



Kansas Business Development Incentives

Salih Doughramaji

785-633-8404

Salih.Doughramaji@ks.gov

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. Use Form K-120EX to claim deduction.

Contact: Department of Revenue, (785) 368-8222 #4

PROMOTING EMPLOYMENT ACROSS KANSAS (PEAK): The Promoting Employment Across Kansas (PEAK) incentive program was created by the 2009 Legislature to help create jobs and encourage economic development. Per the authorizing Kansas Statute, [K.S.A. 2018 Supp. 74-50,210 through 74-50,219](#) (also known as the PEAK Act), the Secretary of Commerce has sole discretion to approve applications and determine benefit periods. Approved qualified companies may receive ninety-five percent (95%) of the payroll withholding tax of the new PEAK jobs/employees that are paid equal to or above the

county median wage in which the qualified business facility is located. The PEAK benefit is a fixed amount spread equally and capped annually over the benefit term. The PEAK benefit and the term length (5 to 10 years) are based upon a number of economic impact variables of a project, including the number of new jobs, the timing of the job creation, the wage levels, and the business facility location. Companies qualifying using average wage or the regional NAICS wage standard receive shorter benefit periods, and the benefits for expanding existing Kansas operations are limited by overall program caps.

Program Requirements

PRIOR to submitting a PEAK application, companies or their authorized designee (e.g. an authorized outside consultant) must work with a member of Commerce’s business recruitment staff or a regional project manager and receive a PEAK incentive offer. Applications and the associated \$750 non-refundable fee payment must be received by Commerce PRIOR to hiring or moving PEAK jobs/employees into the State and within 180 days of the company’s acceptance of a PEAK incentive offer or public announcement to newly locate, relocate, or expand jobs in Kansas. If multiple entities are included in the PEAK Application, additional application fee payments will be required for each applicant entity (e.g. 2 applicant entities = \$750 x 2 = \$1,500). The fees may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card.

Eligible applicants seeking the Secretary’s approval:

- Must be creating new jobs in Kansas resulting from locating, relocating or expanding a business.
- For-profit entities having one of the following NAICS assignments may only apply as a qualified national or international headquarters or administrative office:
 - Industry group 7132 (Gambling Industries) or 8131 (Religious Organizations);
 - Sectors 44 & 45 (Retail Trade), 61 (Educational Services), 92 (Public Administration) or 221 (Utilities, including water & sewer services);
 - Subsector 722 (Food Services and Drinking Places).
- Not-for-profit entities may only apply as a qualified national or international headquarters.
- Shall not be delinquent in the payment of taxes to any federal, state and/or local taxing entities.
- Shall not be under the protection of the federal bankruptcy code or intend to file for such protection.
- Must within 180 days of hire make available to full-time employees “adequate” health insurance policy, which includes coverage for hospital care, physician care, mental health care, substance abuse treatment, prenatal and postnatal care, and prescription drugs.
- Must pay at least 50% of the employee’s premium for such adequate health insurance policy.
- Must have an aggregate median wage for PEAK Jobs of at least 100 percent (100%) of the county median wage or, if authorized by the Secretary of Commerce, qualify using average wage or the regional NAICS wage.
- Must create a minimum of five (5) PEAK Jobs in a non-metropolitan county or ten (10) PEAK Jobs in a designated metropolitan county (Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, or Wyandotte) within two years, and maintain such minimum PEAK Jobs to receive “Basic” program benefits.
- Must create a minimum of 100 jobs within two years, regardless of location, and maintain such minimum PEAK Jobs to receive “High Impact” program benefits.
- Must pay the required non-refundable fee of \$750 for each application.
- Must be approved by the Secretary of Commerce to participate in the program.

- Must enter into an agreement with the Department of Commerce (Commerce) to retain or be refunded 95 percent (95%) of payroll withholding taxes as reported for PEAK-Eligible Jobs.
- Must timely file all required reports and supporting documentation to Commerce and the Kansas Department of Revenue (Revenue).
- Must agree to provide Commerce and Revenue access to inspect records as it relates to administering the PEAK program.

Contact: Brett Sayre, Department of Commerce, (785) 296-5418

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. Use Form K-59 to claim investment and training credit.

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 as a headquarters or back-office operation of a national or multi-national firm.

Eligibility:

- (1) Must pay above average industry wage.
- (2) Invest at least 2 percent of payroll in employee training or participate in a State KIT / KIR training program.
- (3) Business activities fall within eligible 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 **out-of-state** governmental customers.

Benefits:

- (1) 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.**
- (2) Exemption from sales tax for eligible capital investments/services.
- (3) A potential workforce training tax credit up to \$50,000 per year on training
- (4) Expenditures above two percent of the company payroll.
- (5) Priority consideration for other assistance programs offered through Commerce, and MAMTC.

HPIP Applications require a non-refundable \$750 fee. The fee may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card. The fee is \$250 to recertify.

Cannot be used if taxpayer elects Expensing Deduction.

Contact: Richard Martinez, Department of 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. Use Form ST-28B.

Contact: Department of Revenue, (785) 368-8222 #5 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). Use Form ST-201.

Contact: Department of Revenue, (785) 368-8222 #5 www.ksrevenue.org/business.htm

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

Inventory includes those items that:

- (1) are primarily held for sale in the ordinary course of business (finished goods); or
- (2) are in process of production for sale (work in progress); or
- (3) are to be consumed either directly or indirectly in the production of finished goods (raw materials and supplies).

Contact: Department of Revenue, (785) 296-2365 email: KDOR_PVD@ks.gov

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) 296-2365 email: KDOR_PVD@ks.gov

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). Use Form K-53 to claim credit.

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 #4

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) Use Form K-56 to claim credit.

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 #4

WORK OPPORTUNITY TAX CREDITS: The Work Opportunity Tax Credit (WOTC) program is a Federal tax credit available to employers for hiring individuals from certain target groups who have consistently faced significant barriers to employment.

Eligibility: Available to For-profit employers

Ineligible: Hires not eligible for certification: Relatives, Non-related Dependents, Self-employed individuals, Rehires, Majority stockholders, Shareholders, and Members of partnerships.

Benefits: Employers can receive a federal tax credit that varies between the amounts of \$2,400 to \$9,600 per applicant.

Contact: Ashla Stowe, WOTC Program Manager, (785) 296-7435

Email Address: Ashla.Stowe@ks.gov

Commerce Website: <http://www.kansascommerce.gov/261/Work-Opportunity-Tax-Credit>

Kansas CertLink: <https://kansaswotc.com>

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, materials and supplies, training aids and minor equipment.

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 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 an average wage equal to or higher than the county median wage.

Benefits: Company must provide dollar-for-dollar match. Funding ranges from \$200 to \$600 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: Positions being trained must be paid an average wage equal to or higher than the county median wage.

Benefits: No match requirement.
Funding ranges from \$200 to \$600 per trainee.

A company must make Health Care available to its employees (within 180 days of hire date for new employees) and the plan must include the following:

- Hospital Care
- Physician Care
- Mental Health Care
- Substance Abuse Treatment
- Pre-natal and Post-Natal Care
- Prescription Drug Coverage

KIT/KIR Applications will require a non-refundable \$500 fee. The fee may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card.

Mid/America Manufacturing Technology Center (MAMTC): MAMTC is a trusted advisor for small to mid-size manufacturing businesses in Kansas. They provide solutions with value driven results that create growth for these businesses. The six core solutions include: Workforce, Lean, Quality, Energy, Supply Chain and Financial. These are the most common areas of need for manufacturers as indicated by responses to annual surveys. MAMTC also has a large network of vetted Alliance Partners who can resolve pain points for other manufacturing or business operations processes. As a non-profit company affiliated with NIST/MEP, MAMTC is held accountable for producing results for Kansas manufacturers, such as increased profits/decreased costs,

increased sales, and job creation and retention, through third party generated impact reports that are publicly published.

Contact: Overland Park (913) 649-4333 www.mamtc.com

Kansas Works - Registered Apprenticeship Program: Registered Apprenticeship is an employer-driven, “Earn while you Learn” model that combines on-the-job learning with related technical instruction that increases an apprentice’s skill level and wages. It’s an immediate job. It is a flexible training system that can be customized to meet the needs of every business. Registered apprenticeships are cost effective and time-tested. It’s a Certification. Upon completion of a Registered Apprenticeship program, participants receive an industry issued, nationally recognized credential that certifies occupational proficiency.

Registered Apprenticeship programs are a customized written plan designed to move an apprentice from a low or no skill entry-level position to full occupational proficiency. Both new hires and incumbent workers qualify for Registered Apprenticeships. Sponsors work with RA Coordinators to design and execute apprenticeship programs, provide jobs to apprentices, oversee training development, and provide hands-on learning and technical instruction for apprentices.

<https://ksapprenticeship.org>

Contact your Program Consultant:

Kansas City and Southeast Kansas: (316) 218-7142

Topeka and Central Kansas: (785) 762-8870

Wichita and Southwest Kansas: (316) 771-6842

Kansas Works - Veterans Employment Representatives Roles and Responsibilities:

The Department of Commerce, Veterans Services Program has 26 Veterans Employment Representatives located throughout the State of Kansas. These individuals are located at various Workforce Centers within Kansas. The primary roles are highlighted below.

Disabled Veterans Outreach Placement Specialists (DVOP)

1. Facilitate intensive services to veterans with special employment and training needs. These services may include any combination of the following services, but at a minimum the first two are required to commence a case management program of intensive services:
2. Conduct outreach activities with the purpose of locating candidates who could benefit from intensive services and market these services to potential customers in programs and places such as the following:
3. Provide and facilitate a full range of employment and training services to veterans, with the primary focus of meeting the needs of those who are unable to obtain employment through core services. Typical core services under WIA include job search and placement assistance, labor market information, job listing, and referral.

Local Veterans Employment Representative (LVER)

1. Ensure veterans are provided the full range of labor exchange services to meet their employment and training needs. Work with other workforce development providers to develop their capacity to recognize and respond to these needs. Examples may include the following activities:
2. Advocate on behalf of veterans for employment and training opportunities with businesses and community-based organizations. Examples may include the following activities:
3. Establish, maintain, or facilitate regular contact with employers to develop employment and training opportunities for the benefit of veterans. Examples may include the following activities:
4. Provide and facilitate a full range of employment and training services to meet the needs of newly separated and other veterans and especially address the needs of transitioning military personnel through facilitation of TAP workshops. Examples of employment and training services may include, but are not limited to the following activities:

For more information visit their website: <http://kcva.ks.gov/kanvet/>

OTHER PROGRAMS

International Trade Assistance: The Kansas Department of Commerce assists Kansas companies with their global market development needs and exporting efforts thru the following programs:

- Professional services – offering international market research, partner and distributor search and individualized counseling.
- Trade missions and trade shows – creating opportunities for Kansas companies to meet with prospective partners in target markets.
- Kansas International Trade Show Assistance Program – helping Kansas companies participate in international trade shows by reimbursing a portion of the exhibition-related expenses.
- International Recruitment – working with local communities to attract foreign investment.
- International Credit Reports – providing objective and accurate business credit reports on potential clients and business partners.
- Certificate of Free Sale – certifying the specified commodities are legally sold or distributed in the open market, freely without restriction, and approved by the regulatory authorities in the United State.
- Governor’s Exporter of the Year Award – recognizes the outstanding work of Kansas exporters and their contributions to the Kansas economy.
- State Trade Expansion Program – assists Kansas non-exporters to get started and existing exporters to export more product.

*Kansas Department of Commerce does not provide import assistance.

Contact: Randi Tveitaraas-Jack, Department of Commerce, (785) 296-7868