



## Business Incentives

**Kansas offers a diverse economy perfect for your business.**

Building from an agribusiness base, the state is thriving and competitive in manufacturing, professional services and wholesale and retail trades. But don't just take our word for it. Ask the folks at *CNBC*, *Forbes*, *Site Selection* and *Area Development* magazines, all of which have named Kansas a premiere state for business.

International companies like **Mars**, **Caterpillar**, **AMC Theatres**, **Cerner**, **Teva**, **Rubbermaid**, **Spirit Aerosystems** and **Cargill** all have a Kansas address because they saw the advantages:

- Competitive financial incentives
- Low operating costs and low cost of living
- Business-friendly policies
- Leaders who know business
- Highly skilled and educated workforce
- Excellent transportation corridors

Strengthened efforts to grow business in Kansas are paying off, and we're seeing a surge in key industries, such as alternative energy, distribution, bioscience and advanced manufacturing. Our state's leadership is innovative and forward thinking, continuing to approve new programs to help promote our state for existing as well as targeted new industries.

**Take a look at Kansas. 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 TAX REFORM**

Effective with the Tax Year 2013, certain Kansas businesses will enjoy significant tax relief. Kansas passed a business income tax exemption which eliminates certain non-wage business income on lines 12, 17 and 18 of IRS Form 1040 for Partnerships, Limited Liability Corporations, Limited Liability Partnerships, Sole Proprietorships and Subchapter-S Corporations that have elected at the federal level to be taxed as a pass-through entity.

In addition, Kansas collapsed the current three-bracket structure for individual state income taxes (3.5, 6.25 and 6.45 percent respectively) into a two-bracket system using rates of 3.0 and 4.9 percent. The individual income tax withholding rates for tax year 2013 and all tax years thereafter are:

### **Married individuals filing joint returns:**

- Taxable income not over \$30,000 – 3.0% of Kansas taxable income
- Taxable income over \$30,000 – \$900 plus 4.9% of excess over \$30,000

### **All other individuals:**

- Taxable income not over \$15,000 – 3.0% of Kansas taxable income
- Taxable income over \$15,000 – \$450 plus 4.9% of excess over \$15,000

The reform also increases the standard deduction amount for single head-of-household filers from \$4,500 to \$9,000 and for married taxpayers filing jointly from \$6,000 to \$9,000.

## **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 seven years. PEAK is available for 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 a period of 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. A PEAK application must be submitted before locating or creating PEAK-eligible jobs in Kansas.

**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 (CDBG) economic development funds to assist an expanding or new business in Kansas. There are two parts to the program: business finance and infrastructure. Under business finance, funds are available for working capital, machinery and equipment and real property. The interest rate is currently set at 3 percent below prime or 4 percent, whichever is greater. The term of the loan is based on the asset being financed - working capital loan is 6.5 years, machinery and equipment 10 years and real property is 15 years. For business loans, a match is required of \$.50 to every \$1 of

CDBG funds. For infrastructure, funding is available for water lines, sewer lines, roads, rail spurs and pre-treatment facilities. Infrastructure funding requires that a quarter of the funds be paid back over a 10-year period at a rate of 0 percent. Funding requires the creation or retention of one full-time job per \$35,000 of CDBG assistance up to the maximum of \$750,000. At least 51 percent of the jobs created or retained must be held by individuals, who at the time of hire, meet HUD's low- and-moderate income test, which is based on median family income in the county in which the project is located.

**Partnership Fund** – Commerce 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 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.

##### **Machinery & Equipment Expensing Deduction**

Eligible Kansas taxpayers are allowed to claim an expense deduction for business machinery and equipment, placed into service in Kansas. This is a one-time deduction 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.

#### **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

## RURAL OPPORTUNITY ZONES

Rural Opportunity Zones (ROZ) are designed 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 ROZ 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 ROZ county. The student loan forgiveness portion of the program is a county-state partnership, and counties must opt in to participate.

## OTHER TAX INCENTIVES AND BUSINESS INITIATIVES

**Right-to-Work State** – Union membership in Kansas is 7.6 percent, 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 the average 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 eliminated its franchise tax in 2011.

**Workers' Compensation** – Kansas ranks 7th lowest in the U.S. for worker compensation rates.



To learn more about the benefits of doing business in Kansas, please contact Barbara Hake at (913) 345-8347, [bhake@kansascommerce.com](mailto:bhake@kansascommerce.com) or [KansasCommerce.com/KBIZ](http://KansasCommerce.com/KBIZ).



# Kansas QUICK FACTS

## **Kansas Education**

- Kansas has one of the most educated and skilled labor pools in the nation as evidenced by the state's commitment to education spending which is 17th best in the nation.
- Kansas ranks 17th in the nation for percent of adults, 25 and over, with a high school education and 16th for percent of adults with a college degree.
- Our state ranks in the top 10 for a low cost of living and 15th overall for business competitiveness based on 10 key economic factors, including workforce, education and transportation.
- Kansas has several major universities educating our future workforce: University of Kansas, Kansas State University, Wichita State University, Fort Hays State University, Pittsburg State University, Emporia State University, Washburn University and 26 community and technical colleges statewide.

## **Kansas Transportation**

- Kansas ranks sixth for quality and access to transportation in all modes for getting products to market and for transporting individuals.
- Kansas ranks third nationally in total road mileage with 140,512 road and street miles and 10,579 highway miles, of which 875 miles are quality four-lane interstates. Interstates 70 and 35 cross Kansas and connect with I-29, part of the North American Free Trade Agreement (NAFTA) corridor. Our strategic location allows next-day freight delivery to nearly 70 percent of the U.S.
- Kansas ranks in the top 10 in the U.S. in railroad mileage with 4,776 miles of track, 2.23 percent of all U.S. railroad miles. Four Class I and 13 Class III (short-line) rail carriers ensure freight service to virtually anywhere in Kansas, since the countless tons of grain grown here have for decades mandated a comprehensive rail system.
- The largest airports are Kansas City International and Wichita Mid-Continent that offer convenient air service with multiple national and regional carriers. Eight regional airports also offer commercial air service.

## **Kansas Electricity, Natural Gas and Telecommunications**

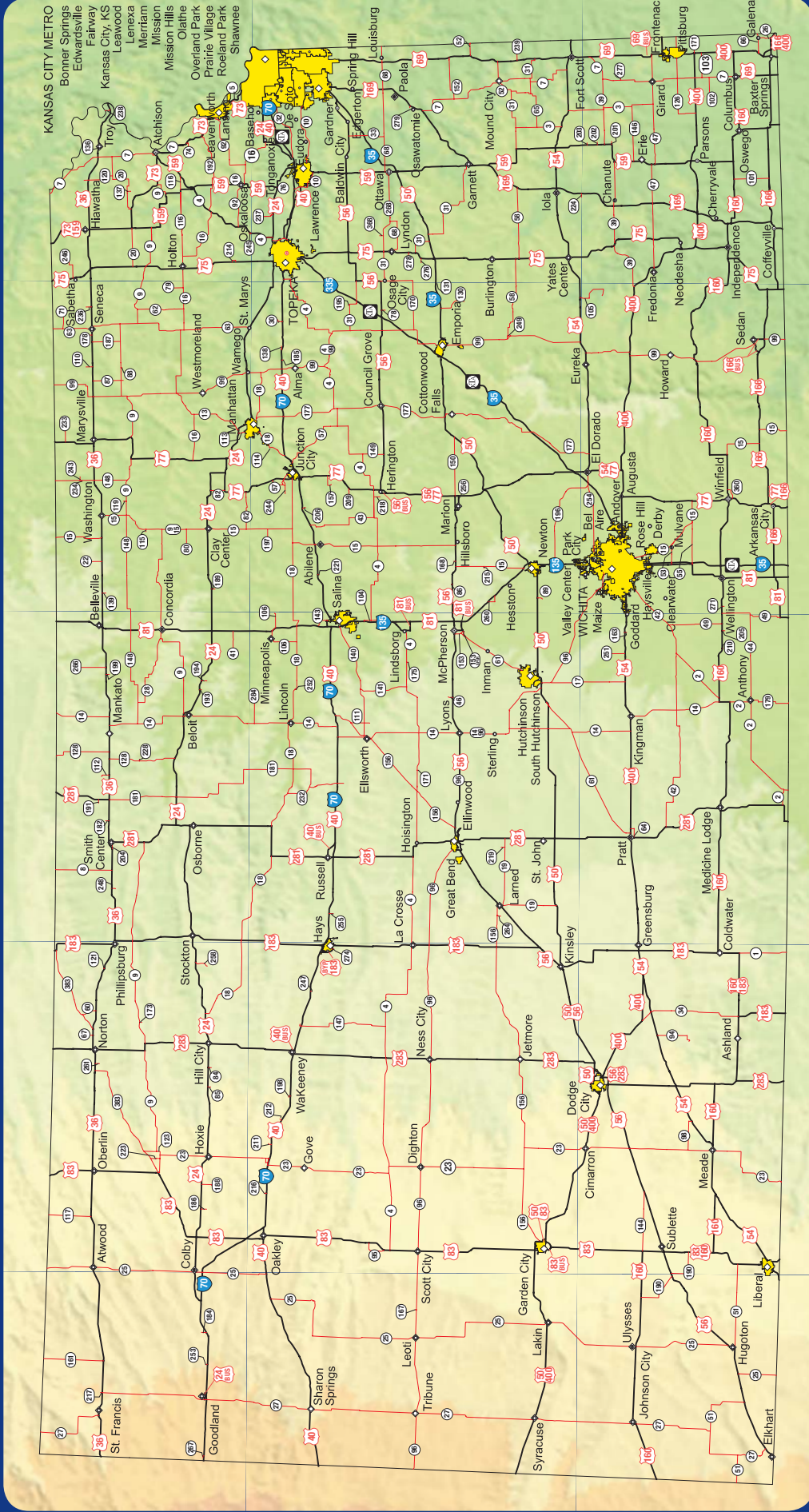
- Electricity costs in Kansas are below the national average supplemented by the excess electric generating reserve and transmission capacity through the three largest investor-owned companies in the state.
- Kansas is also below the national average for natural gas prices for industrial consumers. The 4,800 square-mile Hugoton Gas Field makes the state a leading natural gas exporter.
- Thanks to Kansas' central location, businesses have access to east-west and north-south major trunk lines, connecting to a nationwide fiber optic network.



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# KANSAS



## AFFORDABLE LIVING

Kansas ranks in the top 10 for a low cost of living. Our cost of living is 6.3% below the national average and our housing costs are 12.2% below the national average.

**STATE POPULATION** ..... 2.9 million  
**AREA** ..... 82,282 sq. miles

## DIVERSIFIED ECONOMY

U.S. Dept. of Commerce Bureau of Economic Analysis, 2011

Services ..... 48.49%  
 Finance, insurance and real estate ..... 15.77%  
 Manufacturing ..... 14.08%  
 Transportation and wholesale trade ..... 9.73%  
 Retail trade ..... 6.60%  
 Agriculture and mining ..... 5.34%

## LARGEST CITIES

Wichita ..... 384,445 MSA – 625,526  
 Overland Park ..... 176,185 MSA – 2 million  
 Kansas City, KS ..... 146,453 MSA – 2 million  
 Topeka ..... 128,188 MSA – 234,647