

Kansas Business Development Incentives

JOB EXPANSION & INVESTMENT TAX CREDIT: Provides a ten-year investment and job creation tax credit. Unused credits may not be carried forward. (Use Schedule K-34)

Eligibility: Business must be a revenue producing, taxpaying qualified business facility defined in K.S.A. 79-32 et seq. as amended. Business must create at least two net new jobs.

Benefits:

- a) Income tax credit of \$100 per \$100,000 of investment.
- b) Job creation tax credit of \$100 per net new job created.
- c) May offset up to 50 percent of state tax liability.

Contact: Darla Price, Commerce 785-296-1868

KANSAS ENTERPRISE ZONE ACT: An act that allows for statewide business development incentives. Tax credits earned under the program may be used to offset 100% of the business' annual state income tax liability. Unused credits may be carried forward indefinitely and applied to subsequent tax years until used.

Eligibility: Manufacturing business must create two net new jobs.
Non-manufacturing, non-retail businesses must create five net new jobs.
National headquarters and ancillary operations must create 20 net new jobs.
Retail business located in city of population less than 2500 or county less than 10,000 and creating two net new jobs may claim sales tax exemption only.

Benefits:

Statewide:

- a) a one-time job creation tax credit of \$1,500 per net new job;
- b) an investment tax credit of \$1,000 per \$100,000 qualified business facility investment;
- c) sales tax exemption on the purchase of personal property or services purchased for the purpose of constructing, reconstructing, enlarging, remodeling, or equipping a qualified business facility.

Enhanced non-metropolitan regions: Non-metropolitan counties may be certified to allow for a regional business program which will provide business expansion and development incentives. Businesses may receive an enhanced credit of \$2,500 per net new job.

Contact: Darla Price, Commerce 785-296-1868
Kathleen Smith, Kansas Department of Revenue 785-296-3070
www.ksrevenue.com/business.htm

HIGH PERFORMANCE INCENTIVE PROGRAM (HPIP): The HPIP provides an investment tax credit and other incentives to companies that pay above average wages and have a strong commitment to skills development for their workers. Eligible companies may receive substantial investment tax credits and other incentives if they satisfy wage and training criteria.

Eligibility:

- (1) Must pay above average industry wage.
- (2) Invest an amount equal to 2 percent of payroll in employee training or participate in State training program.

(3) Business activities fall within NAICS codes other than those for agriculture, mining, construction, and retailing. For companies that are otherwise eligible but are not manufacturers at least 51 percent of revenues must be generated from sales to Kansas manufacturers; and/or out-of-state commercial; and/or governmental customers.

- Benefits:*
- a) A tax credit for capital investment, with a 10-year carry-forward, equal to up to 10 percent of the eligible investment that exceeds \$50,000.
 - b) Exemption from sales tax for eligible capital investments/services.
 - c) A potential workforce training tax credit up to \$50,000 per year on training Expenditures above two percent of the company payroll.
 - d) Priority consideration for other assistance programs offered through Commerce, KTEC, and MAMTC.

Contact: David Bybee, Commerce 785-296-5298

UTILITIES SALES TAX EXEMPTION: Electricity, gas, and water consumed to run machinery and equipment to produce, manufacture, process, mine, drill or refine tangible personal property is exempt from state and local sales tax. Form BT/st-28B

Contact: Department of Revenue 785-368-8222 www.ksrevenue.com/business.htm

MACHINERY SALES TAX EXEMPTION: The sale of machinery and equipment (including repair and replacement parts and accessories) which is used in Kansas as an integral or essential part of an integrated production operation by a manufacturing or processing plant or facility is exempt from sales tax. The installation, repair and maintenance services performed on this equipment shall also be exempt from sales tax. (K.S.A. 79-3606). Form ST-201

Contact: Department of Revenue 785-368-8222 www.ksrevenue.com/business.htm

INVENTORY PROPERTY TAX EXEMPTION: A property tax exemption exists for merchants' and manufacturers' inventory.

- Eligibility:* Inventory includes those items that:
- a) are primarily held for sale in the ordinary course of business (finished goods);
 - b) are in process of production for sale (work in progress); or
 - c) are to be consumed either directly or indirectly in the production of finished goods (raw materials and supplies).

Benefits: Items of inventory are exempt from property tax.

Contact: Department of Revenue 785-368-8222

MACHINERY AND EQUIPMENT PROPERTY TAX CREDIT: K.S.A. 79-32,206 as amended by the 2002 Legislature provides a tax credit against the income tax, privilege tax, and insurance company premiums tax equal to 25 percent of the personal property tax paid on qualifying machinery and equipment.

Eligibility: “Qualifying machinery and equipment” means commercial and industrial machinery and equipment required to be listed for property taxation on Schedule 2, 5 or 6 by a for-profit business required to file an income tax, privilege tax or insurance company premiums tax return. The property tax must have been levied and timely paid during the tax year for which the credit is taken.

Benefits: A tax credit equal to 25 percent to offset a for-profit business taxpayer’s state income tax, privilege tax, and/or insurance company premiums tax liability. The amount of credit that exceeds the tax liability will be refunded.

Contact: Kathleen Smith, Department of Revenue 785-296-3070.

COMMERCIAL & INDUSTRIAL PROPERTY TAX EXEMPTION: All commercial and industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease

- made or entered into after June 30, 2006
- as a result of a bona fide transaction
- not consummated for the purpose of avoiding taxation
- transported into Kansas after June 30, 2006 for the purpose of expanding an existing business or the creation of a new business

shall be exempt from personal property tax.

Contact: Tony Folsom, Department of Revenue 785-296-6741

RESEARCH TAX CREDIT: In order to encourage research and development activities within the state, taxpayers who invest in research and development are entitled to tax credits against Kansas income tax liability (K.S.A. 79-32182).

Eligibility: Qualified research expenditures are defined in federal internal revenue code of 1986, amended.

Benefits: Tax credit equals 6.5% of the amount by which a company’s investment in R&D that exceeds the average expenditure of the previous three year period. 25% of the allowable annual credit may be claimed in any one year. Unused credits may be carried forward indefinitely.

Contact: Department of Revenue 785-368-8222

DAY CARE FACILITIES TAX CREDIT: Tax credits are offered against Kansas Income tax liability for businesses providing child day care services to employees. These credits apply to taxpayers who pay for or provide child day care services for their employees or that provide facilities and necessary equipment for child day care services. (K.S.A. 79-32,190.)

Eligibility: Day care facilities must be licensed or registered pursuant to Kansas law.

Benefits: The amount of credit is based on the amount spent by the taxpayer less any contribution from its employees or any other source(s). Not to exceed \$50,000 for the first year a facility is established or \$30,000 for subsequent years. Any approved credit that exceeds the taxpayer's tax liability for the tax year will be refunded.

Contact: Department of Revenue 785-368-8222

WORK OPPORTUNITY TAX CREDITS: The Work Opportunity Tax Credit (WOTC) and Welfare-to-Work tax credit are federal income tax credits that encourage employers to hire job seekers who face the greatest barriers to employment.

Eligibility: Private-for-profit employers. Hires not eligible for certification: relatives, non-related dependents, self-employed individuals, non-qualifying re-hires, majority stockholders, members of partnerships and Sub-Chapter S shareholders. Contact program manager for listing eligible target groups.

Benefits: Federal tax credit up to \$2400 per qualified hire.

Contact: Joyce Heiman, WOTC Program Manager 785-296-7435

WORK FORCE TRAINING: The KIT and KIR programs can pay for the costs of training new employees or retraining existing workers. Instructors may come from your supervisory staff, community colleges, area technical schools, consultants, vendors, or other sources. Training may take place at your business, a local school or temporary rental facility. Eligible costs include: instructors salaries, curriculum planning and development, travel expenses, materials and supplies, training aids, minor equipment, and certain training facilities.

Programs focus on firms involved in manufacturing, distribution, regional or national service, agriculture, mining, research and development, interstate transportation, and tourism activities primarily aimed at attracting out-of-state tourists.

Kansas Industrial Retraining (KIR): For restructuring companies whose employees are likely to be displaced to obsolete or inadequate job skills or knowledge. The program will provide assistance for retraining existing employees.

Eligibility: Companies restructuring their operations through incorporation of existing technology, development and incorporation of new technology, diversification of

production or the development and implementation of new production activities.

Positions being retrained must be paid a minimum average wage of at least \$11.00 per hour in the metro-counties and \$9.50 per hour elsewhere.

Benefits: Company must provide dollar-for-dollar match.
Maximum \$2,000 per employee

Kansas Industrial Training (KIT): The KIT program is designed to help new and expanding companies offset the costs of training workers for new jobs. Training funds can be used to reimburse negotiated costs for pre-employment, on-the-job and classroom training.

Eligibility: Creation of one new job that pays an average wage of at least \$11.00 per hour in the metro-counties and \$9.50 per hour elsewhere.

Benefits: Up to 100 percent training costs.
Maximum \$2,000 per employee

INTERNATIONAL TRADE INCENTIVES

Contact: John Watson, Commerce 785-296-4027

Kansas International Trade Show Assistance Program KITSAP: KITSAP offers financial support to Kansas companies exhibiting in foreign and domestic trade shows attracting substantial international buyers.

Eligibility: Any Kansas company with products or services originating within the state. To qualify for assistance, the company must be exhibiting for the first time and submit an application prior to attending the trade show.

Benefits: Reimbursement of one-half of a company's eligible direct exhibition-related expenses.

- a) Up to \$3,500 per foreign trade show.
- b) Up to \$1,500 per domestic show (annual maximum of \$3,000).
- c) \$7,000 annual maximum in total combined assistance.

Contact: April Shumei Chiang, Commerce 785-296-4027

Market Research

Free market research assistance is available for your product in international markets. Commerce can also assist in qualified agent/distributor searches throughout the world.

OTHER PROGRAMS

Mid/America Manufacturing Technology Center (MAMTC): MAMTC is a non-profit organization, whose mission is to improve the competitiveness of small and mid-sized manufacturers. MAMTC identifies and aids in solving technical problems in the manufacturing process by making the manufacturer aware of currently available technology and management techniques. MAMTC engineers are located in several Kansas cities and provide four main types of services, including one-on-one consultations, training, equipment demonstration, and industry networks. The key service is hands-on consultation, with a focus on identifying problems or areas of improvement, implementing steps to address future challenges.

Contact:

For the following counties call: Mark Minter 913-469-6268
Johnson, Leavenworth, Douglas, Wyandotte, Franklin, Miami

For the following counties call: Scott Case 785-532-7044
Atchison – Brown – Doniphan – Jackson – Jefferson – Nemaha – Osage – Shawnee – Wabaunsee

INCENTIVES FOR MANUFACTURERS

KANSAS DEPARTMENT OF COMMERCE
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Regional Business Development Project Manager
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