

APPENDIX C – BUSINESS INCENTIVE PROJECT

East Lawrence Neighborhood Revitalization Plan

KSA 12-17,107 permits cities to create enterprise zones to offer financial incentives to encourage development of business and industry within certain areas of the city. Information pertaining to and applications for the creation of enterprise zones are available through the Kansas Department of Commerce & Housing. The type and amount of the available incentive is dependent on 1) the location of the business; 2) the type of business, i.e. retail, manufacturing, or non-manufacturing; and 3) the net number of new jobs created through a qualified building, expansion, or renovation project. Businesses throughout the state may be eligible for 1) a Sales Tax Exemption on the personal property, materials, and services associated with the project; 2) a Job Creation Tax Credit; and 3) an Investment Tax Credit. Tax credits may be used to offset up to 50% of the business' annual Kansas income tax liability. Unused credits may be carried forward indefinitely.

KSA 12-1740 permits the issuance of revenue bonds to pay part (or all) of the cost of purchasing, acquiring, constructing, equipping, enlarging, or repairing facilities for agricultural, commercial, hospital, industrial, natural resources, recreational development, and manufacturing purposes. Sales tax and property tax incentives may also be offered.

KTEC Programs

Access to Capital Electronic Network (ACE-Net) is a national Internet listing service that gives small growing companies an opportunity to have their offerings viewed by accredited investors.

Applied Research Matching Fund – KTEC provides royalty-based funding through the ARMF program. The purpose is to develop prototype or “near-prototype” market-driven products that create jobs and long-term economic growth in Kansas. The program emphasizes applied research and development that leads to marketable products or processes.

The Centers of Excellence are university-based research centers, each with its own technology specialization. The five Centers conduct innovative research and provide technical assistance with the overlapping aims of creating new companies, strengthening existing companies, and serving as expert resources to other KTEC programs.

The Innovation and Commercialization Corporations (ICCs) provide business development and pre-seed financing to start-up, technology-based businesses. Each ICC is structured as a tax-exempt 501c3 company whose for-profit management company also manages a for-profit seed capital fund.

The Mid-America Manufacturing Technology Center helps small and medium sized manufacturers improve their competitiveness by assisting them in modernizing their operations and adopting appropriate technologies, as well as management, marketing and business practices.

Special Projects – Some good ideas that come to KTEC do not fit with the guidelines of a specific KTEC program. The flexibility of the Special Projects fund allows KTEC to take advantage of opportunities that present themselves throughout the year.

Kansas Business Development Programs

Job Expansion and Investment Tax Credit Act of 1976 – Allows an income tax credit for a period of 10 years on up to 50% of a business' Kansas income tax liability. The credit is re-computed each year during the 10-year period to reflect any changes in the number of qualifying jobs. Unused credits cannot be carried forward. The Job Expansion Tax Credit is \$100 for each qualified business facility employee. The Investment Tax Credit is \$100 for each \$100,000 in qualified investment.

High Performance Incentive Program (HPIP) provides incentives to qualified companies that make significant investment in employee training and pay higher than average wages. To qualify, a for-profit business must: 1) pay higher than average wages; and 2) invest at least 2% of its total payroll costs in employee training or participate in the state's KIT/KIR/SKILL work force training programs. Non-manufacturing businesses must generate more than half of revenues from out-of-state businesses, government agencies, or Kansas manufacturers. Farming, mining, construction, retail,

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and wholesales/distribution businesses are generally not eligible. Incentives include: 1) a Sales Tax Exemption; 2) a potentially substantial Training Tax Credit; 3) a generous Investment Tax Credit; and 4) priority consideration for other business assistance programs offered through KDOC&H, KTEC, and MAMTC. Tax credits may be used to offset 100% of the business' annual Kansas income tax liability. Unused investment tax credits may be carried forward and must be used within a 10-year time frame.

Kansas Economic Opportunity Initiatives Fund (KEOIF) and Kansas Existing Industries Expansion Program (KEIEP) provide the state with a funding mechanism to address the creation/retention of jobs presented by unique opportunities or emergencies. The funds have a higher level of flexibility than do many of the other state financing programs and allow the state to participate as a funding source when other options have been exhausted.

Private Activity Bonds (PABs). The State has the authority, under the Federal Tax Code, to provide local units of government the ability to issue tax-exempt bonds (IRB's) for facility and equipment financing for qualifying manufacturers and processors. The reduced financing costs generated through these bonds are passed through to the company. The Kansas Department of Commerce & Housing administers the tax-exempt PAB authority, available to finance Kansas projects.

Tax Exemptions in connection with the usage of industrial revenue bonds. Property financed with the proceeds of an IRB issue can be exempt from property taxation for a period of 10 years. In addition, the cost of building materials and permanently installed equipment are exempt from state and local taxes.

Property Tax exemptions can be made available by the governing body of a city or county for up to ten years. The exemptions apply to land, building, machinery, and equipment for new or expanding businesses. Qualification guidelines vary from entity to entity.

Economic Development Tax Abatement Assistance Program. This program, administered by the Business Development Division, provides technical application assistance as well as consulting services to companies and communities applying for economic development and/or industrial revenue bond (IRB) tax exemptions. The Assistance Program serves as liaison between the applicant and the Board of Tax Appeals to ensure quality service and enhance approval success. Any entity needing assistance may contact: Bill Cowgill of KDOC&H – Business Development Division, 700 SW Harrison, Suite 1300, Topeka, KS 66603-3712; 785-291-3260 or bhowgill@kdoch.state.ks.us

Sales Tax Exemption on Manufacturing Machinery & Equipment - used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing, or distributing articles of tangible personal property intended for resale are exempt from sales tax.

Child Day Care Tax Credits are available to businesses that pay for or provide, child day-care services to their employees. The credit is 30% of the annual cost of providing the service, not to exceed \$30,000 total credit. A credit of up to 50%, not to exceed \$45,000, may be earned during the first year on the costs of establishing a child day care facility. Multiple taxpayers may work together to establish such a facility.

Kansas Small Business Development Centers (SBDC's) provide support to help small businesses succeed through free professional consultation services and low-cost seminars. The centers provide assistance in a variety of business management areas including accounting, business planning, market analysis, personnel, and procurement. Randee Brady, Regional Director, 734 Vermont, Suite 104, Lawrence, KS 66044; 785-843-8844

Venture Capital & Seed Capital Programs were instituted to increase the availability of risk capital in Kansas. These programs make use of income tax credits to encourage investment in venture and

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seed capital pools as a source of early stage financing for small businesses. Businesses demonstrating strong growth potential but lacking the financial strength to obtain conventional financing are the most likely candidates for risk capital funding. The Business Development Division has in operation and continues to develop a network of venture capital resources to assist qualified small businesses in locating potential sources of venture capital financing.

Certified Development Companies (CDCs). A network of Certified Development Companies throughout the state provides financial packaging services to businesses, utilizing state, Small Business Administration, and private financial sources. Although the SBA certified these organizations to package loans for the SBA 504 program, most CDCs are familiar with available financing sources and have experience utilizing a variety and mix of financing tools. The state provides supplemental funding to these organizations in recognition of the service they provide. Wakarusa Valley Development, Inc., Debi Moore, 734 Vermont, Suite 101, Lawrence, KS 66044; 785-865-4425.

Kansas Business First. The Business Development Division is involved in a cooperative effort with the Kansas Center for Community Economic Development to develop a community-based business retention and expansion program. Drawing from the existing KDOC&H business retention and expansion instrument, this new survey software program will assist communities of any size in establishing a customized local retention and expansion program.

Offered to Kansas Communities and counties who wish to sustain existing industry, support its modernization and competitiveness, foster its expansion and provide an environment that encourages new industry creation and recruitment. The Department works with community leaders and volunteers to conduct on-site surveys of local businesses. The information gathered is then analyzed and the results are used to solve immediate short-term problems, as well as to develop long-term local retention and expansion strategies.

Kansas Industrial Training Program provides training assistance primarily to manufacturing, distribution and regional or national service firms in the process of adding five or more new jobs to a new or existing Kansas facility. KIT will pay the negotiated cost of pre-employment, on-the-job and classroom training expenses that include instructor salaries, travel expenses, minor equipment, training aids, supplies and materials, and curriculum planning and development.

Investments in Major Projects and Comprehensive Training (IMPACT) is a funding mechanism designed to respond to the training and capital requirements of major business expansions and locations in the state. IMPACT has two major components: SKILL (State of Kansas Investments in Lifelong Learning); and MPI (Major Project Investment). SKILL funds may be used to pay for expenses related to training a new work force. MPI funds may be used for other expenses related to the project such as the purchase or relocation of equipment, labor recruitment, or building costs. To be eligible for MPI, an employer must spend more than 2% of payroll on work force training or utilize funds from SKILL for employee education and training. While there is no statutory limit on the percentage of an individual project's IMPACT funds that may be utilized for MPI, these investment funds are limited to 10% of the total funding available under the IMPACT program. IMPACT costs are financed through tax exempt, public purpose bonds issued by the Kansas Development Finance Authority. These bonds are retired through the revenue received from statewide employer withholding taxes. Individual bond size may not exceed 90% of the withholding taxes received from the new jobs over a 10-year period. The maximum amount of assistance for which a company qualifies is directly tied to the number of new jobs created and taxable wages of those jobs over 10 years. If the company is unable to create jobs in sufficient numbers to generate withholding tax revenue according to its annual projections, the business may be required to repay a portion of the funds on a shared basis with the state. If the company leaves the state before the bonds are retired, the full cost must be repaid, less any withholding tax contributions collected prior to the company's departure.

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Training Equipment Grants provide area technical schools and community colleges an opportunity to acquire instructional equipment to train or re-train Kansas workers. The Kansas Department of Commerce & Housing distributes the grants on a competitive basis. Awards are based on the condition of existing equipment and the potential for stimulating economic growth and enhancing employment opportunities within the state. The grants require a local match and are designed to develop partnerships between the educational institutions and businesses throughout the state. The goal of the Training Equipment Grant program is to respond to the changing technical skill needs of the Kansas work force.

Kansas Job Training Partnership Act (JTPA) is the federally funded work force training program administered by the Kansas Department of Human Resources. JTPA is primarily targeted toward economically disadvantaged workers, dislocated workers, and workers facing sever barriers to employment. Local Private Industry Councils (PIC) certify the eligibility of potential trainees, but your company retains full control over the interviewing and hiring process. JTPA funds may be used to pay for skill training either in the classroom or in the work place. JTPA can reimburse you up to 50% of the employee's wages during training. JTPA may be used together with the KIT or IMPACT programs.