

KANSAS

DATA BOOK 2017

www.KansasCommerce.gov/DB2017

Taxes & Incentives

The structure of Kansas' financial incentives, tax levies and tax credits has been thoughtfully planned to be fair and favorable for your business. Our tax base ensures that no single industry is disproportionately burdened. Our incentives reflect an awareness of what it takes to attract and retain the companies that provide jobs for Kansans. Our state is constitutionally restrained from overspending, providing a foundation of fiscal integrity for our business climate.

Taxes and Fees

Tax Reform Law

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. The new tax rates implemented in FY 2013 through 2018 are shown below:

Married Filing Joint	TY2013	TY2014	TY2015	TY2016	TY2017	TY2018
\$0 - \$30,000	3%	2.7%	2.7%	2.7%	2.7%	2.6%
\$30,001 and over	4.9%	4.8%	4.6%	4.6%	4.6%	4.6%
Single, Head of Household or Married Filing Separate						
\$0 - \$15,000	3.0%	2.7%	2.7%	2.7%	2.7%	2.6%
\$15,001 and over	4.9%	4.8%	4.6%	4.6%	4.6%	4.6%

The reform also increases the standard deduction amount for single head-of-household filers from \$4,500 to \$5,500 and for married taxpayers filing jointly from \$6,000 to \$7,500.

There were a number of changes enacted to Kansas itemized deductions. The deduction for certain gambling losses is repealed after tax year 2013. Most other itemized deductions (except the deduction for charitable contributions, which is fully retained) are reduced by 30 percent in tax year 2013 and 35 percent in tax year 2014. Effective for tax year 2015, the Kansas itemized deductions shall consist only of charitable contributions, 50 percent of residential mortgage interest and 50 percent of property tax paid.

Corporate Income Tax

For corporations whose business income is solely within state boundaries, the tax is four (4) percent of net income. In addition, net income in excess of \$50,000 is subject to a three (3) percent surtax. For those corporations with business income both inside and outside the state, the net income attributed to the Kansas operation is based upon the percentage of the corporation's business located in Kansas. A business' tax obligation is determined by a three-factor formula using the proportion of sales, property and payroll in Kansas compared to total sales, property and payroll.

State law allows net operating losses to be carried forward to each of the 10 years following the taxable year of the net operating loss.

Three-Factor Formula

$\frac{\text{Sales in KS}}{\text{Total Sales}} + \frac{\text{Property in KS}}{\text{Total Property}} + \frac{\text{Payroll in KS}}{\text{Total Payroll}}$

After adding the percentages calculated for the three factors, the result is divided by three to provide an average percentage. Total apportionable income is multiplied by the average percentage to determine Kansas net income. Kansas corporate income tax is calculated using the apportioned net income multiplied by the corporate income tax rate mentioned above.

Corporations may opt to use a two-factor (sales and property) apportionment formula to calculate tax liability if the payroll factor for a taxable year exceeds 200 percent of the average of the property and sales factors.

Two-Factor Formula

$\frac{\text{Sales in KS}}{\text{Total Sales}} + \frac{\text{Property in KS}}{\text{Total Property}}$

After adding the percentages calculated for the two factors, the result is divided by two to provide an average percentage. Total apportionable income is multiplied by the average percentage to determine Kansas net income. Kansas corporate income tax is calculated using the apportioned net income multiplied by the corporate income tax rate mentioned above.

Single-Factor Formula

Investment funds services companies headquartered in Kansas and employing at least 100 individuals on a full-time equivalent basis are taxed only on their income earned from the administration of funds of Kansas residents. An investment funds service corporation is defined as any corporation or S corporation headquartered and doing business in Kansas that derives more than 50 percent of its gross income from the provision of management, distribution or administration services to or on behalf of an investment company, or from trustees, sponsors and participants of employee benefit plans that have accounts in an investment company.

These companies may compute their tax liability using a single-factor formula, which multiplies their qualifying income from funds management services by the percentage of their funds' shares that are owned by Kansas residents. Qualifying income is business income derived from the provision of management, distribution or administration services to or on behalf of an investment company or from trustees, sponsors and participants of employee benefit plans that have accounts in an investment company. A separate calculation must be performed on each fund administered by a company. To continue to use this computation method, companies must maintain at least 95 percent of the Kansas jobs that they had when they first used the computation method. All income that is not from the management, distribution or administration of services is apportioned using the three-factor formula of property, payroll and sales.

Example: Single-Factor Formula, Investment Funds Services Company Tax Liability

Assumptions:

IFSC Company has \$150,000 apportionable income. The company has gross receipts (sales) of \$190,000. Fund A has \$100,000 gross receipts; Fund B has \$40,000 gross receipts and Nonfund gross receipts are \$50,000. The three-factor ratio for IFSC Company Kansas activity is 20%. Fund A has 35% Kansas shareholders and Fund B has 40% Kansas shareholders.

Tax Liability Using single-factor formula:

Assumptions:

IFSC Company has \$150,000 apportionable income. The company has gross receipts (sales) of \$190,000. Fund A has \$100,000 gross receipts; Fund B has \$40,000 gross receipts and Nonfund gross receipts are \$50,000. The three-factor ratio for IFSC Company Kansas activity is 20%. Fund A has 35% Kansas shareholders and Fund B has 40% Kansas shareholders.

Tax Liability Using single-factor formula:

Step 1: Compute qualifying income for each fund and non-fund:

Fund A:

Apportionable income \$150,000 X (Fund A \$100,000 gross receipts / Total gross receipts \$190,000) = \$78,947

Fund B:

Apportionable income \$150,000 X (Fund A \$40,000 gross receipts / Total gross receipts \$190,000) = \$31,579

Non-fund Income:

Apportionable income \$150,000 X (Fund A \$50,000 gross receipts / Total gross receipts \$190,000) = \$39,474

Step 2: Compute Kansas income for each fund and non-fund:

Fund A:

Qualifying income \$78,947 X 35% Kansas shareholders = \$27,631

Fund B:

Qualifying income \$31,579 X 40% Kansas shareholders = \$12,632

Non-fund:

Qualifying income \$39,474 X 20% Kansas 3-factor = \$7,895

Step 3: Sum Kansas income for each fund and non-fund.

Fund A \$27,631 + Fund B \$12,632 + Non-fund \$7,895 = \$48,158

Step 4: Compute Kansas tax.

Kansas income \$48,158 X Kansas tax rate 4.0% (no surtax because \$50,000) = \$1,926

Insurance Tax and Salary Tax Credit

The premium tax rate for domestic and foreign insurance companies doing business in Kansas is 2 percent and the tax rate for domestic and foreign HMOs doing business in Kansas is 3.31 percent. Kansas law K.S.A. 40-252d provides for a tax credit for insurance companies equal to 15 percent of Kansas-based employees' salaries (not including commissions or fringe benefits), or up to a maximum of 1.125 percent of taxable premiums dependent on the company's affiliation. The company can claim either the 15 percent credit or up to the 1.125 percent, whichever is less. This could make the effective tax rate on such companies as low as 0.875 percent. This is an annual credit that is recalculated each year.

For example, if a company qualified for the 15 percent tax credit, the estimated credit would be calculated as follows: 100 jobs at a \$50,000 salary produces an annual payroll of approximately \$5,000,000. The 15 percent salary credit would generate a yearly tax credit of \$750,000 which can potentially offset up to 1.125 percent of the company's two percent premium tax.

Insurance companies may also qualify for the High Performance Incentive Program (HPIP) tax credits to further offset their tax liability. Other tax credits that can be used by insurance companies include the following:

Tangible Property Tax

Both real and tangible personal property are subject to ad valorem taxation by cities, counties and special taxing districts. Intangible property, to the extent it is taxable, is classified and taxed separately. All property is appraised at its fair market value, except for agricultural land, commercial and industrial personal property and certain vehicles. The assessment rate set forth in Art. 11, § 1 of the Kansas Constitution and K.S.A. 79-1439 is applied to the appraised value to determine the assessed value.

The rate of tax depends on the levy of the local taxing district and will vary within the state by location. Both real and tangible personal property are assessed by the county appraiser in the taxing district in which the property is located. Taxes are paid to the county treasurer.

Property taxation is administered by the Division of Property Valuation of the Department of Revenue together with local taxing officers. Public utilities are treated separately for property tax purposes. Utility property is assessed and apportioned to local taxing districts by the Division of Property Valuation.

There are several property tax exemptions that may be available to businesses for certain qualifying real and tangible personal property. Generally, a property owner must apply for a property tax exemption with the Kansas Board of Tax Appeals. (K.S.A. 79-213) The Board of Tax Appeals or appeals courts will decide whether a specific property qualifies for exemption. There are a few exceptions to the filing requirement including machinery and equipment qualifying for exemption pursuant to K.S.A. 79-223 or K.S.A. 79-224 and items of business machinery, equipment and supplies qualifying for exemption pursuant to K.S.A. 79-201w. (K.S.A. 79-213(l))

Example of Property Tax Calculation for Commercial and Industrial Property								
Appraised Value	X	Classification Rate	=	Assessed Value	X	Mill Levy	=	Property Tax
\$1,000,000	X	25%	=	\$250,000	X	100.00	=	\$25,000

**Note: 1 mill = 1/1000 of a dollar*

Major Classes of Property	
Rate	Class
11.5%	Real Property used for residential purposes including multi-family residential real property
12%	Vacant lots, real property owned and operated by not-for-profit organizations
25%	Real property used for commercial and industrial purposes and buildings and other improvements located upon land devoted to agricultural use (Commercial and industrial machinery and equipment are also taxed at this rate)
30%	Agricultural land, mineral leasehold interests and motor vehicles
33%	Public utility real and personal property

Property meeting certain requirements can be exempted from ad valorem taxation. (See Tax Exemptions for Industrial Revenue Bonds and Property Tax Exemptions previously described.)

Intangible Property Tax

Cities, counties and townships are allowed to levy taxes on intangible property. Counties may tax such property at a rate of up to 0.75 percent, and cities or townships may impose an intangible property tax of up to 2.25 percent. The total intangible property tax burden of any individual or business cannot exceed three percent. In practice, most local governments have no tax on intangible property. One-third of the counties in Kansas, less than one-fifth of the cities and about one-third of the townships impose such a tax.

Intangible property is defined as monies and credits including gold and silver coin, United States Treasury notes and stock certificates otherwise taxable to the owner or holder. Intangibles also include: notes, bonds and debentures; claims secured by deed; liquidated claims and demands for money; accounts receivable; and all written instruments, contracts or other writings evidencing, calling for, fixing or showing a fixed obligation in favor of the owner.

Sales and Use Tax

The Kansas state sales and use tax rate is 6.50 percent of the sale price of tangible personal property and taxable services sold at retail to the consumer. The retailer must charge a customer the combined sales tax rate that equals the sum of the applicable state rate plus all local sales tax rates. Local rates include cities and counties. Cities are authorized to impose a maximum sales tax rate of three percent which includes two percent general and one percent special. Counties are authorized to impose a maximum one percent general sales tax rate. Special legislative action is required for more than one percent.

Kansas Unemployment Insurance

In Kansas, as in all states, the unemployment insurance system is a federal-state joint venture, financed by both federal and state unemployment taxes. The UI program is administered by the Kansas Department of Labor, Division of Employment Security, "to provide temporary, weekly compensation to qualified unemployed workers. The two units of this division are Benefits and Tax (Contributions). The Benefits unit determines claimant eligibility and payment of unemployment benefits. The Tax unit collects the state unemployment tax from subject employers."

Due to Kansas House Bill No. 2576, which was enacted in April 2015, beginning in rate year 2015, all new non-construction employers who began operation on July 1, 2014, or after are eligible for the new UI contribution rate of 2.7 percent. Alternatively, if the employer moves to Kansas from another state, the employer may pay Kansas unemployment tax rate corresponding with the employer's earned experience from the previous state instead of the standard 2.7 percent. The minimum rate is 1 percent. To qualify for this alternative UI rate, employers must meet four requirements:

- The new employer has been in operation in another state for a minimum of three years;
- The new employer provided an authenticated account history from the employer's operations;
- The business operations established in Kansas are of the same nature, as defined by the North American Industrial Classification System, as the operations in another state;
- The new employer must make election of the alternative rate within 30 days of notice of Kansas liability.

Additionally, the bill creates a new classification for employers called "Entering and Expanding Employers." Targeted toward existing, growing Kansas employers, an expanding employer is eligible to receive a lower rate based on the employer's demonstrated risk as reflected in the employer's reserve fund ratio history or the new employer rate of 2.7 percent for four years, subject to approval by the Secretary of Labor. To qualify for this, an employer must meet the following criteria:

- There has been a 100 percent increase in the taxable payroll over the previous year, due to employment growth and not because of a change in the taxable wage base;
- The employer has a positive account balance, meaning the employer has contributed more to the UI System than what has been paid out in benefits to workers previously employed;
- The employer maintains a positive account balance through the four-year period the reduced rate is in effect.

Employers who are not eligible for a rate computation shall pay contributions at the rate of 2.7 percent, except for employers in the construction industry, who will pay at the rate of 6 percent. House Bill 2576, passed in 2014, changed the minimum rate for positive balance employers from 0.11 to 0.09 percent.

The maximum rate remained the same at 5.4 percent. The taxable wage base for Kansas employers was \$8,000 per year in 2014, \$12,000 in 2015 and is \$14,000 in 2016.

Lastly, the bill removed the cap placed on voluntary contributions. "Previously, the statute limited voluntary contributions to no more than five rate groups. Any employer is permitted to buy down the tax rate as much as desired."

Prior to July 1, 2015, the maximum weekly benefit was computed from 60 percent of the average weekly wages paid to employee in insured work during the previous calendar year. After July 1, 2015, the maximum weekly benefit will be calculated at 55 percent of the average weekly wages but not to be less than \$474.

Senate Bill 154, passed in 2015, changed the rate schedule for 2016 and future years. Beginning January 1, 2016, there will only be 27 rate groups for positive balanced employer in comparison to the 51 rate groups prior to 2016. Negative balanced employer will now only have 11 rate groups as compared to 20 prior to 2016. The tax rate and the reserve ratio ranges are now fixed for both positive and negative balanced employers. The impact for employers is greater certainty from year to year concerning their unemployment contribution rate.

Unemployment Insurance for Selected States		
State	Taxable Wages	Average
Kansas	\$14,000	1.13%
California	\$7,000	4.63%
New York	\$10,700	3.48%
Illinois	\$12,960	3.08%
Missouri	\$13,000	1.84%
Oklahoma	\$17,500	0.88%

Source: U.S. Department of Labor, Employment & Training Administration (accessed December 14, 2017).

Kansas Shared Work Unemployment Insurance

The Shared Work Unemployment Insurance Program is designed to help both employers and employees by:

- Allowing an employer to divide the workday among a group of affected employees in lieu of a layoff
- Allowing employees to receive a portion of their unemployment benefits while working reduced hours

Kansas Workers' Compensation

The Kansas Workers' Compensation Program has undergone major changes over the past few years. We have made dramatic annual decreases in rates and new laws have been passed which have helped reduce the costs for employers.

Premiums for workers' compensation insurance are determined by applying the rate for occupational classes and experience ratings for individual firms. Premiums are calculated per \$100 of annual employee wages. The rates are competitive and vary by insurance company. Workers' compensation premium rates in Kansas are ninth lowest in the nation.

Kansas employers may secure workers' compensation insurance for employees in one of three ways:

- 1) They may obtain insurance from private insurance companies authorized to transact workers' compensation insurance in Kansas, either in the voluntary market or assigned risk plan;
- 2) Apply to the Kansas Department of Labor to become self-insured or;
- 3) Become a member of a group-funded workers' compensation insurance pool if they are eligible.

The maximum weekly benefit is two-thirds of the employee's average weekly wage at the time of the injury, up to a maximum of \$627 per week.

Workers' Compensation Premium Rate Ranking					
2016 Ranking	2014 Ranking	2012 Ranking	2010 Ranking	State	Index Rate
43	39	41	43	Kansas	1.41
1	1	3	5	California	3.24
3	4	5	13	New York	2.83
T-20	31	26	33	Missouri	1.92
T-8	7	4	3	Illinois	2.23
T-8	6	6	4	Oklahoma	2.23

Source: Oregon Department of Consumer and Business Services, Information Management Division

Incentives, Tax Credits and Tax Compensation

The State of Kansas offers significant and comprehensive business incentives to encourage the construction and expansion of Kansas businesses and industries.

Promoting Employment Across Kansas

The creation of the Promoting Employment Across Kansas (PEAK) Act, K.S.A. 2015 Supp. 74-50,210 through 74-50,219, was created by the 2009 Kansas Legislature. PEAK is intended to foster economic development in Kansas by incentivizing companies to relocate, locate, expand or retain a business facility/operations and related jobs. The Secretary of Commerce (the Secretary) has discretion to deny or approve applications of qualified companies. The PEAK benefit and term are based upon the number of PEAK Jobs/Employees to be hired, their wage levels and other economic impact variables of a project. The PEAK benefit is a fixed amount spread equally and capped annually over a benefit term of up to 10 years. During the benefit term, participating PEAK companies may retain or be refunded 95 percent (95%) of the state withholding tax of PEAK-Eligible Employees that are paid at or above the county median wage where the PEAK business facility is or will be located.

PEAK requires within a two-year period, five new PEAK Jobs in non-metropolitan counties or ten (10) new PEAK Jobs in the metropolitan counties of Shawnee, Douglas, Wyandotte, Johnson, Leavenworth and Sedgwick. Aggregate wages of the PEAK Jobs must meet or exceed the county median wage (CMW) or North American Industry Classification System (NAICS) average wage for their industry. Applicants meeting program requirements may include for-profit companies and not-for-profit headquarters. Qualified applicants also must: 1) offer an adequate health insurance policy (see Definitions) to its full-time employees within 180 days of hire and be paying at least 50 percent of the employee's premium; 2) not owe undisputed federal, state or local taxes; and 3) not be seeking protection under the federal bankruptcy code.

Wages of PEAK-Eligible Employees may not be considered when computing the research and development tax credit (K.S.A. 79-32, 182b).

Also, PEAK-Eligible Employees who apply for the Rural Opportunity Zones (ROZs) income tax credit/waiver program would not be eligible to have their withholding taxes retained by or refunded to the qualified company for the PEAK benefit.

Companies must work with a Commerce regional project manager to apply to the PEAK program. Applications are accepted throughout the year and must be received PRIOR to hiring PEAK Employees in Kansas and within 180 days of acknowledgement from Commerce of the company's decision to relocate, newly locate, expand or retain jobs in Kansas.

For detailed information, please see the PEAK Guidelines and Application available online www.KansasCommerce.gov/PEAK.

High Performance Incentive Program

The State of Kansas offers significant and comprehensive business incentives to encourage the construction and expansion of Kansas businesses and industries. Specifically, the High Performance Incentive Program (HPIP) offers business incentives to companies that make new capital investment in their companies, pay above-average wages for their industry, and invest in workforce training for their employees. For certain non-manufacturing firms, there may be an additional qualifier that a majority of their revenues will need to come from outside of Kansas. HPIP can offer corporate income tax credits and a sales tax exemption on purchases related to your project.

These credits can be used by corporations, as well as by other entities such as Subchapter S corporations and limited liability companies.

To be eligible for HPIP, a worksite must either pay above-average wages for its industry, or one-and-a-half times the statewide average wage exclusive of owner compensation. To determine whether a worksite pays above-average wages, the worksite's wages will be compared to those of business establishments in like industries within the county or counties that comprise the appropriate HPIP wage region. Once the wage criterion has been met, the worksite must either invest an amount equal to two percent of its total payroll on qualified employee training or participate in the Kansas Industrial Training (KIT) program or the Kansas Industrial Retraining (KIR) program.

Firms must be certified by Commerce before filing for this credit. Participating businesses must be in the North American Industry Classification System (NAICS) categories 221, 311-425, 481-721 or 811-928. If a business is in major NAICS non-manufacturing categories 221, 423-425, 481-721 or 811-928, more than half of sales must be to Kansas manufacturers and/or out-of-state commercial or government customers.

Specific incentives extended to firms meeting the qualifications include the following:

- A 10 percent investment tax credit against corporate income tax on qualified business facility investment (as defined by K.S.A. 79-32,154) that exceeds \$50,000 or \$1M for metro counties of: Johnson, Shawnee, Sedgwick, Wyandotte and Douglas. The investment tax credit is a one-time credit with a 16-year carry forward provision, subject to requalification for any unused credits, and can be used to reduce up to 100 percent of a firm's annual tax liability.
- A workforce training tax credit of up to \$50,000 per annum on qualified training expenditures above two percent of reported worksite wages. Unused training tax credit cannot be carried forward for use in future tax years.
- A sales tax exemption on purchases and services relating to new investment in facility or equipment after HPIP certification is obtained.

As a critical first step in order to take advantage of HPIP tax credits, the firm must submit a Project Description (PD) Form to Commerce, estimating the scope of anticipated investment. The statute requires submittal of the Project Description form before the company commits to move forward with the investment (e.g., by making a purchase, signing a commitment document such as an equipment purchase order or lease agreement or construction contract, or moving assets into Kansas that are already owned by the company at an out-of-state location). Pre-identification of qualified investment on the PD allows the company to potentially earn tax credits on that investment.

For detailed information, please see the HPIP Webpage available online www.KansasCommerce.gov/HPIP.

High Performance Incentive Program and Premium Example

Investment Tax Credit (ITC) may be used to offset income, privilege or premium tax liability. HPIP is allowed for income tax filers, privilege tax filers (banks) and insurance company filers. Allowed unused credits can be carried forward for 16 years. Employee training tax credit is applied first and does not carry forward.

HPIP Requirements:

1. Company pays above-average wages.
2. Company invests at least two percent of payroll in training or is actively participating in one of the state’s workforce training programs.
3. Business in major NAICS category of (first three numbers) 221,311-339,423-425,481-519,521-721 or 811-928.
4. If business is in major NAICS category of (first three numbers) 221,423-425,481-519,521-721 or 811-928, more than half of sales must be to Kansas manufacturers and/or out-of-state commercial or government customers.
5. For any investment on which the company anticipates claiming a related tax credit through HPIP, a Project Description form must be submitted before the company has committed to that investment.
6. *For metropolitan counties of: Johnson, Shawnee, Sedgwick, Wyandotte and Douglas, the minimum threshold of \$1.0M would be deducted vs. \$50,000 before calculating the 10 percent investment tax credit.

Assumptions:

1. Capital investment \$5,000,000 (all expenses in this example go toward equipment)
2. Number of jobs created 30 (not required to qualify for HPIP)
3. Annual Payroll \$1,000,000
4. Investment in training \$60,000 (may utilize state training programs KIT, KIR)
5. Year’s income tax liability..... \$75,000

Benefits:

1. Employee Training tax credit \$40,000 (exceeding 2 percent of annual payroll, max \$50,000)
2. Investment Tax Credit \$495,000 (10 percent of amount exceeding \$50,000*)
1. Total HPIP Income Tax Credit \$495,000
2. Less: Total income tax liability during year of investment.... \$75,000
3. ITC’s to use toward future Tax liability \$420,000
3. Sales Tax Project exemption \$307,500 (capital investment X 6.15 percent tax)

Total High Performance Incentive Program Benefit:

- HPIP Investment Tax Credit \$495,000
- Sales Tax Exemption Savings \$307,500

Total HPIP Benefit \$802,500

Definitions:

Sales Tax Exemption:

Eligible purchases including the purchase and installation of machinery and equipment, as well as materials used in the construction, reconstruction, enlarging, remodeling or furnishing of a qualified business facility. The exemption includes any quality control or pollution control equipment installed as part of the aforementioned activities. A business must file a Request for Project Exemption Certification (Form PR-70b) at www.ksrevenue.org/pecwelcome.html with the Department of Revenue before starting the project and making taxable purchases. The sales tax exemption is available in all counties in Kansas.

Net New Job:

For new companies, any job that is new to Kansas is a “net new job.” For an expanding industry or one building a replacement facility, a “net new job” refers to any job created over and above the employee base, which is determined by averaging the preceding year’s annual employment.

Qualified business facility:

Includes the value of all real and tangible personal business property except inventory or property intended for sale to customers. The value of such property is its original cost if owned by the company or eight times the annual rental rate if leased by the company. Equipment transferred to Kansas from out-of-state to a new or expanding facility is considered qualified investment. Such equipment is valued at its original purchase cost.

If the company purchases and takes delivery of canned software, this is tangible personal property and can be included as qualified business facility investment. If the company developed the software for their own use (customized software), this would be considered as intangible property and not qualified business facility investment for HPIP purposes.

HPIP – Sales Tax Exemption for Capital Expenditures

Companies who qualify for HPIP can also qualify for a state and local sales tax exemption for expenditures made on the materials, equipment and services purchased when building, expanding or renovating a business facility. Companies that qualify for HPIP are eligible to receive a state and local sales tax exemption without being tied to a job creation requirement. The Request for Project Exemption Certificate (PR-70b) needs to be filed prior to making taxable purchases related to the project. The application is filed with the Kansas Department of Revenue.

A letter from the Kansas Department of Commerce would need to accompany the sales tax exemption request indicating the legal entity was certified under HPIP for the request to be approved. The sales tax exemption certificate will be issued effective from the latter of the date the exemption request is received by Revenue or the start of the HPIP certification period. The sales tax exemption can be effective for the term of the project if the company remains certified under HPIP. The sales tax exemption can be accessed at www.KansasCommerce.gov/DocumentCenter/View/4618.

A company may need to pay sales tax on the taxable purchases and file for reimbursement if the company is not HPIP-certified at the time of purchase.

Eligible purchases include the purchase and installation of machinery, equipment, labor and materials used in the construction, reconstruction, enlarging or remodeling of a qualified business facility. The exemption includes any telecommunications systems, quality control equipment or pollution control equipment installed as a part of the aforementioned activities.

The amount of the exemption is dependent on the portion of the building leased and the costs of renovating or developing the facility. Partial exemptions for leases where only a portion of the building is leased are calculated using a percent-of-total-square-feet-leased method or a cost-per-square-foot method for the leased space.

Machinery & Equipment Expensing Deduction

Eligible Kansas taxpayers are allowed to claim an expense deduction for business machinery and equipment, placed in service in Kansas during the tax year. Effective Tax Year 2013 and forward, only C-Corporations may claim the expense deduction against the corporate income tax liability. The expense deduction will not be available to other types of taxpayers. Effective Tax Year 2014 and forward, privilege taxpayers may claim the expense deduction against the privilege tax liability.

The one-time deduction is allowed for each qualified purchase of machinery and equipment in the year that it is placed in service. The unused expense deduction is treated as a Kansas net operating loss that may be carried forward for ten (10) years. However, effective Tax Year 2013, the Kansas net operating loss deduction is only available to C-Corporations and is no longer available to other types of taxpayers. 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. Part of the deduction is recaptured if the property is later sold or moved outside of Kansas during its applicable recovery period.

Machinery & Equipment Property Tax Exemption

A state and local property tax exemption is available for new or used commercial and industrial machinery and equipment acquired by qualified purchase or lease, or transferred into the state for the purpose of expanding an existing facility or establishing a new facility after June 30, 2006. This exemption covers:

- Equipment used in manufacturing operations
- Business machinery
- Desks and chairs
- Fax machines
- Spare parts, supplies and materials
- Equipment used in warehousing/distribution
- Computers
- Copiers
- Semi-trailers

(Items not covered include: motor vehicles; oil and gas leases including the prescribed personal property; oil and gas itemized personal property such as drilling equipment and rigs, pipe and casing, and public utility personal property except telecommunications, railroads and electric generation facilities utilizing renewable energy resources.)

Inventory Tax Exemption

All merchants' and manufacturers' inventories have been exempt from property taxes by constitutional amendment since 1989 (K.S.A. 79-201m). This exemption does not apply to public utility inventories.

Tax Exemptions for Industrial Revenue Bonds

Businesses using Industrial Revenue Bonds (IRBs) as a financing mechanism may enjoy certain tax exemptions:

- Property financed with IRBs is exempt from ad valorem taxation for up to 10 years after the bonds are issued. However, localities may elect to negotiate payments in lieu of taxes (K.S.A. 79-201a).
- The cost of construction labor, building materials and machinery and equipment is exempt from state and local sales taxes if financed by IRBs (K.S.A. 79-3603).

Property Tax Exemption

The board of county commissioners or the governing body of a city may exempt certain business property from ad valorem taxation. Qualifying properties must be used exclusively for manufacturing articles of commerce, conducting research and development or storing goods or commodities that are sold or traded in interstate commerce. The tax exemption includes all or any portion of the appraised value of buildings and commensurate land and improvements. Property additions and expansions of existing businesses are eligible for the property tax exemption if new jobs are created as a result of such activity.

A total or partial ad valorem tax exemption may be in effect for up to 10 years after the calendar year in which the business commences its operations or an expansion is completed (Art. 11, Sec. 13, Kansas Constitution).

Items of machinery, equipment, materials and supplies used for business purposes with a retail cost when new of \$1,500 or less are exempt from property tax. (K.S.A. 79-201w). Aircraft used predominantly in the conduct of the owner's business or industry is exempt from property tax. (K.S.A. 79-201k).

For more information, visit www.KansasCommerce.gov/144/Property-Tax-Abatement-Assistance.

Property Tax Exemption for Electric Power Generators

Kansas offers incentives to increase the amount of electric power generated in the state. These incentives work for the construction or expansion of electricity generating facilities for both independent power producers (so-called "merchant power plants") and rate-based utilities. Independent power producer facilities are exempt from property taxes from the commencement of construction and for 12 years after the taxable year in which construction is completed. The eligibility period for plants used exclusively during peak load periods is six years. Electricity generation facilities constructed by regulated public utilities are exempt for 10 years (four years for peak load plants) (K.S.A. 79-259).

Transmission lines and equipment constructed by regulated public utilities after Jan. 1, 2001, also receive a 10-year property tax exemption (K.S.A. 79-259). (Nuclear power plants do not qualify for these exemptions.) The Kansas Development Finance Authority is authorized to issue revenue bonds to pay the construction costs of pollution control equipment at power plants.

Property Tax Exemption for Renewable Energy Generation

Kansas offers outstanding opportunities for electricity production from renewable sources. The Kansas Legislature enacted a property tax exemption for projects that use wind, solar, photovoltaic, biomass, hydropower, geothermal or landfill gas resources to generate electrical energy. Kansas Statute 79-201 K.S.A. Eleventh grants a property tax exemption for all property actually and regularly used predominantly in the generation of electricity from renewable sources, whether it is an industrial, commercial, utility or personal application. After December 31, 2016, exemptions granted for new renewable energy facilities will be limited to the 10 taxable years immediately following the taxable year in which construction or installation of such property is completed.

For more information, visit www.KansasCommerce.gov/468/Alternative-Energy.

Sales Tax Exemptions

There are several sales tax exemptions available in Kansas by state statute which are identified in this booklet, along with the application for the exemption: <http://www.ksrevenue.org/pdf/pub1520.pdf>. Some of our key sales tax exemptions are listed below:

- Electricity, gas and water consumed during manufacturing are exempt from the Kansas sales tax [K.S.A. 79-3606(n)].
- Sales of manufacturing machinery and equipment are exempt from sales taxes [K.S.A. 79-3606(kk)]. This exemption extends to machinery and equipment purchased primarily for use in the assembly, processing, finishing, storing, warehousing or distribution of tangible personal property intended for resale. Specifically, K.S.A. 79-3606 (fff) provides that the following shall be exempt from tax:
 - Sales of material handling equipment, racking systems and other related machinery and equipment that is used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility in this state;
 - Sales of installation, repair and maintenance services performed on such machinery and equipment;
 - Sales of repair and replacement parts for such machinery and equipment
- Labor and services used in original construction. [K.S.A. 79-3603(p)]
- Tangible personal property purchased by a railroad or public utility for direct and immediate consumption or movement in interstate commerce. [K.S.A. 79-3606(f)]
- Tangible personal property that becomes an ingredient or component part of tangible personal property or services produced, manufactured or compounded for ultimate sale at retail either inside or outside of Kansas. [K.S.A. 79-3606(m)]
- Tangible personal property that is immediately consumed or dissipated in the actual production, manufacturing, processing, mining, drilling, refining or compounding of tangible personal property for ultimate sale at retail either inside or outside Kansas. [K.S.A. 79-3606(n)]
- Purchases of animals, fowl and fish primarily used in agriculture; the production of food for human consumption; the production of animal, dairy, poultry or fish products, fiber or fur; or the production of offspring for use in any such endeavor. [K.S.A. 79-3606(o)]
- Tangible personal property purchased by a city from the proceeds of industrial revenue bonds issued prior to July 1, 1973; the cost of the building and all items of fixed equipment are entitled to exemption from Kansas sales tax at the time of initial purchase. [K.S.A. 79-3603(h)]
- Incoming and outgoing interstate-wide area telephone or transmission services (WATTS). The gross receipts from sales of interstate telephone or telegraph services utilizing a WATTS line are specifically exempted from state sales taxes. [K.S.A. 79-3603(b)]

A sales tax exemption certificate must be obtained from the Kansas Department of Revenue prior to any purchases. The exceptions to this involve the labor on residential construction, original construction and replacement or repair of bridges and highways, which does not require a certificate [K.S.A. 79-3603(p)]. The Kansas Department of Commerce can assist businesses in obtaining exemption certificates. Kansas applies the "Integrated Plant" standard to the taxation of machinery and equipment used in production [K.S.A. 79-3606(kk)]. Adoption of the integrated plant standard makes it easier for the taxpayer to interpret the boundaries of the exemption. Traditionally, manufacturing machinery and equipment used in production qualified for the tax exemption only if they had a "direct and immediate effect" on the physical transformation of raw material into new material.

The integrated plant theory is broader and allows for additional machinery and equipment to qualify for the tax exemption. Machinery such as pollution control equipment will qualify for the tax exemption under the integrated plant theory.

The integrated plant theory is specifically intended to include the following:

- Pre-production machinery and equipment (e.g., raw material storage equipment, raw material handling equipment).
- Machinery that services the production line (e.g., machinery that purifies water, cleans oil, screens chemicals).
- Machinery that deals with byproducts of production (e.g., pollution control equipment, waste handling equipment).
- Ancillary property that might otherwise not be viewed as machinery or equipment (e.g., gas pipes, electric wiring, special foundations, clean rooms).
- Labor services for installation and repair of qualified machinery or equipment.

Tax Credit for Research & Development

In order to stimulate increased research and development activity by Kansas businesses, the State offers an income tax credit equal to 6.5 percent of a company's investment in research and development above an average of the actual expenditures in research and development activities made in the taxable year and the two immediate preceding taxable years. Only 25 percent of the allowable annual credit may be claimed in any one year. Any remaining credit may be carried forward in 25 percent increments until exhausted. Expenditures in research and development activities are defined by Kansas law as those expenses that are allowable as deductions under the federal Internal Revenue Code. Beginning in tax year 2013, this credit is only available to corporations subject to the Kansas corporate income tax, i.e. C Corporations. Beginning in tax year 2013, this credit shall not be available to individuals, partnerships, S Corporations, limited liability companies or other pass through entities (Schedule K-53, K.S.A. 79-32,182b).

Research Tax Credit Calculations Table	
Total Qualified Investment	
2016.....	\$150,000.00
2015.....	\$125,000.00
2014.....	\$100,000.00
Tax Year 2016 Return Calculations	
Total Qualified Expenditures.....	\$375,000.00
Three-Year Average Expenditure.....	\$125,000.00
Amount of Expenditures for Credit.....	\$25,000.00
	(\$150,000 less \$125,000)*
2016 Credit Calculation	
6.5% of base expenditure allowed 6.5% x \$25,000.....	\$1,625.00
25% of credit claimed per year 25% x \$1,625.....	\$406.25
Previous Carry-Over Credits	
(may be claimed from previous tax years)	
2016.....	\$541.67
2015.....	\$1,083.25
Total Credits Against 2016 Taxes.....	
\$2,031.17	
*Current expenditures of \$150,000 minus three-year average of \$125,000	

Disabled Tax Credit

Any taxpayer who spends money to make all or any portion of an existing building or facility accessible to persons with a disability is entitled to a tax credit. The building or facility must be on real property located in Kansas and used in a trade, business or for the production of income.

The tax credit available is equal to 50 percent of expenditures of this kind, or \$10,000, whichever is less. The tax credit is applied against the income tax, premium tax or privilege fees and shall be deducted from the taxpayer's tax liability in the taxable year in which the expenditures are made.

This tax credit may be carried over for a period of four years after the year the credit was earned. Effective tax year 2013, this credit shall only be available to corporations subject to the Kansas corporate income tax, i.e. C Corporations. Effective tax year 2014 and forward, the credit becomes available to all taxpayers. (Schedule K-37, K.S.A. 79-32,177, K.S.A. 79-1117 and K.S.A. 40-2813).

Tax Credits for Day Care Facilities

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 locate child day care services for their employees or that provide facilities and necessary equipment for child day care services.

The credit is equal to 30 percent of the amount spent in Kansas during the tax year for child day care services purchased for the dependent children of the taxpayer's employees. However, the credit for any taxpayer cannot exceed \$30,000 for any tax year.

Employers wishing to establish a child day care facility primarily for the employees' dependent children can claim additional benefits. A credit of up to 50 percent of the amount spent in the establishment of such a facility can be taken, up to \$45,000 per taxpayer, during the first year. One or more taxpayers may work together to establish such a facility. In the taxable years after the year of establishment, the annual credit available to the taxpayer would be 30 percent of the amount expended for the annual operation of the facility but not to exceed \$30,000 for any tax year.

When computing the credit, amounts received by the taxpayer as payment for use of the child day care services are subtracted from the annual cost of operating the facility.

In order to receive this tax credit, the child day care facility or provider must be licensed or registered in Kansas. Should the taxpayer qualify for the credit, the amount of the credit in excess of the taxpayer's liability for the tax year will be refunded. The aggregate amount of child day care facility credits that may be claimed for any fiscal year cannot exceed \$3 million statewide. Beginning in tax year 2013, this credit shall only be available to corporations subject to the Kansas corporate income tax, i.e. C Corporations. This credit shall not be available to individuals, partnerships, S Corporations, limited liability companies or other pass through entities. (Schedule K-56, K.S.A. 79-32,190 et seq.)

Entrepreneurship Tax Credit

Taxpayers, including corporations that invest in the Kansas Center for Entrepreneurship, can claim a state tax credit of 75 percent of the amount donated. The minimum investment to claim the tax credit is \$250, and the tax credit is limited to a total of \$2 million for any fiscal year.

The tax credit is limited to \$50,000 per individual contributor per tax year. Funds will be used for awards to regional and community organizations that provide seed capital to qualified entrepreneurs, especially those located in distressed and rural communities. (Schedule K-31, K.S.A. 74-99c09)

Angel Investor Tax Credit

The credit is 50 percent of the investor's cash investment in the qualified securities of an eligible Kansas business. If the amount of the credit exceeds the investor's tax liability in any one taxable year, the remaining portion of the credit may be carried forward until the total amount of the credit is used. The credit is limited to \$50,000 for a single Kansas business or a total of \$250,000 of tax credits for a single year per investor.

The cumulative aggregate amount of angel investor tax credits allowed shall not exceed \$6 million for each tax year. The 2016 Legislature extended this tax credit until 2021. An accredited investor is a natural person or an owner of a permitted entity investor, who is of high net worth, as defined in 17 C.F.R. 230.501(a) as in effect on the effective date of the act.

The SEC defines an accredited investor as any natural person whose individual net worth, or joint net worth with that person's spouse exceeds \$1,000,000, or any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. (Schedule K-30, K.S.A. 74-8133).

For more information, please visit www.kansascommerce.gov/368/Kansas-Angels-Tax-Credit.

Kansas Downtown Redevelopment Tax Rebate

Through the Downtown Redevelopment Act, areas designated by the Secretary of Commerce can receive a rebate of property tax collected on properties that have undergone approved improvements. The city must request and be approved by Commerce before businesses can take advantage of the rebate. The amount of the rebate depends on the city and whether or not there are inter-local agreements in place with all local taxing entities or if the rebate is only from the city's percentage. A property owner submits a written application to the governing body of the city to request the rebate.

A rebate of the incremental tax increase between the valuation prior to the improvements and the new assessed valuation is made available for five years. For the sixth year, 80 percent of the tax increment is subject to rebate. For the seventh, eighth and ninth years, the percentage of the tax increment that is not subject to rebate will increase by 20 percent each year. Beginning in the 10th year, no rebate is available.

For more information, please visit www.kansascommerce.gov/120/Kansas-Downtown-Redevelopment-Act.

Community Service Program Tax Credit

The Kansas Community Service Program authorizes tax credits against the state income tax, premium tax and privilege tax for businesses that make contributions toward state-approved community service capital projects. The awarded organizations or entities must engage in activities that meet demonstrated needs in the state in the areas of community service, health care, crime prevention and/or youth apprenticeship and technical training.

Contributions toward approved projects are eligible for up to a 50 percent credit. Contributions toward approved projects in designated rural areas are eligible for up to a 70 percent credit. The Community Development Division of Commerce administers this program, determining the eligibility of contributing recipients by process of application (Schedule K-60 K.S.A. 79-32,194 et seq.).

Renewable Energy Incentives

With an ever-increasing percentage of the state's energy coming from renewable sources, Kansas offers an immediate advantage to companies committed to meeting corporate sustainability goals. From our investor-owned utilities to co-ops and municipal utilities across the state, our energy providers are incorporating wind energy as a key component of their energy portfolios.

Located in the heart of the nation's Wind Corridor, Kansas also offers an ideal location for manufacturing wind turbine components and supplies. Our central location and outstanding transportation infrastructure provide convenient and economical access to the regions with the greatest wind energy activity. Kansas is ranked 2nd in wind potential and is among the top five states for operating wind farms.

There are also thousands of megawatts of additional wind energy under development across the state with 874 megawatts currently in advanced development. Kansas wind is very cost effective due to high productivity factors, and has therefore been attractive to out-of-state off-takers, which are purchasing over 45 percent of the wind energy produced in Kansas.

According to data in the 2016 Annual Wind Market Report, Kansas ranks in the Top 10 in a number of categories:

- 5th in cumulative investment in wind energy projects (\$8.4 billion)
- 5th in wind industry employment (5,001-6,000)
- 5th in estimated annual lease payments to landowners by wind projects (\$10-15 million)
- 8th in wind capacity currently in advanced development (874). 5th in wind power capacity installations (4,451 MW)
- 4th in wind power capacity additions during 2016 (687 MW), 3rd in wind energy as percent of total state generation (29.6 percent)
- 6th in fastest growing states for wind generation (28.3 percent annual growth) and 4th in total generation from wind power (14.1 million MWh)

Kansas is committed to the growth of this industry through the development of additional wind farms, a strong supply chain and transmission capabilities to out-of-state markets.

In addition, Kansas has multiple operating ethanol facilities across the state. The State of Kansas has numerous incentives to assist the development of renewable energy. State tax credits are available for projects that utilize waste heat to convert to energy or otherwise offset local power usage via renewable sources. Incentive payments, tax credits and other development incentives are available to producers, retail dealers and individuals that utilize alternative fuel sources.

Kansas has enacted a host of renewable energy policies, including a renewable energy goal, energy efficiency measures for state-owned property and net metering. To encourage the growth of alternative energy, the state offers a 10-year personal property tax exemption for projects generating electricity from renewable sources.

Petroleum Refinery

A taxpayer may be entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new, expanded or restored refinery. The deduction is in an amount equal to 55 percent of the amortizable costs for the first taxable year of production and five percent for each of the following nine years. (K.S.A. 79-32,221)

In order to qualify for these benefits, the facility must be a new refinery, expansion of an existing refinery (capacity increases at least 10 percent) or a restored refinery (a refinery which has been out of production five or more years).

For all taxable years commencing after Dec. 31, 2005, any new refinery property, any expanded refinery property, or any restored refinery property is exempt from all property taxes levied from and after purchase or commencement of construction or installation of such property and for the 10 taxable years immediately following the taxable year in which construction or installation of such property is completed. (K.S.A. 79-226)

The Kansas Development Finance Authority is authorized to issue revenue bonds in amounts sufficient to finance the construction of such a facility.

Biomass-to-Energy Plant

A taxpayer may be entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new facility or expansion of an existing biomass-to-energy plant. The deduction is equal to 55 percent of the amortized costs of the facility for the first taxable year and five percent for the next nine taxable years. This provision applies to all taxable years commencing after Dec. 31, 2005. (K.S.A. 79-32,237)

For all taxable years commencing after Dec. 31, 2005, any new biomass-to-energy plant property or any expanded biomass-to-energy plant property is exempt from all property taxes levied from and after purchase or commencement of construction or installation of such property and for the 10 taxable years immediately following the taxable year in which construction or installation of such property is completed. (K.S.A. 79-229)

The Kansas Development Finance Authority is authorized to issue revenue bonds in amounts sufficient to pay the costs of construction or expansion.

Incentives for Ethanol Production

The State of Kansas promotes renewable fuel, offering direct financial incentives for production and sale of ethanol. The incentive rate is \$0.035 for each gallon sold by the producer. (The previous rate was \$0.075) In addition, \$875,000 per quarter is planned to be added to the fund for distribution. If production exceeds the fund balance, the fund will be distributed on a prorated share. This incentive shall be payable for no more than seven years to any one producer.

Producers who were in production prior to July 1, 2001 and who increased production capacity on or after July 1, 2001 by an amount of five million gallons qualify for the incentive for a maximum of 15 million gallons sold per year. Producers who commenced production on or after July 1, 2001, but prior to July 1, 2012, and who sold at least five million gallons qualify for the incentive for a maximum of 15 million gallons sold per year.

Any producer who commences cellulosic alcohol production on or after July 1, 2012 must have sold at least five million gallons to qualify for the incentive for a maximum of 15 million gallons sold per year. This provision shall not apply to producers who commence alcohol production from grain.

Producers seeking this incentive should file necessary forms with the Kansas Department of Revenue. The program sunsets July 1, 2018.

Waste Heat Utilization System

A waste heat utilization system includes facilities and equipment for the recovery of waste heat generated in the process of generating electricity and the use of such heat to generate additional electricity or to produce fuels from renewable energy resources or technologies.

A taxpayer shall be entitled to a deduction from Kansas adjusted gross income the amortizable costs of a waste heat utilization system. Such deduction shall be equal to 55 percent of the amortizable costs of such system for the first taxable year and five percent for the next nine taxable years. The provisions of this section shall apply to all taxable years commencing after Dec. 31, 2006. (K.S.A. 79-32,250)

For all taxable years commencing after Dec. 31, 2006, any waste heat utilization system property is exempt from all property taxes levied from and after purchase or commencement of construction or installation of such property and for the 10 taxable years immediately following the taxable year in which construction or installation of such property is completed. (K.S.A. 79-231)

The Kansas Development Finance Authority is authorized to issue revenue bonds in amounts sufficient to finance the construction of waste heat utilization systems at electric generation facilities.

Alternative-Fuel Fueling Station Tax Credit

A taxpayer that makes qualified expenditures for eligible alternative-fuel fueling stations shall be allowed a credit against the income tax imposed. For any qualified alternative-fuel fueling station placed in service on or after Jan. 1, 2009, an amount equal to 40 percent of the total amount expended but not to exceed \$100,000 for each fueling station is allowed as a credit. Beginning in tax year 2013, this credit shall only be available to corporations subject to the Kansas corporate income tax, i.e. C Corporations. This credit shall not be available to individuals, partnerships, S Corporations, limited liability companies or other pass through entities. (Schedule K-62, K.S.A. 79-32, 201)

Carbon Dioxide Capture/Sequestration Tax Deduction

A taxpayer is entitled to a deduction from Kansas adjusted gross income with respect to the amortizable costs of carbon dioxide capture, sequestration or utilization machinery and equipment over a period of 10 years. The amortization deduction shall be an amount equal to 55 percent of the amortizable costs of such machinery and equipment for the first taxable year in which such machinery and equipment are in operation and five percent of the amortizable costs of such machinery and equipment for each of the next nine taxable years. (K.S.A. 79-32, 256)

The taxpayer can claim the deduction by filing a statement with the Secretary of Revenue of such election. The deduction is available in all taxable years commencing after Dec. 31, 2007.

For all taxable years commencing after Dec. 31, 2007, any carbon dioxide capture, sequestration or utilization property and any electric generation unit which captures and sequesters all carbon dioxide and other emissions is exempt from all property taxes levied from and after purchase or commencement of construction or installation of such property and for the five taxable years immediately following the taxable year in which construction or installation of such property is completed. (K.S.A. 79-233)

Alternative-Fueled Motor Vehicle Tax Credit

A taxpayer who makes qualified expenditures for eligible alternative-fueled motor vehicles shall be allowed a credit against the income tax imposed. For any qualified alternative-fueled motor vehicle placed in service on or after Jan. 1, 2005, the credit is equal to 40 percent of the incremental cost or conversion cost for each qualified vehicle expended but not to exceed \$2,400 (credits based on vehicle weight).

The credit for motor vehicles which are capable of operating on a blend of 85 percent ethanol and 15 percent gasoline are allowed for taxable years commencing after Dec. 31, 1999, only if the individual claiming the credit furnishes evidence of the purchase of 500 gallons of ethanol and gasoline blend during the period of time beginning with the vehicle purchase and ending on Dec. 31 of the next succeeding calendar year. Beginning in tax year 2013, this credit shall only be available to corporations subject to the Kansas corporate income tax, i.e. C-Corporations. This credit shall not be available to individuals, partnerships, S-Corporations, limited liability companies or other pass through entities. (Schedule K-62, K.S.A. 79-32, 201)

Coal Gasification Power Plant

For all taxable years commencing after Dec. 31, 2005, integrated coal gasification power plant property is exempt from all property taxes levied from and after purchase or commencement of construction or installation of such property and for the 12 taxable years immediately following the taxable year in which construction or installation of such property is completed. (K.S.A. 79-225)

The Kansas Development Finance Authority is authorized to issue revenue bonds in amounts sufficient to finance the construction of such a facility.

Nitrogen Fertilizer Plant

A taxpayer may be entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new integrated coal or coke gasification nitrogen fertilizer plant or expansion of an existing integrated coal or coke gasification nitrogen fertilizer plant. The deduction is equal to 55 percent of the amortizable costs of the new plant or expansion of an existing plant for the first taxable year and five percent for the next nine taxable years. The deduction applies to all taxable years commencing after Dec. 31, 2005. (K.S.A. 79-32,232)

For all taxable years commencing after Dec. 31, 2005, any new integrated coal or coke gasification nitrogen fertilizer plant property or any expanded integrated coal or coke gasification nitrogen fertilizer plant property is exempt from all property taxes levied from and after purchase or commencement of construction or installation of such property and for the 10 taxable years immediately following taxable year in which the construction or installation of such property is completed. (K.S.A. 79-228)

The Kansas Development Finance Authority is authorized to issue revenue bonds in amounts sufficient to finance the construction or expansion.

Qualifying Pipeline

A taxpayer may be entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new qualifying pipeline. Such deduction is equal to 55 percent of the amortizable costs of the new qualifying pipeline for the first taxable year and five percent for the next nine taxable years. The deduction applies to all taxable years commencing after Dec. 31, 2005. (K.S.A. 79-32,227)

For all taxable years commencing after Dec. 31, 2005, any new qualifying pipeline property is exempt from all property taxes levied from and after purchase or commencement of construction or installation of such property and for the 10 taxable years immediately following the taxable year in which construction or installation of such property is completed. (K.S.A. 79-227)

The Kansas Development Finance Authority is authorized to issue revenue bonds in amounts sufficient to finance the construction of such property.

Secretary of State's Application & Recording Fee

At the time of filing articles of incorporation, each domestic corporation (any corporation organized under Kansas law) pays an application and recording fee to the Secretary of State. This fee is reduced if the filing is done online.

A corporation classified as foreign (any corporation organized under the laws of another state) must pay a filing fee to the Secretary of State to obtain a certificate of authority to do business in Kansas. More details on this can be found at the Kansas Secretary of State's office.

Network Kansas

NetWork Kansas serves as a link between business owners and resources available through state government and provides a central point of contact to streamline the business startup process. A NetWork Kansas referral coordinator will connect you with resources within the state that are involved in all aspects of starting a business, including legal structure, employment, taxes, licensing and some federal requirements.

NetWork Kansas

Kansas Center for Entrepreneurship

John Gendron, Manager, Referral Center Programs and Operations

1845 Fairmount, Box 202, Wichita, KS 67260

Phone: (877) 521-8600

info@networkkansas.com, www.NetworkKansas.com

Foreign Trade Zones

Foreign trade zones (FTZs) in Kansas provide a duty-free and quota-free entry point for foreign goods into specific areas under customs supervision for an unlimited period of time. Kansas offers a variety of sites managed by grantees in Kansas City (Zone 17) and Wichita (Zone 161).

Kansas has taken advantage of the new Alternative Site Framework (ASF) foreign trade zone designation intended to provide greater flexibility and expedite access to the benefits of the Foreign Trade Zone program. As a result, a company in the designated region is not restricted to a site specific FTZ, as the entire county is eligible for FTZ benefits under the ASF designation. This streamlined approach offers a quicker turnaround time and lower cost, allowing grantees to locate zone designation where companies are located.

The Kansas City FTZ has a number of Magnet and Usage-Driven sites, including a five-acre site with 220,000 square feet of above-ground covered space; a second five-acre site with a 26,000 square-foot warehouse, a 50,000 square-foot warehouse, 21 acres in the Leavenworth Area Business Center and over 1,000 acres at two locations in Topeka: Forbes Field/Topeka Air Industrial Park and Phillip Billard Airport/Industrial Park. The new ASF procedures were adopted for a five-county area including Douglas, Johnson, Leavenworth, Miami, and Wyandotte that allow for a six-week approval process for certain types of designations with a significant reduction in the company's out of pocket expenses.

The Wichita FTZ has received approval to use the new ASF procedures for a central region that includes Butler, Harvey, McPherson, Reno, Saline, Sedgwick and Sumner counties. The new system makes it faster and less expensive for area businesses to establish their facilities as foreign trade zones, with an estimated turnaround time of 30 to 40 days. Existing Magnet sites include 120 acres and 800,000 square feet of covered warehouse and assembly space in Wichita.

Goods brought into a zone or sub-zone may be stored, manipulated or mixed with domestic or foreign materials used in manufacturing processes or exhibited for sale. Anything shipped out of a zone into the United States customs territory is then subject to duties. Goods reshipped to foreign nations are never subject to U.S. customs duties.

International Trade & Investment

The Export Assistance and Marketing division works directly with Kansas companies to increase sales of products and services in international markets. The international team also takes an active role in recruiting international businesses to the state. It uses worldwide marketing initiatives to enhance awareness of Kansas around the globe and helps Kansas businesses reach the largest possible market. These initiatives also promote the advantages of doing business in Kansas in an effort to recruit international investment to the state.

For more information, please see the Export Assistance and Marketing page at www.KansasCommerce.gov/Export.

Export Assistance

Assistance is provided to Kansas companies wishing to begin or expand their international marketing efforts. Department staff members counsel individual Kansas firms, provide export data and foreign market research, coordinate with domestic and foreign agencies in marketing promotions, participate in export seminars, recruit and assist company participation in international trade shows, host foreign delegations, and distribute foreign trade leads to appropriate Kansas companies.

International Investment Recruitment

The Department's international investment experts provide assistance to international companies or their consultants who are considering Kansas for new manufacturing, distribution or office facilities. Assistance includes recommendations on location, developing incentive proposals, coordinating in-state site visits, serving as a liaison with other state agencies and serving as your single Kansas contact to ensure project confidentiality.

Kansas International Trade Show Assistance Program

The Kansas International Trade Show Assistance Program assists Kansas producers who want to exhibit at international trade shows. The program can help reimburse successful applicants for up to half of their direct exhibition-related expenses, not to exceed \$3,500 per international show.

For more information, please visit www.kansascommerce.gov/158/KITSAP.

SBA Hubzone Program

The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. In order to qualify for the HUBZone program, your business must be located in an area designated as a Historically Underutilized Business (HUB) Zone. There are six counties in Kansas currently designated as HUBZones under this program are:

- Elk County, KS – Qualified by Income
- Montgomery, KS – Qualified by Unemployment
- Wilson County, KS – Qualified by Unemployment.
- Woodson County, KS – Qualified by Income
- Cheyenne County, KS - Re-designated – HUBZone designation expires in January of 2016
- Norton County, KS – Re-designated – HUBZone designation expires in January of 2016

For more information on the HUB Zone program, please access: <http://www.sba.gov/hubzone> or contact the SBA Office in Wichita (316) 269-6616 or Kansas City (816) 426-4900.

Rural Opportunity Zones

Rural Opportunity Zones (ROZ) are designed to spur economic development in and expand job growth in 77 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.

For more information, please see the Rural Opportunity Zones page at www.KansasCommerce.gov/ROZ.

KANSAS

DATA BOOK 2017

www.KansasCommerce.gov/DB2017

