

Testimony to the Senate Commerce Committee
SB 342
March 8, 2007

Earlier this year, the Governor released a plan for improving the business tax climate in Kansas. The plan contained a multiyear strategy for reducing corporate tax rates and simplifying tax incentives, two things often requested by the business community. The Departments of Commerce and Revenue, in consultation with a business advisory group developed the plan, which was introduced as Senate Bill 213 and House Bill 2170.

This bill consists of the tax incentive portion of the plan that was developed. Initially, the idea was to put the available money into reducing the corporate tax rate and increasing the small business exemption in the franchise tax; adjustments in the incentive portion of the plan were to remain revenue neutral. In order to achieve this goal, as well as to achieve needed simplification, thresholds for accessing these incentives were set correspondingly high. Since then, in discussions internally and with stakeholders, the department is now recommending changing those thresholds as described in the attached balloon. These changes are still consistent with the original objectives, and although the fiscal note is not longer neutral. The changes advocated below will add \$3 million to the current tax credit expenditures of approximately \$30 million annually. Adding costs through further changes in these thresholds, however, is inadvisable.

The following describes the bill as introduced with the suggested changes in [brackets].

A. Business Tax Incentives/Tax Credits (Sections 1 - 14, 20)

- The Enterprise Zone incentives, HPIP credit and Business and Job Development Credits will be replaced by two new, simplified incentives.
- Any existing credits will still be allowed to carry forward until used under the old plans.
- In addition, enhanced incentives will be available in Opportunity Zones—a new program.
- The worksheet on the back of the testimony will help explain the new, improved process in order to bring certainty to decision-making.

1. Investment Tax Credit – 10% of investment if you qualify:

- Minimum of \$1,000,000 [\$300,000]
- No retail, mining, agriculture, construction (only certain NAICS codes apply, or headquarters or ancillary support companies.)
- Higher than average wage still required
- 10 year carry forward
- for profit business
- Sales tax exemption available for construction

Investment Credit

Commerce | **Revenue**

Planned Project:

Completed Project:

Name: _____

FEIN: _____

Address of Facility _____

Project Number: _____

Project Name: _____

Project Description: _____

Project Duration: beginning and ending dates _____

NAICS of facility _____

Description of NAICS _____

Headquarters operation _____

Ancillary support operation _____

Average wage per NAICS Code \$0.00

\$0.00

Average wage at facility \$0.00

\$0.00

Difference: \$0.00

\$0.00

Dates: _____

Tax Period: beginning and ending _____

Project investment estimate: _____

Date placed in service: _____

Acct
Number:

Acct
Number:

Depreciable asset categories: Building \$0.00
Furniture and fixtures \$0.00
Machinery and equipment \$0.00
Leasehold improvements \$0.00
Land \$0.00
Other: specify \$0.00

\$0.00
\$0.00
\$0.00
\$0.00
\$0.00
\$0.00

Rents: specify \$0.00
\$0.00

\$0.00
\$0.00

Total investment: \$0.00

\$0.00

\$100,000 or \$1,000,000 minimum investment

If greater than minimum investment:

Credit @ 10% \$0.00

\$0.00

(Investment excludes property that leaves the facility.)

Signature of taxpayer _____
Date _____

Signature _____
Date _____

Commerce signature _____
Date _____

Revenue signature _____
Date _____

Revenue signature _____
Date _____