

To: Senate Commerce Committee
From: Trey Cocking, Deputy Director
Date: February 10, 2021
RE: Proponent Testimony on SB 91

Good morning Chairman and Committee Members and thank you for allowing the League of Kansas Municipalities to offer testimony in support of SB 91.

The League supports the High Performance Incentive Program (HPIP) as a tool that has assisted business growth in cities across Kansas. As with some other economic incentives programs, the legislature has worked to ensure that the program can be accessed by companies both in metro areas and smaller cities.

As you know, HPIP is such a valuable program in Kansas because it focuses on capital investment and high wages from the qualified company. Our understanding is that some companies have struggled to utilize the tax credit as it is limited to the entity's tax liability. Senate Bill 91 seeks to retool HPIP by allowing a company to transfer up to 50% of the tax credits it receives in certain circumstances for the capital investment it makes.

As the state works to promote a pro-business, welcoming environment for companies who are focused on capital investment and high paying jobs, we should strive to have any incentives match their needs. Several states, including Missouri, are providing transferability of job creation and capital investment incentives.

There is one aspect of the program where we recommend the committee to consider an additional change. As part of HPIP, a company's eligible capital investment for a qualified facility is sales tax exempt, including local sales taxes. For budgeting purposes, cities should be informed when this sales tax exemption is going to be applied to construction occurring within its borders, so that they may adjust budget expectations.

The League of Kansas Municipalities supports SB 91, and we look forward to working with you and the Departments of Revenue and Commerce with respect to the notification issue