

February 7, 2022

Kansas Corporation Commission 1500 SW Arrowhead Road Topeka, Kansas 66604

**RE: 21-EKCE-318-TAR** 

To Whom It May Concern:

In accordance with the order in Docket No. 21-EKCE-318-TAR, Evergy is filing this Limited Large Economic Development Rider. This filing contains a confidential version and a public version.

Please contact me at (816) 652-1110 or <u>Lisa.Casteel@evergy.com</u> with any questions concerning this filing.

Sincerely,

Lisa Casteel

Lisa Casteel Regulatory Lead Analyst



# **CONTRACT SUBMISSION FORM**



# APPLICATION FOR KANSAS METRO ECONOMIC DEVELOPMENT RIDER

Company Name:	Date of Application:			
Service Address:				
City:	State:	Zip:		
Billing Address:_				
City:	State:	Zip:		
Contact Person:_	Title:_	Phone:_		
Date construction scheduled:				
Estimated date construction complete:				
Type of Facility				
			)	
NAICS Code:				
Brief description of business facility (products,	process, capacity)	:		

(Note: The Rider is  $\underline{not}$  available to business facilities involved in selling or providing goods and services directly to the general public.)



# **Energy Information**

	Presently At this Location	Estimate Due to New /Expanded Facilities	Total	
Facility size (sq. ft.):				
Peak electric demand (kW):				
Annual energy usage (kWh):				
Annual Load Factor (%):				
Will electric load at another o	f your facilities in KC			
Additional Off-Peak (8PM to If so, specify portion of total u				
Voltage level at which you wish to be served				
What are the projected hours of operation? (number of shifts, days per week):_				
Is the facility:	Capital I	nvestment		
New Real estate inve				
New Machinery & E				
Total New Investmen				
How much of the new total	investment will occ	ur in the first two years?	? \$	
Employment				
New Jobs Created/Retained:	Permanent	Temporary_		



How many of the new jobs created will occur in the first tw	wo years?
Expected duration of new temporary jobs:0-6 months6 mo1 yr1	-2 yrs2+yrs
Annual payroll and benefits associated with new jobs:	
Hiring schedule of new employees:	
List and provide copy(s) of supporting documentation for a development incentives received in conjunction with retain facility at this location:	
Start Date / Incenti	ive Schedule
Requested Start Date for EDR Benefits:	nt
Submitted by (Please print):	Title:
Signature:	Date:
COMPANY USE ONL	
Approved by:	Date:
Please return completed application to	







# **INCENTIVE OVERVIEW**

Prepared especially for:



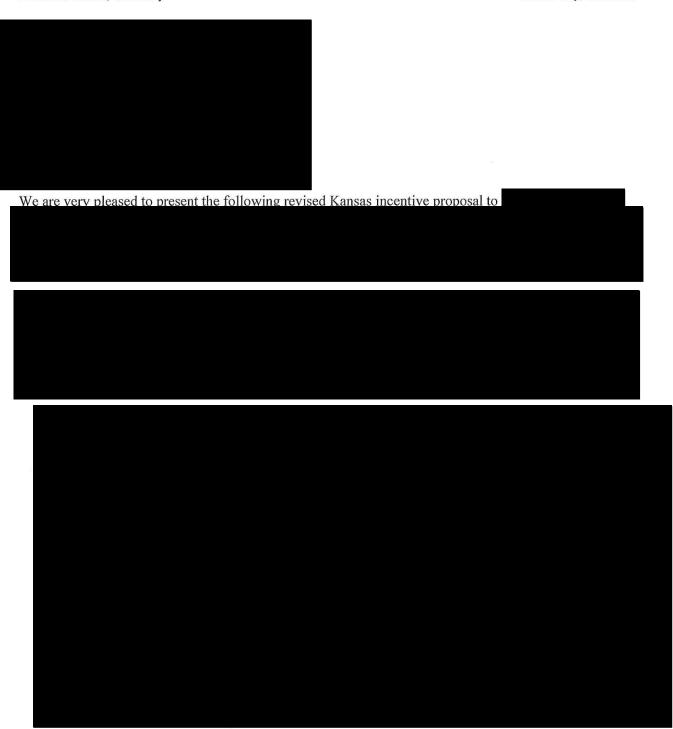
Department of Commerce Business and Community Development 1000 S.W. Jackson St., Suite 100 Topeka, KS 66612-1354



Phone: (785) 296-5298 Fax: (785) 296-3490 TTY: 711 KansasCommerce.gov

David C. Toland, Secretary

Laura Kelly, Governor





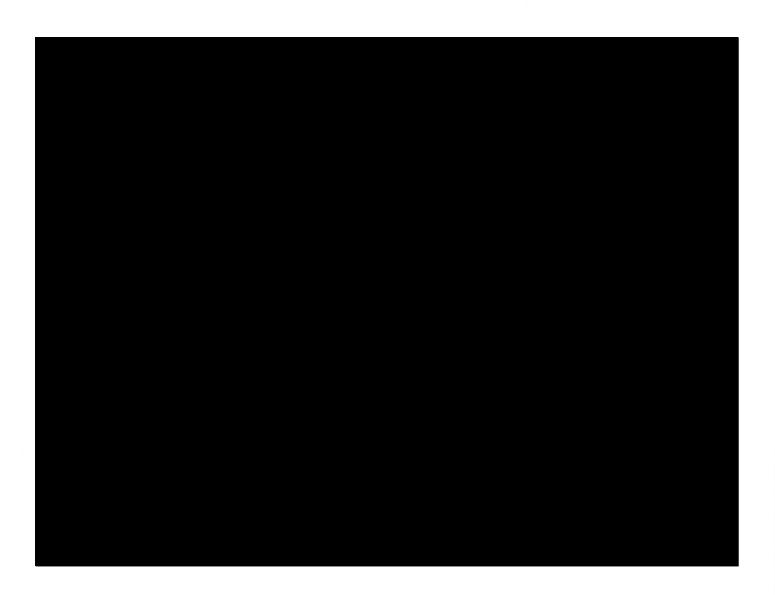


I would be glad to answer any of your questions on this proposal or any aspect of doing business in Kansas. Thank you for considering our state for your business.



# PROJECT OVERVIEW







# STATE OF KANSAS ESTIMATED INCENTIVES



The State of Kansas, Department of Commerce (Commerce) considers the incentive offers and related information set forth in this document to constitute privileged and confidential information. The recipient agrees to retain this information as strictly confidential and to use such information for the sole purpose of evaluating the proposal set forth by Commerce. The release of such information, whole or in part, to any other party will be considered a violation of this agreement.



### **BUSINESS INCENTIVES**

We have a number of major incentive programs to assist a company to reduce their cost of expanding or locating a new business operation in Kansas. <u>Based on the parameters identified to us in the information submitted by the company and in the Project Overview section of this letter, the major incentive programs applicable to this project include:</u>

### DIRECT FINANCIAL ASSISTANCE

### PROMOTING EMPLOYMENT ACROSS KANSAS (PEAK) – NEW JOBS

The Promoting Employment Across Kansas program allows qualified companies approved at the Secretary of Commerce's discretion to retain 95% of their PEAK Eligible Employees' Kansas withholding tax over a period of years, depending on the aggregate median wage of all PEAK jobs/employees as compared to the relevant county median wage. If the aggregate median wage of the PEAK jobs/employees does not qualify the project for PEAK, the annual average wage of the jobs can be used. Qualifying through the use of the average wage limits the benefits received.



### **Qualifying Criteria:**

The Secretary of Commerce is authorized to approve a company to receive benefits of the program. A PEAK application must be submitted to the Department of Commerce prior to relocating or locating PEAK jobs/employees. Applications shall also be submitted within 180 days from acknowledgement by Commerce of your selection of Kansas for the project. Eligible applicants for PEAK include:



- 1) For-profit entities in an eligible NAICS category or for-profit entities locating a headquarters or administrative office serving an international or national region
- 2) Not-for-profit entities locating a new national or international headquarters in Kansas

The applicant must 1) relocate or create within two years, a minimum of five new jobs to non-metropolitan areas or ten new jobs to metropolitan areas of Kansas; 2) pay the relocated or new PEAK jobs at least the county median wage as published by the Kansas Department of Labor at the time of application; and 3) offer "adequate" health insurance coverage and pay at least 50% of the premium for health insurance for full-time employees.

However, the county median wage that must be met by the company will be established at the time of application and remains static for the term of the agreement. County median wage data is updated annually around August/September.

Note: for PEAK reporting purposes, the company may include overtime and bonus as part of the gross wages of a PEAK Job/Employee. The hourly wage rate of a non-salaried PEAK employee is calculated by dividing the total gross wages during a quarter by the actual hours the PEAK employee worked or was compensated (e.g. sick or vacation leave) by the company during the quarter. For salaried employees, the hourly wage rate is calculated by using a standard 40-hour workweek when determining the total number of hours by which to divide total gross wages. If the company includes overtime for an hourly employee, it should include the overtime pay in gross wages and the actual number of overtime hours worked in total hours compensated.

Based on the expectation that the company will create the minimum jobs required within two years of the PEAK Agreement date, it can qualify for the PEAK program if it meets all other eligibility criteria. For part-time jobs to count for the PEAK benefit, they must be working at least 20 hours per week, year round. For expanding Kansas businesses, a base employment will be established at the time of application and must be maintained to receive a PEAK Benefit.

### Other criteria of the PEAK program:

- Firms utilizing the PEAK incentive are excluded from claiming credits under the research and development tax credit program for the wage portion of expenses where State withholding tax has been retained; other qualified expenses can be claimed under the research and development tax credit program.
- PEAK eligible employees who apply for the Rural Opportunity Zones (ROZs) income tax exemption would not be eligible to have their withholding tax retained by the company for the PEAK benefit.
- Companies delinquent on any taxes or those that have filed or announced bankruptcy are not eligible for the program.



• Kansas companies that have employees are required to report employment and wage data to the Kansas Department of Labor on a quarterly basis for unemployment insurance purposes. The <u>K-CNS 100</u> form is used to report this quarterly data. For companies having multiple Kansas worksites reporting on one K-CNS 100, corresponding federal Multiple Worksite Report(s), <u>Form BLS 3020</u>, will be required. The K-CNS 100 and BLS 3020, if applicable, are also required for PEAK participant companies.

Numerous factors will determine your actual PEAK Benefit including the number of PEAK eligible jobs/employees, their individual rate of pay and State withholding tax exemption(s), ramp-up of new jobs created, and the annual PEAK Jobs' median / average wage attained per the company's quarterly reports each Benefit Year.

### **Default & Repayment / Remedies**

The company will be considered in default and will be subject to remedies and repayment for failure to meet program requirements as will be outlined in detail in a separate PEAK agreement to be developed upon acceptance of this proposal; causes of default could include, but are not limited to, the company:

- failing to offer within 180 days of hire adequate health insurance coverage to all full-time employees and paying at least 50% of the premium
- having a PEAK Job's Median Wage that is less than 100% of the County Median Wage
- being delinquent on any Federal, state or local taxes
- failing to meet minimum PEAK program employment requirements within two-years as will be detailed in the PEAK agreement
- failing to pay at least 90% of the PEAK Jobs' Median Wage, or the PEAK Jobs' Average Wage if approved, noted in the PEAK agreement
- failing to meet quarterly and biennial PEAK reporting requirements
- failing to maintain the minimum employment level as will be specified in the PEAK agreement

If the company is found to be in default, it will be informed in writing that it may lose its PEAK eligibility or be subject to repayment / remedies unless such deficiencies are corrected within 30 days. Depending on the nature and timing of the default, various remedies will be applicable as will be detailed in the PEAK agreement. These could include, but are not limited to: 1) a requirement to repay an amount equal to the aggregate Kansas withholding tax refunded / retained over the term of the PEAK agreement; 2) a requirement to repay an amount equal to the Kansas withholding tax refunded to or retained by the company for each employee whose annual wages were less than 100% of the County Median Wage; 3) reduction of the PEAK benefit term; 4) reduction in the total PEAK Benefit; and / or 5) cessation of PEAK benefits altogether. The default and remedies will be outlined in full detail in the PEAK agreement.

### Fees:

A non-refundable application fee of \$750 will be required for all PEAK Applications received and is required at the time of application submission. If multiple entities are included in the



PEAK Application, additional application fee payments will be required for each applicant entity (e.g. 2 applicant entities =  $$750 \times 2 = $1,500$ ). The fees may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card.

### INDUSTRIAL REVENUE BONDS

Industrial revenue bonds (IRBs) are issued by cities and counties to provide funds for creditworthy companies to purchase land, pay the cost to construct and equip new facilities, or to purchase, remodel or expand existing facilities. IRBs allow for fixed-rate financing for the life of the bond for the project. The authority to approve the issuance comes from the governing body where the land site is located.

Use of industrial revenue bonds will allow the construction of <u>real</u> property to be eligible for property tax abatement in Kansas, which is given by the local governing body. Kansas law allows for a maximum ten year real property tax abatement commencing the year after the bonds are issued. Personal property, such as commercial machinery and equipment, brought into Kansas after June 30, 2006 is exempt from property tax by state law.

Another benefit of IRBs is a sales tax exemption. Statute K.S.A. 79-3606 exempts the cost of building materials and labor, as well as fixed items of machinery and equipment, from state and local sales taxes when IRBs are used.

## **WORKFORCE TRAINING PROGRAMS**

### **Kansas Industrial Training**

We are offering the company our Kansas Industrial Training (KIT) program, which is direct financial assistance to assist in the training of the net, new jobs to Kansas. <u>If your company utilizes PEAK for this project and if they are eligible for the program</u>, we are making the following KIT offer for the new jobs in the first three years:

The program can be structured as pre-employment, classroom, on-the job or a combination of the three approaches. The program can pay the negotiated costs for instructor's salaries; videotape development; textbooks and training manuals; supplies and materials; and curriculum planning and development.



### **Qualifying Criteria**

To access the funding, the company prepares a plan identifying trainers, trainees, type of training and the estimated cost. The training plan is approved by the Kansas Department of Commerce and the funding allocated based on actual reimbursement of training expenditures per the plan and contract with our agency. Travel expenses or payments for training facilities are not allowed under the program. All Contracts will be written for 12 months; however, a company can close early on the contract if they desire. Requests for reimbursement are accepted at the end of the project. Reimbursement requests must be made within 90 days after the project ends or the funding will be unencumbered.

A KIT application must be submitted to the Department of Commerce prior to relocating or locating jobs/employees in Kansas. Applications shall also be submitted within 180 days from acknowledgement by Commerce of your selection of Kansas for the project.

The average wage must be equal to or higher than the median wage for the county in which the project is located. Also, over 50% of the revenues for this operation will need to come from outside of Kansas to qualify.

A 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 and post-natal care
- Prescription Drug Coverage

For new hires, the health care plan must be made available within 180 days of hire date.

More information on the program is at: Kansas Industrial Training (KIT)

### Fees:

A non-refundable application fee of \$500 will be required for all Kansas Industrial Training (KIT) applications and is required at the time of application submission.

### **Workforce Development Assistance**

A wide variety of services are available through the Kansas Workforce Centers located throughout the state. Services include but are not limited to: statewide and national job listings; applicant pre-screening and application acceptance; space to conduct interviews as well as staff to assist in scheduling; space for job fairs; applicant assessment services and testing; Veteran services; and current labor market information. These services are available to all Kansas



employers <u>at no cost</u> and may be accessed through <u>www.kansasworks.com</u> or by contacting the local Kansas Workforce Center.

### PROPERTY TAX EXEMPTIONS

Both real and personal commercial property is assessed at 25%. The 25% rate is multiplied by the appraised value of the property to get an assessed value. This assessed value is multiplied by the local mill levy of the community to get the property tax figure. However, there are real and personal property tax abatement and exemption programs available in Kansas for tax savings.

### REAL PROPERTY TAX ABATEMENT

State law allows 100% property tax abatement for ten (10) years on real property if industrial revenue bonds are utilized in the project or it qualifies under the state constitution, which allows companies that manufacture articles of commerce, conduct research and development or store goods or commodities sold in interstate commerce to receive a property tax abatement. Tax abatement for real property is a local decision of the community.

### PERSONAL PROPERTY TAX EXEMPTION

For personal property, Kansas law <u>exempts</u> the property tax on commercial and industrial machinery and equipment purchased or transferred into Kansas after June 30, 2006. The personal property tax exemption continues each year under the law. As an illustration, we have outlined below the estimated property tax savings for this project using projected expenditures for purchased machinery and equipment. The property tax exemption is indefinite; however the estimated property tax savings over a 10-year period using the average mill levy in Kansas of 134.743 are detailed below.

This personal property tax exemption is a unique and significant savings each year for your company. Actual savings will depend on the fair market value of the property, depreciation, the local mill levy rate and if all equipment qualifies for the personal property tax exemption. Personal property exemption can cover such items as: computers, desks & chairs, copiers, fax machines, business machinery, equipment used in manufacturing operations, and equipment used in warehousing.





### KANSAS CORPORATE INCOME TAX CREDITS

The corporate income tax rate in Kansas is 4% of net income. Net income in excess of \$50,000 is subject to a surtax of 3.00 percent.

For corporations having facilities 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 attributable to the Kansas facility. 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% of the average of the property and sales factors. State law allows net operating losses to be carried forward to each of the ten years following the taxable year of the net operating loss.

However, Kansas offers income tax credit programs to significantly reduce a company's tax liability. The tax credits earned by a legal entity can be used to offset the Kansas income tax liability of that same entity.



### SALES TAX EXEMPTIONS

### SALES TAX EXEMPTIONS BY STATE LAW

Kansas has several sales tax exemptions available by state statute that offer significant savings to companies:

- Electricity, gas and water consumed during manufacturing are exempt from the Kansas sales tax
- Labor services used in original construction
- Sales of manufacturing machinery and equipment, including equipment used to assemble, process, finish, store, warehouse and distribute tangible personal property
- Tangible personal property that becomes an ingredient or component part of tangible personal property for sale at retail inside or outside of Kansas
- Tangible personal property that is immediately consumed or dissipated in the actual production, manufacturing, processing or compounding of tangible personal property for sale at retail inside or outside of Kansas
- Tangible personal property purchased by a city from the proceeds of industrial revenue bonds (IRBs). The cost of the building and equipment are entitled to an exemption from Kansas sales tax at the time of initial purchase

Kansas applies the "Integrated Plant" standard to the taxation of machinery and equipment. Adoption of this standard makes it easier for the taxpayer to interpret the boundaries of the exemption. The integrated plant theory allows for pre- and post-production equipment to qualify for the exemption, such as:

- Pre-production machinery and equipment
- Machinery that services the production line
- Machinery that deals with by-products of production
- Ancillary property that might otherwise not be viewed as machinery and equipment
- Labor services for the installation and repair of qualified machinery and equipment.



### MACHINERY/EQUIPMENT EXPENSING DEDUCTION

Effective January 1, 2012, Kansas taxpayers will be allowed to claim an expense deduction for business machinery and equipment, placed in service in Kansas during the tax year. The one-time deduction is allowed for each qualified purchase of machinery and equipment in the year that it is placed in service. The unused expense deduction is treated as a Kansas net operating loss that may be carried forward for ten (10) years. 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 machinery and equipment depreciable under the Modified Accelerated Cost Recovery System (MACRS) in section 168 of the Internal Revenue Code (IRC), 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.

The expense deduction is computed by multiplying the depreciable cost of the item placed into service times the factor shown in the table in subparagraph (f) of Section 2 of Kansas Senate Bill 196, based on the recovery period (differs by type of property) and method of depreciation (200% declining balance, 150% declining balance, straight-line) determined under IRC section 168, minus any IRC section 168(k) bonus depreciation claimed for the same item on the federal return. If the business is claiming IRC Section 179 expensing for the item, then no subtraction is made from the depreciable cost before multiplying that times the applicable factor to compute the Kansas expense deduction.

For example, for a computer placed into service that cost \$10,000, if the business is claiming IRC Section 168(k) 50% bonus depreciation in a tax year, that amount must be subtracted from the depreciable cost of the computer before the Kansas expensing deduction is calculated: \$10,000 - \$5,000 = \$5,000. The amount of the Kansas expense deduction in this situation is: \$5,000 times .116 = \$580. If the business is claiming IRC Section 179 expensing for this computer, then no subtraction is made from the depreciable cost before multiplying that times the applicable factor to compute the Kansas expense deduction: \$10,000 times .116 = \$1,160.

The expense deduction is claimed against a company's Kansas corporate income tax liability. The Kansas expense deduction is a post-apportionment deduction. For a multi-state business, this means the deduction is applied after the income has been apportioned to Kansas.

A more detailed description of the benefit and example can be found in the "Expensing Primer" at: <u>Expensing Deduction</u>

If a taxpayer elects to claim an expensing deduction for certain investment, they cannot claim a tax credit for the same investment under the High Performance Incentive Program. They also cannot claim a credit under the following other tax credit programs: 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.



# NEXT STEPS TO APPLY FOR KANSAS INCENTIVE PROGRAMS

Once you've chosen Kansas for this expanded operation, we're ready to assist your company in applying for the incentive programs offered in the proposal letter. The following outlines the forms and their order of priority to access these incentive programs. Please keep us apprised of your project's status so we can continue to advise your company on the most effective way to access our programs. We would be glad to assist in addressing your questions as you complete these documents and review prior to submission to our agency program managers.

1) Promoting Employment Across Kansas (PEAK) – The PEAK application is completed by the company and submitted to our agency for review and approval by the Secretary of the Kansas Department of Commerce. The PEAK application must match the project parameters outlined in this incentive proposal and should be submitted to our agency at: <a href="Peak.Application@ks.gov">Peak.Application@ks.gov</a> prior to the new job creation for the project. The PEAK application and guidelines are located on our website at:

### Promoting Employment Across Kansas (PEAK)

A PEAK application must be submitted to the Department of Commerce prior to relocating or locating PEAK jobs/employees in Kansas. Applications shall also be submitted within 180 days from acknowledgement by Commerce of your selection of Kansas for the project.

For PEAK, there are two options for the withholding tax benefit to be received by the company – refund or retain. The "refund" benefit method is considered the easiest and most convenient benefit process and thus is generally elected by most participant companies. A \$5 quarterly fee for each PEAK-Eligible Job is assessed for this benefit method. The "retain as you go" benefit method has a more complex benefit process for companies that elect it. The retain benefit process is also generally not supported by payroll service providers, so please check with your provider before electing this benefit method.

<u>Fee</u>: A non-refundable application fee of \$750 will be required for all PEAK Applications received and is required at the time of application submission. If multiple entities are included in the PEAK Application, additional application fee payments will be required for each applicant entity (e.g. 2 applicant entities =  $$750 \times 2 = $1,500$ ). The fees may be paid by either 1) mailing a check to the Kansas Department of Commerce; or 2) paid online using ACH/debit/credit card \*(processing fees apply) by using <u>this link</u>.



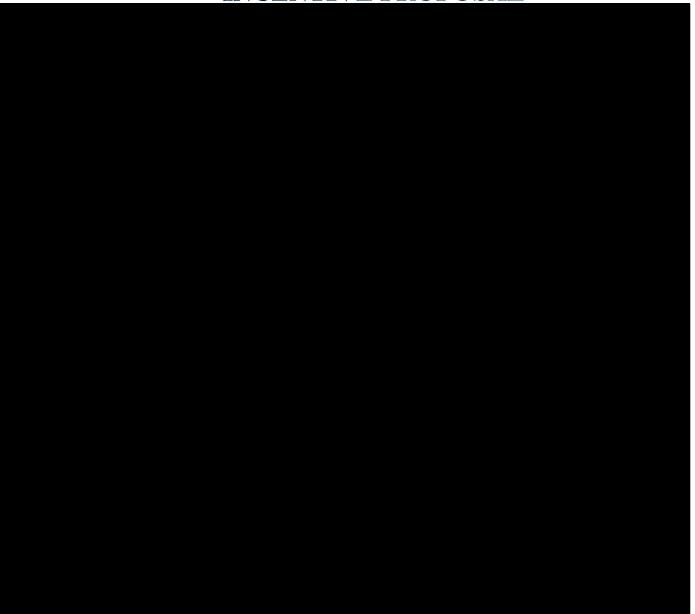
2) <u>Sales Tax Exemption</u> – a sales tax exemption on the machinery and equipment identified in this document could be available under Industrial Revenue Bonds or via this statutory sales tax exemption identified in the link below:

https://www.ksrevenue.org/prtaxincent-sales.html





# ACCEPTANCE OF KANSAS DEPARTMENT OF COMMERCE INCENTIVE PROPOSAL



Any program agreements executed as part of this incentive proposal will be subject to 2019 HB223 which requires Commerce to collect specific information for a searchable public database. Information included in the database will include company name, address, county, annual amount of incentive claimed, distributed or received. The bill also requires qualification criteria for the incentive, such as jobs or capital investment (if applicable), required benchmarks and progress made toward those benchmarks be included. This database will be updated with new information twice annually at the conclusion of the fiscal (June) and calendar years.



### **FORM OF CONTRACT**

### LIMITED LARGE ECONOMIC DEVELOPMENT RIDER

### WITNESSETH:

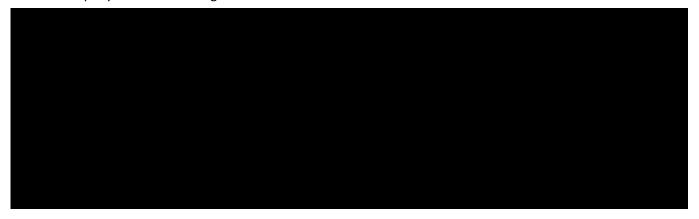
Whereas, Company has on file with the State Corporation Commission of Kansas (Commission) a certain Economic Development Rider (Rider), and;

Whereas, Customer is a new Customer, or has acquired additional separately metered facilities within the Company's service territory, and;

Whereas, Customer has furnished sufficient information to the Company to demonstrate that its new facilities or additional separately metered facilities (Facilities) satisfied the Availability and Applicability provisions of the Rider, and;

Whereas, Customer wishes to take electric service from the Company, and the Company agrees to furnish electric service to the Customer under this Rider and pursuant to all other applicable tariffs of the Company;

The Company and Customer agree as follows:



- 3. Customer acknowledges that this Agreement is not assignable voluntarily by Customer but shall nevertheless inure to the benefit of and be binding upon the Customer's successors by operation of law.
- 4. Customer acknowledges that all information provided to the Company for the purpose of determining whether the Customer is eligible for service under the Rider shall be retained by the Company and shall be subject to inspection and disclosure in accordance with the laws of the State of Kansas, as amended from time to time. Should the Customer designate any of such information as proprietary or confidential, Company shall notify Customer of any request for inspection or disclosure

and shall use good faith efforts to secure an agreement or Commission order protecting the proprietary or confidential nature of such information.

5. This Agreement shall be governed in all respects by the laws of the State of Kansas (regardless of conflict of law's provisions), and by the orders, rules and regulations of the Commission as they may exist from time to time. Nothing contained herein shall be construed as divesting, or attempting to divest, the Commission of any rights, jurisdiction, power or authority vested in it by law.



