

Economic Development Incentives

TAX INCENTIVES

Property Tax Rebate – Neighborhood Revitalization

The Neighborhood Revitalization Plan (The Plan) is intended to promote the revitalization and development of the City of Lansing by stimulating new construction and by rehabilitating, conserving, or redeveloping the area in order to protect the public health, safety, or welfare of the City by offering certain incentives, which include tax rebates.

State of Kansas Incentives – Department of Commerce

<http://www.thinkbigks.com/BusinessIncentives.aspx>

Income Tax Incentives

Kansas has two corporate income tax credit programs available to eligible companies: the Enterprise Zone Program and the High Performance Incentive Program. These programs can substantially reduce a company's income tax liability depending on their job creation and capital investment.

Enterprise Zone

Potential Kansas sales tax exemption and Kansas income/privilege tax credits to businesses creating net new jobs in Kansas through major capital investment projects.

This program offers corporate income tax credits for new job creation and qualified capital investment in Kansas. The entire state of Kansas is designated as an Enterprise Zone.

Eligibility for this program depends on the type of business and the number of jobs created. For example, a firm classified as a manufacturer would need to create at least two net new jobs, while a non-manufacturer would need to create five net new jobs. The job creation tax credit in the metropolitan areas of Kansas City, Topeka, Wichita and Lawrence is \$1,500 per new job created. Designated non-metropolitan areas can provide a credit of \$2,500 per new job created. The investment tax credit is 1 percent of qualified investment. Up to 100 percent of corporate income tax liability can be eliminated in a given year and unused credits may be carried forward indefinitely.

High Performance Incentive Program (HPIP)

This program provides a 10 percent corporate income tax credit on the qualified capital investment of an eligible company. The 10 percent tax credit is awarded to companies that operate an eligible business, pay above-average wages and invest in training their employees. The credits can be used to reduce 100 percent of corporate income tax liability in a given year. In addition, the credits must be used within a consecutive 10-year period.

Please note that for both the Enterprise Zone Program and the High Performance Incentive Program, qualified capital investment can include such items as the purchase or lease of a facility or equipment, remodeling or build-out costs, fixtures, furniture and

computers. Equipment transferred to Kansas from out-of-state is also credited at the original acquisition cost.

A key component of the High Performance Incentive Program is the completion of the Capital Investment Project Description form. This form needs to be submitted to the Department of Commerce prior to the company signing any document, such as a lease or purchase agreement, that commits the company to locating or expanding in Kansas.

Machinery and Equipment Property Tax Exemption

Commercial and industrial machinery and equipment acquired by qualified purchase or lease or transferred into the state after June 30, 2006 is exempt from state and local property tax. The exemption pertains to machinery and equipment used in the expansion of an existing facility or the establishment of a new facility. The exemption covers machinery and equipment used in manufacturing or warehousing/distribution, commercial equipment, computers, desks and chairs, copiers and fax machines.

Business Machinery and Equipment Credit

Kansas offers an annual tax credit against Kansas income tax equal to 25 percent of the personal property tax paid on commercial and industrial machinery and equipment that was in Kansas prior to June 30, 2006. The amount of the credit that exceeds the tax liability will be refunded for companies paying income tax.

Inventory Tax Exemption

All merchants' and manufacturers' inventories are exempt from property taxes by state constitutional amendment.

Research Tax Credit

Kansas offers an income tax credit equal to 6.5 percent of a company's investment in research and development above an expenditure of the previous three-year period. Only 25 percent of the allowable annual credit may be claimed in any one year. Unused credits may be carried forward in 25 percent increments until exhausted.

No Local Income Taxes

Kansas cities and counties do not impose income or earnings taxes on either personal or corporate income.

Phase Out of Kansas Franchise Tax

The 2007 Kansas Legislature passed legislation to phase out the franchise tax in Kansas over the next five years. The tax will be repealed altogether effective in tax year 2011.

Reduction of Unemployment Insurance Rates

In 2007, Kansas made significant reductions to unemployment insurance rates for existing and new employers in Kansas. Existing employers who are current on their account will see a reduction of 40 to 100 percent of their tax rate, depending on their rate category. New Kansas employers will also enjoy a drop in their tax rate, as the new rate

for all non-construction industry employers is now 4 percent. Construction industry employers will pay 6 percent.

New Incentives for Ethanol and Biodiesel Fuel Production

Kansas promotes renewable fuels by offering direct financial incentives for production of ethanol and biodiesel fuels. Qualified companies may receive an incentive of \$.075 per gallon for ethanol fuel and \$.30 per gallon for biodiesel fuel.

Sales & Use Tax Exemptions

There are many exemptions to sales and use taxes in Kansas the following represent a few of the major exemptions:

- Manufacturing machinery and equipment used to create, store, or distribute goods intended for sale
- Tangible personal property, including electricity, gas, and water, if immediately consumed or dissipated during manufacturing
- Tangible personal property which becomes an ingredient or component part of goods or services produced for sale
- Labor charges incurred in connection with the original construction of a building or facility
- The cost of building materials and items of equipment permanently installed by businesses using Industrial Revenue Bonds (IRBs)
- Tangible personal property or services purchased to construct, reconstruct, or remodel a business that qualifies for sales tax exemptions.
- Machinery, equipment, and certain other tangible property purchased by businesses qualifying for Job and Investment Tax Credits or the High Performance Business Incentive Program
- Materials, equipment, and services purchased when building, expanding, or renovating a business which qualifies for the job expansion and investment credits of the Kansas Enterprise Zone Act

WORKFORCE DEVELOPMENT

Workforce Training

The Department of Commerce routinely works with Kansas educational institutions to develop business-relevant training. These programs can be customized to meet an employer's specific needs. Kansas' universities, community colleges and technical colleges can help businesses analyze jobs; design, develop and evaluate training; screen potential employees; assess incumbent and potential employee skills; and recruit qualified employees.

The Department also continues to offer its traditional workforce training programs. Companies may design training programs to meet specific skill requirements and can apply to receive financial assistance to offset training costs. Companies creating new jobs may qualify for Investments in Major Projects and Comprehensive Training (IMPACT) or Kansas Industrial Training (KIT) assistance. Jobs created within a Kansas Basic Industry – which includes manufacturing, distribution, regional or national service facilities – may qualify for these programs. Eligibility for either program depends on the number of jobs created and the corresponding wages.

Both programs offer direct financial assistance to pay a negotiated portion of the costs to train a company's employees. Companies may apply the assistance toward items such as instructors' salaries; meals, travel and lodging (including out-of-state or international travel); videotape development; textbooks and training manuals; supplies and materials; temporary training facilities; and curriculum planning and development.

Workforce Development Assistance

A variety of services are available through our Workforce Centers, which are located across the state. Services include: statewide and national job listings; applicant pre-screening; space to conduct interviews and job fairs, as well as staff to assist in scheduling; applicant assessment services and testing; and current labor market information. These services are available to all Kansas employers at no cost.

FINANCE PROGRAMS

Kansas Economic Opportunity Initiatives Fund

The Department of Commerce can provide a zero percent interest forgivable loan to qualified companies. This loan can offset costs associated with the establishment of a new facility or the expansion of an existing facility. Eligible costs include site improvements, construction, build-out and purchases and relocation of machinery and equipment.

The loan is forgiven in 20 percent annual increments over a five-year period based on the job and payroll targets. Approval of funding for this program is based on the number of new jobs created, the level of wages paid to the new employees and the economic impact of the project.

Industrial Revenue Bonds

Under Kansas law (K.S.A. 12-1740 et seq.) Kansas cities and counties are authorized to issue industrial development bonds, commonly referred to as industrial revenue bonds or "IRBs", for the purpose of "paying all or part of the cost of purchasing, acquiring, constructing, reconstructing, improving, equipping, furnishing, repairing, enlarging or remodeling facilities for agricultural, commercial, hospital, industrial, natural resources, recreational development and manufacturing purposes." This financing authority is designed to provide a financing vehicle whereby local governments can assist private companies, individuals, partnerships and other entities with economic development in their community. In the typical IRB issue, a city or county (the "Issuer") issues industrial revenue bonds, the proceeds of which are used to acquire land and construct and potentially equip a facility to be used for one of the purposes previously described. The facility is owned by the Issuer and leased to the private company, individual, partnership, etc. (the "Borrower"). The lease payments made by the Borrower are sufficient to pay the principal and interest payments on the bonds as they become due. During the term of the lease the Borrower functions, in most respects, as the true owner of the facility and operates the facility free of any involvement by the Issuer provided lease payments are made on a timely basis. The Issuer is obligated to use the rent it receives from the Borrowers to repay the bonds and has no obligation to use any other resources or funds of the city or county to repay the debt. When the bonds have been paid in full, the Borrower may exercise its purchase option to buy the facility at a nominal price, e.g., \$100.

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a real estate redevelopment technique, applicable to industrial, commercial and residential project improvements, to cover the costs of publicly provided project improvements. TIF uses the anticipated increases in real estate tax revenues resulting from enhanced property values to retire bonds sold to finance qualifying redevelopment costs.

The advantages of TIF for business include 1) financing of land acquisitions and improvements with tax-free borrowing, thus reducing interest costs, and 2) offering the opportunity to purchase renovated sites and/or buildings at sub-market costs.

Moneys raised through TIF can be used for initiatives selected and administered by local governments, such as land acquisition, land and building cost subsidies, structure rehabilitation and public improvements.

TIF works for both privately owned land and publicly owned land to be sold for redevelopment. It is available only if private redevelopment would not occur without public improvements. TIF cannot be used speculatively to prepare a site for development.