



Summary of State Incentives for Kansas Manufacturers

High Performance Incentive Program (HPIP):

- Potential for up to a 10% tax credit on qualified, new capital investment beyond the first \$50,000 of investment (i.e. \$2,000,000 investment could potentially result in a \$195,000 investment tax credit -- 10% of \$1,950,000).
- Potential for up to a \$50,000 per year (workforce) training tax credit on training expenditures exceeding two percent of company payroll.
- Exemption from sales tax for eligible capital investment/expenditures. **Submit Form PR-70b (Request for Project Exemption Certificate)**
- Eligibility based upon two criteria: (1) pay an above average wage for NAICS category for region of the state; and (2) invest at least two percent of payroll in training **or** participate in one of Commerce's workforce training programs such as KIT or KIR. **(depends on timing of contract)**
- Actual investment must occur while the company's worksite is HPIP certified.
- **Investment must be documented to Commerce prior to the company's written or contractual committal to the investment; using HPIP Form – Project Description.**
- Maximum of 16-year carry forward on unused credits. Company must become HPIP "re-certified" in any year in which unused credits are applied.
- **No job creation required to participate.**
- **Cannot be used if taxpayer chooses Machinery & Equipment Expense Deduction.**

HPIP Applications received **on or after October 1, 2016** will require a non-refundable \$750 fee to complete the application. The fee may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card. The fee for re-certification is \$250. There is no fee for credit carry-forward.

Promoting Employment Across Kansas (PEAK):

The Promoting Employment Across Kansas (PEAK) incentive program allows qualified for-profit and regional/ national non-for-profit headquarter companies that are locating new jobs or expanding existing Kansas operation, to retain 95 percent (95%) of the payroll withholding tax of the PEAK jobs over a period of up to 10 years. Per K.S.A. 74-50,210 through 74-50,216 (also known as the PEAK Act), the Secretary of Commerce has sole discretion to approve qualified companies and determine length of benefit.

The company's wages for PEAK jobs must meet or exceed the county median wage or regional North American Industry Classification System (NAICS) industry average wage.

Eligibility:

- a) Must be creating new jobs in Kansas resulting from relocating, locating or expanding a business.
- b) For-profit companies shall **not** have the NAICS assignment of:
 - Industry group 7132 (Gambling Industries) or 8131 (Religious Organizations);

- Sectors 44 & 45 (Retail Trade), 61 (Educational Services), 92 (Public Administration) or 221 (Utilities including water & sewer services);
 - Subsector 722 (Food Services and Drinking Places); unless applying as an international or national headquarters or an administrative/back office facility
- c) Not-for-profit regional/national headquarters may apply.
- d) Shall not be a bioscience company (as defined in KSA 2008 Supp. 74-99b33 and amendments thereto).
- e) Shall not be delinquent in the payment of taxes to any federal, state and/or local taxing entities.
- f) Shall not be under the protection of the federal bankruptcy code.
- g) Must make available to full-time employees adequate health insurance coverage and pay at least 50 percent (50%) of the premium.
- h) Must have a median wage for PEAK jobs of at least 100 percent (100%) of the county median wage (CMW) or industry NAICS as published by the Kansas Department of Labor (KDOL) at the time of application for the county in which the jobs will be located. (Note: If the median wage for PEAK jobs does not qualify the project for PEAK, the annual average wage for the jobs can be used. Qualifying through the use of average wage limits the benefits received)
- i) Must create a minimum of 10 PEAK jobs in a designated metropolitan (metro) county within two years of application to receive basic program benefits. Businesses located all other counties must create 5 PEAK jobs within two years.
- j) Must create a minimum of 100 jobs within two years of application regardless of location to receive high impact program benefits.
- k) Must be approved by the Secretary of Commerce (Secretary) to participate in program.

Applications are accepted throughout the year and must be received prior to hiring PEAK jobs/ employees in Kansas. For more information, see our web site at www.kansascommerce.com.

PEAK Applications received on or after October 1, 2016 will require a non-refundable \$750 fee to complete the application. The fee may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card.

Machinery & Equipment Expense Deduction:

Effective January 1, 2012, Kansas taxpayers will be allowed to claim an expense deduction for business machinery and equipment, placed in service in Kansas during the tax year. The one-time deduction is allowed for each qualified purchase of machinery and equipment in the year that it is placed in service. The expensing deduction is representative of the difference between the cost of the item and the present value of the stream of depreciation deductions allowed under normal federal depreciation rules. If the property is relocated outside Kansas or disposed of before the end of its federal depreciable life, the amount of the tax liability relieved by the deduction may be subject to repayment.

Eligible investment is in machinery and equipment depreciable under the Modified Accelerated Cost Recovery System (MACRS) in section 168 of the Internal Revenue Code, or canned software as defined in section 197 of the Internal Revenue Code. Examples of eligible equipment include manufacturing equipment, office furniture, computers, software, racking. Qualifying property **excludes** residential rental property, nonresidential real

property, any railroad grading or tunnel bore or any other property with an applicable recovery period in excess of 25 years as defined under section 168(c) or (g) under the internal revenue code.

If taxpayer elects to claim expensing deduction, they **cannot** claim tax credits or other incentives under the following: **high performance incentive program credit**; research and development credit; alternative fuel vehicle credit; swine facility improvement credit; historic preservation credit; refinery credit or accelerated depreciation; oil or gas pipeline or accelerated depreciation; integrated coal or coke gasification nitrogen fertilizer plant credit or accelerated depreciation; biomass-to-energy plant credit or accelerated depreciation; integrated coal gasification power plant credit; renewable electric cogeneration facility credit or accelerated depreciation; biofuel storage and blending equipment credit or accelerated depreciation; carbon dioxide capture equipment credit; or film production credit.

The expensing deduction program and HPIP **cannot** both be utilized for the same item/asset. However, expensing & HPIP can be used for the same project. For instance, if a project involves both construction (real property) and M&E purchases (personal property), the M&E purchases could benefit from expensing while the building construction/expansion/renovation investment could benefit from HPIP. **(Use Form K-120 EX to claim expense deduction allowance)**

Contact: Jim Weisgerber, Dept. of Revenue, 785-296-2479

Kansas Industrial Training (KIT) Program:

- Provides workforce training funds to companies to help offset costs of training net new employees.
- Maximum award per trainee is \$2,000; however, the average award is typically \$200 to \$600 per trainee.
- Average annual wage for trainees must meet or exceed the county median wage for business/project location.
- Company must make health care available to its employees and the Plan must include the following: hospital care; physician care; mental health care; substance abuse treatment; pre-natal & post-natal care; and prescription drug coverage.
- Funds can be used to reimburse negotiated costs for pre-employment, on-the-job and classroom training.
- Companies must submit a KIT application prior to or concurrent with the beginning of their hiring phase.

Kansas Industrial Retraining (KIR) Program:

- Provides workforce training funds to companies to help offset costs of training existing employees who are likely to be displaced due to obsolete or inadequate job skills or knowledge.
- Avg. award (per trainee), wage requirement, health care requirement and eligible costs same as KIT.
- Maximum funding for a training project is 50% of total costs – requires dollar-for-dollar match from company.
- Companies must submit a KIR application prior to or concurrent with the beginning of their training program.
- Companies must show that they are restructuring their business or retraining their current workforce due to one or more of the following: incorporation of existing technology; development & incorporation of new technology; diversification of production; development & implementation of new production.
- Companies allowed limit of two KIR contracts/grants in a four-year period.

KIT & KIR Applications received on or after October 1, 2016 will require a non-refundable \$500 fee to complete the application. The fee may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card.

Machinery & Equipment Property Tax Exemption (Kansas House Bill 2583):

- Bill passed during 2006 legislative session; it provides automatic exemption of personal property taxes on machinery and equipment purchased or leased by Kansas companies after June 30, 2006.
- Also provides exemption on M&E brought into the state for use in a Kansas business facility (after June 30, 2006).
- M&E can be new or used.
- M&E that was being leased prior to July 1, 2006 can be eligible once the lease ends **if** the company purchases the asset at market value.

Utilities Sales Tax Exemption:

- Electricity, gas, and water consumed to run machinery and equipment which will produce, manufacture, process, mine, drill or refine personal property is exempt from state and local sales tax.

Work Opportunity Tax Credit:

The Work Opportunity Tax Credit (WOTC) and Welfare-to-Work tax credit are federal income tax credits that encourage employers to hire job seekers who face the greatest barriers to employment.

Eligibility: Private-for-profit employers. Hires not eligible for certification: relatives, non-related dependents, self-employed individuals, non-qualifying re-hires, majority stockholders, members of partnerships and Sub-Chapter S shareholders. Contact program manager for listing of eligible target groups.

Benefits: Federal tax credit up to \$2400 per qualified hire.

Contact: Joyce Heiman, WOTC Program Manager 785-296-7435

Machinery Sales Tax Exemption:

- The sale of machinery and equipment (including repair and replacement parts and accessories) which is used in Kansas as an integral or essential part of an integrated production operation by a manufacturing or processing plant or facility is exempt from sales tax. The installation, repair and maintenance services performed on this equipment shall also be exempt from sales tax. (K.S.A. 79-3606).

Inventory Property Tax Exemption:

- A property tax exemption exists for merchants' and manufacturers' inventory. Inventory includes those items that:
 - a) are primarily held for sale in the ordinary course of business (finished goods);
 - b) are in process of production for sale (work in progress); or
 - c) are to be consumed either directly or indirectly in the production of finished goods (raw materials & supplies).

International Trade/Exporting Assistance:

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

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

*Kansas Department of Commerce does not provide import assistance.

Contact: Randi Tveitaraas Jack (785) 296-7868

Kansas International Trade Show Assistance Program (KITSAP):

KITSAP offers financial support to Kansas companies exhibiting in foreign trade shows attracting substantial international buyers.

Eligibility: Any Kansas company with products or services originating within the state. To qualify for assistance, the company must be: a) exhibiting for the first time or introducing a new technology/product for the first time; b) must submit the application prior to attending the trade show.

Benefits: Reimbursement of one-half of a company’s eligible direct exhibition-related expenses: a) Up to \$3,500 per foreign show; b) \$7,000 annual maximum in total combined assistance; c) Reimbursable expenses include: booth space rental; design and construction; booth space assembly and disassembly; booth furniture and/or equipment rental; booth utilities; interpreter fees at show and translation of materials/literature; freight of equipment/materials (for shows outside U.S.); custom broker fees, foreign value added tax and visas

Contact: April Chiang, Trade Development Representative: (785) 296-4027

Other Programs/Assistance:

Mid-America Manufacturing Technology Center (MAMTC): MAMTC is a non-profit organization, whose mission is to improve the competitiveness of small and mid-sized manufacturers. MAMTC identifies and aids in solving technical problems in the manufacturing process by making the manufacturer aware of currently available

technology and management techniques. MAMTC personnel are located in several Kansas cities and provide a variety of services including one-on-one consultations, management & employee training, product innovation, energy efficiency analysis, etc. The key service is hands-on consultation, with a focus on identifying problems or areas of improvement, and implementing steps to address future challenges.

Contact: Pittsburg (620) 235-4139
Overland Park (913) 649-4333

The Kansas Edge:

The Kansas Edge is a resource provided by the State of Kansas to companies to help them pursue business-to-business opportunities within the State. The objective is to link together Kansas-based suppliers & customers in an effort to expand manufacturing & development opportunities. The Kansas Edge database can be accessed at <http://ks-reshoringinitiative.civicplus.com/148/Kansas-Supplier-Database>.

Other Benefits of Doing Business in Kansas:

- Kansas is a constitutionally guaranteed right-to-work state.
- Kansas workers' compensation rates rank among the lowest in the United States.

Craig VanWey
Southeast Regional Project Manager
Business and Community Development Division
Kansas Department of Commerce
1501 South Joplin St. – Shirk Hall
Pittsburg, KS 66762
Phone: (785) 633-8407
craig.vanwey@ks.gov
www.kansascommerce.gov