund these essential programs, they must have the necessary tax credit funding. This bill DOES NOT increase the dollar amount of Kansas tax credits. This simply allows banks to participate in the same program all other businesses and individuals within the state can participate.

Thank you for allowing me to express my interest in the passage of this bill. I ask that you approve this bill for passage out of committee to be debated on the full House floor. If you have any questions or would like further information, please contact me at your convenience. I can be reached at:

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