



Business Incentives

You're looking for a great place to grow your business.

A place with low operating costs, talented workers and business-friendly policies. A place with competitive financial incentives and leaders who know business. A place where innovation is the norm, not the exception. If this sounds like the perfect place for your business, then Kansas is where you need to be.

But don't just take our word for it. Ask the folks at *Site Selection* and *Area Development* magazines, both of which named Kansas a premiere state for business. Or better yet, ask the folks at **Mars, Caterpillar, AMC Theatres, Cerner, General Motors, J.P. Morgan** and **Siemens Energy**, all of which have announced new facilities in Kansas recently. These are global companies that could have gone anywhere in the world, and they all saw Kansas as the place to be.

So come take a look at Kansas.

We think you'll like what you see.



SITE LOCATION ASSISTANCE

The Business Recruitment Team for the Kansas Department of Commerce can assist you with various site location needs. Whether you're seeking buildings or sites, our team has the resources and information to help you make an informed decision.

Our Business Recruitment Team creates customized incentive proposals for clients based on capital investment, job creation, employee salaries and each company's unique needs. We also coordinate with community economic development professionals for local incentives such as discounted building and land purchases, reduced property taxes, build-to-suit agreements and finance packages. All types of assistance offered for new company locations are also available for subsequent expansions.

NEW INCENTIVES

New! Machinery & Equipment Expensing 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. Unused expense deduction is treated as a Kansas net operating loss that may be carried forward for 10 years. Eligible investment is 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 and racking.

New! Rural Opportunity Zones Program

Rural Opportunity Zones (ROZ) are designed to reverse dramatic population declines over the past decade in rural areas of Kansas. The program is to spur economic development in and expand job growth in 50 key counties around the state. The program has two main incentives:

- A state income tax exemption for up to five years to individuals who move to a ROZs county from outside the state. Individuals must not have lived in Kansas for the past five years, nor have Kansas source income of more than \$10,000 per year over the past five years.

- Student loan forgiveness of up to \$3,000 per year (\$15,000 maximum benefit) for individuals who graduate from an accredited post-secondary institution and move to a ROZs county. The student loan forgiveness portion of the program is a county-state partnership, and counties must opt in to participate.

FINANCE PROGRAMS

Promoting Employment Across Kansas (PEAK)

This program offers qualified companies the ability to retain 95 percent of their payroll withholding tax for up to five to seven years. PEAK is available to new operations in Kansas as well as relocated operations to the state. In 2013, it will be available for qualifying business retention projects as well. Companies need to create at least 10 new jobs within two years in metropolitan areas or five new jobs within two years in all other counties of the state. High-impact projects that create 100 new jobs within two years can retain 95 percent of payroll withholding tax for up to seven to 10 years. The number of years that the withholding tax can be retained depends on how much the annual median or average wage of the jobs at the Kansas worksite will exceed the current county median wage and the discretion of the Secretary of the Kansas Department of Commerce.

Wind and Solar Bond Financing – This allows for up to \$5 million in bond financing per project for eligible wind and solar energy manufacturers. The bonds are paid off from the payroll withholding tax of the new jobs. To qualify, a project must create at least 200 new jobs within five years, pay at least a \$32,500 average salary and generate a minimum capital investment of \$30 million.

Industrial Revenue Bonds (IRBs) – Industrial Revenue Bonds are a popular method of financing up to 100 percent of a growing business' land, building and equipment. IRBs are securities issued by cities and counties to provide funds for creditworthy companies to acquire land, construct and equip new facilities or remodel and expand existing facilities. IRBs allow fixed-rate financing for the life of the bond for the project.

Community Development Block Grant (CDBG)

Eligible small city and county governments may apply for Community Development Block Grant economic development funds to make water, sewer, rail spur, roadway or other infrastructure improvements designed to assist companies in creating jobs. These funds may also be used by

a business to acquire land or buildings, construct or renovate facilities, purchase machinery and equipment or for working capital. Under this program, companies can apply for up to \$35,000 per job created with a maximum limit of \$750,000. At least 51 percent of the jobs created with CDBG funding must be held by individuals who, at the time of hire, meet the low- to moderate-income guidelines for the county location.

Infrastructure funding requires that half of the funding be paid back over a 10-year period at a rate of 2 percent. Financing for working capital, equipment and real property carries a fixed rate equal to four percent or 3 percent below prime, whichever is greater, set on the award date. The term of the loan depends on the type of assets being financed: working capital up to five years, equipment up to 10 years and real property up to 15 years.

Partnership Fund – The Department provides low-interest state funds to cities and counties for infrastructure improvements that support Kansas basic enterprises such as manufacturing and distribution. Eligible projects may include construction, rehabilitation or expansion of public facilities, including roads, streets, highways, water supply and treatment facilities, water distribution lines, wastewater collection lines and related improvements.

Kansas Bioscience Authority (KBA)

Commerce works in partnership with the Kansas Bioscience Authority to assist in the expansion and recruitment of bioscience companies. The KBA has direct financing programs and other resources that can be used to recruit new bioscience companies and world-class scholars, fund equipment and lab space for research and facilitate the commercialization of bioscience discoveries.

WORKFORCE DEVELOPMENT PROGRAMS

The Department of Commerce has two workforce training programs to offset a company's training costs. Companies creating new jobs may qualify for Kansas Industrial Training (KIT) assistance. Eligibility for the program depends on the number of jobs created and the corresponding wages. We also have the Kansas Industrial Retraining (KIR) program to retrain a Kansas company's existing workforce on new technology or production activities. Projects involving a Kansas Basic Industry – which includes manufacturing, distribution or regional/national service facilities – may qualify for these programs.

Both of these 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); video development; textbooks and training manuals; supplies and materials; temporary training facilities and curriculum planning and development.

INCOME TAX INCENTIVES

High Performance Incentive Program (HPIP)

This program provides a 10 percent corporate income tax credit on the qualified capital investment of an eligible company. 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. The 10 percent tax credit is awarded to companies that operate an eligible business, pay above-average wages and invest in employee training. The credits can be used to significantly reduce a company's corporate income tax liability in a given year. Credits must be used within a consecutive 16-year period. The minimum investment threshold to qualify for HPIP is \$1 million for the urban counties of Douglas, Johnson, Sedgwick, Shawnee and Wyandotte. For all other counties, the minimum investment threshold is \$50,000.

A key component of the (HPIP) is the completion of the Project Description form, which must be submitted to the Department of Commerce prior to the company signing any document, such as a lease or purchase agreement, which commits the company to locating or expanding in Kansas.

PROPERTY TAX INCENTIVES

Machinery and Equipment Property Tax Exemption

Commercial and industrial machinery and equipment acquired by qualified purchase or lease or transferred into the state 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.

Property Tax Abatement – Cities or counties may exempt real property from ad valorem taxation. The tax abatement can include all or any portion of the appraised buildings, land and improvements. A total or partial tax abatement may be in effect for up to 10 years after the calendar year in which the business commences its operations. Any property tax abatement is the decision of the city or county.

SALES TAX EXEMPTIONS

Sales Tax Exemptions available include:

- Labor services related to original construction
- Remodeling costs, furnishings, furniture, machinery and equipment for qualified projects
- New machinery and equipment for manufacturing and distribution. This also includes pre- and post-production machinery and equipment, including raw material handling, waste storage, water purification and oil cleaning, as well as ancillary property such as gas pipes, electrical wiring and pollution control equipment
- Tangible personal property that becomes an ingredient or component part of a finished product
- Tangible personal property that is immediately consumed in the production process, including electric power, natural gas and water
- Incoming and outgoing interstate telephone or transmission services (WATTS)
- Real and personal property financed with an Industrial Revenue Bond

OTHER TAX INCENTIVES AND BUSINESS INITIATIVES

Right-to-Work State – Union membership is well below the national average.

Inventory Tax Exemption – All merchant and manufacturers' inventories are exempt from property taxes.

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. Twenty-five percent of the allowable annual credit may be claimed in any one year.

No Local Income Taxes – Kansas cities and counties do not impose an earnings tax on personal or corporate income.

No Kansas Franchise Tax – Kansas phased out its franchise tax in 2011.

Workers' Compensation – The Kansas workers' compensation program has undergone major changes over the past few years which has resulted in our premium rates being ranked 9th lowest in the U.S.



To learn more about the benefits of doing business in Kansas, please contact Barbara Hake at **(913) 345-8347**, **bhake@kansascommerce.com** or **ThinkBigKS.com**.