



Kansas Business Development Incentives

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MACHINERY & EQUIPMENT EXPENSE DEDUCTION:

Effective January 1, 2012, Kansas taxpayers will be allowed to claim an expense deduction for business machinery and equipment, placed in service in Kansas during the tax year. The one-time deduction is allowed for each qualified purchase of machinery and equipment in the year that it is placed in service. The expensing deduction is representative of the difference between the cost of the item and the present value of the stream of depreciation deductions allowed under normal federal depreciation rules. If the property is relocated outside Kansas or disposed of before the end of its federal depreciable life, the amount of the tax liability relieved by the deduction may be subject to repayment.

Eligible investment is in machinery and equipment depreciable under the Modified Accelerated Cost Recovery System (MACRS) in section 168 of the Internal Revenue Code, or canned software as defined in section 197 of the Internal Revenue Code. Examples of eligible equipment include manufacturing equipment, office furniture, computers, software, racking. Qualifying property **excludes** residential rental property, nonresidential real property, any railroad grading or tunnel bore or any other property with an applicable recovery period in excess of 25 years as defined under section 168(c) or (g) under the internal revenue code.

If taxpayer elects to claim expensing deduction, they **cannot** claim tax credits or other incentives under the following: **high performance incentive program credit; research and development credit**; alternative fuel vehicle credit; swine facility improvement credit; historic preservation credit; refinery credit or accelerated depreciation; oil or gas pipeline or accelerated depreciation; integrated coal or coke gasification nitrogen fertilizer plant credit or accelerated depreciation; biomass-to-energy plant credit or accelerated depreciation; integrated coal gasification power plant credit; renewable electric cogeneration facility credit or accelerated depreciation; biofuel storage and blending equipment credit or accelerated depreciation; carbon dioxide capture equipment credit; or film production credit.

Contact: Jim Weisgerber, Dept. of Revenue, 785-296-2479

PROMOTING EMPLOYMENT ACROSS KANSAS: The Promoting Employment Across Kansas (PEAK) incentive program allows qualified for-profit and regional / national non-for-profit headquarter companies that are locating new jobs or expanding existing Kansas operation, to retain 95 percent (95%) of the payroll withholding tax of the PEAK jobs up to a period of 10 years. Per K.S.A. 74-50,210 through 74-50,216 (also known as the PEAK Act), the Secretary of Commerce has sole discretion to approve qualified companies and determine length of benefit.

The company's wages for PEAK jobs must meet or exceed the county median wage or regional North American Industry Classification System (NAICS) industry average wage.

Eligibility:

- a) Must be creating new jobs in Kansas resulting from relocating, locating or expanding a business.
- b) For-profit companies shall not have the NAICS assignment of:
 - o Industry group 7132 (Gambling Industries) or 8131 (Religious Organizations);
 - o Sectors 44 & 45 (Retail Trade), 61 (Educational Services), 92 (Public Administration) or 221 (Utilities including water & sewer services);
 - o Subsector 722 (Food Services and Drinking Places); unless applying as an international or national headquarters or an administrative/back office facility
- c) Not-for-profit regional/national headquarters may apply.
- d) Shall not be a bioscience company (as defined in KSA 2008 Supp. 74-99b33 and amendments thereto).
- e) Shall not be delinquent in the payment of taxes to any federal, state and/or local taxing entities.
- f) Shall not be under the protection of the federal bankruptcy code.
- g) Must make available to full-time employees adequate health insurance coverage and pay at least 50 percent (50%) of the premium.
- h) Must have a median or average wage for PEAK jobs of at least 100 percent (100%) of the county median wage (CMW) or industry NAICS as published by the Kansas Department of Labor (KDOL) at the time of application for the county in which the jobs will be located.
- i) Must create a minimum of 10 PEAK jobs in a designated metropolitan (metro) county within two years of application to receive basic program benefits. Businesses located all other counties must create 5 PEAK jobs within two years.
- j) Must create a minimum of 100 jobs within two years of application regardless of location to receive high impact program benefits.
- k) Must be approved by the Secretary of Commerce (Secretary) to participate in program.

Applications are accepted throughout the year and must be received prior to hiring PEAK jobs/ employees in Kansas. For more information, see our web site at www.kansascommerce.com.

Contact: Darla Price, Commerce 785-296-1868

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.

Eligible NAICS include all NAICS that begin with 3 and other NAICS categories which include 2211 – 2213; 4231 – 4251; 4811- 5191; 5211 – 7213; and 8111 – 9281. A worksite with any NAICS code may qualify if they are designated, by the secretary, as a headquarters or back-office operation of a national or multi-national firm.

Eligibility:

- (1) Must pay above average industry wage.
- (2) Invest an amount equal to 2 percent of payroll in employee training or participate in a 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 16-year carry-forward, equal to up to 10 percent of the eligible investment that exceeds \$ 1 million in Douglas, Johnson, Sedgwick, Shawnee and Wyandotte counties and exceeds \$50,000 in all other counties.
- 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.

Cannot be used if taxpayer elects Expensing Deduction.

Contact: Ed Bryan, Commerce 785-296-7174

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.org/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.org/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

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: 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.

Cannot be used if taxpayer elects Expensing Deduction.

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 \$45,000 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.
Typical award is \$200 to \$400 per trainee.

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.
Typical award is \$200 to \$400 per trainee.

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: 913-649-4333

