Company	
Address	
Project Name (if applicable)	Project Aggie
Industry Type	

	Evergy	
Jurisdiction		
New or Expansion		
Local Relocation? (from>to)	na	na
Estimated Peak Load (kW)		
Estimated kWh		
Estimated Load Factor		
Hours of Operations		

Evergy Kansas Central Criteria		
Type of Business	Not available to companies selling goods or services directly to the general public	
Applicable Rate Schedules	MGS,LGS,LPS Rate Schedules	
In conjunction with special contracts	Not available to customers with special contract agreements	
Government Incentives	The new or additional facility receives local, regional or state governmental incentives	
New or Expanded Load	Expansion must be Separately Metered	
Shifting of Existing Load?	Not Allowed	
Peak KW Demand	≥ 200 kW	
Employment Creation	net new jobs created due to project	

OK?	Additional Discussion (as needed)
ок	
ок	5

Based on the projections provided by the customer and Economic Development, this EDR request meets the requirements of the Evergy Kansas Central tariff.

Reviewer: Ebony Clemons

Approver: Jason Klindt

**Approval Recommendation** 



## APPLICATION FOR KANSAS LIMITED LARGE ECONOMIC DEVELOPMENT RIDER

(Minimum 300 KW/55% Load Factor)

Company Name:_		Date of	Application: 1	
Service Address:				
City:			_State:	Zip:
Billing Address:				
City:			_State:	Zip:
Contact Person:Phone:_		Title:_		
Date construction sched	uled:			
Estimated date construc	tion complete:_			
	Тур	e of Facilit	y	
Customer Type:CommercialGovernment				
New business Business relocation Business expansion Business retention (if retention, an affidavit must be signed outlining alternative locations)				
NAICS Code:				
Brief description of bus	ness facility (products,	process, capacit	y):	
(Note: The Rider is no services directly to the		s facilities invo	olved in selling o	or providing goods and



## **Energy Information**

	At this Location	New /Expanded Facilities	Total	
Facility size (sq. ft.):		,		
Peak electric demand (kW):				
Annual energy usage (kWh):				
Annual Load Factor (%):	K			
Will electric load at another of y If so, specify impact:	your facilities in Evergy		Yes No F	
Additional Off-Peak (8PM to 1) If so, specify portion of total use		No		
Voltage level at which you wish	to be served:			
What are the projected hours of	operation? (number of sl	nifts, days per week):		
	Capital Invo	estment		
Is the facility:	Leased	_Owned		
	_Existing	New Construction		
New Real estate investment: \$				
New Machinery & Equipment: \$				
Total New Investment:	\$	-		
How much of the new total investment will occur in the first two years? \$				
Employment				
New Jobs Created/Retained:	Permanent	Temporary		
How many of the new jobs crea	ted will occur in the first	two 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:
Supporting Documentation
List and provide copy(s) of supporting documentation for regional, state, and/or local economic development incentives received in conjunction with retaining, locating, constructing or operating the facility at this location:
Start Date / Incentive Schedule
Requested Start Date for EDR Bene fits:
Standard Incentive Schedule as outlined in the tariff:
Applicant
Submitted by (Please print):Title:
Signature.  Date:
COMPANY USE ONLY:
Approved by:Date:

## **ECONOMIC DEVELOPMENT RIDER CONTRACT Pursuant to Evergy Kansas Central Schedule EDR**

, by and between Evergy

This Agreement is entered into as of this day of Inc. (Company) and (Customer).

	WITNESSETH:
Econom	Whereas, Company has on file with the State Corporation Commission of Kansas (Commission) a certain ic Development Rider (Rider), and;
Compar	Whereas, Customer is a new Customer, or has acquired additional separately metered facilities within the ny's service territory, and;
facilities the Ride	Whereas, Customer has furnished sufficient information to the Company to demonstrate that its new or additional separately metered facilities (Facilities) satisfied the Availability and Applicability provisions of er, and;
electric	Whereas, Customer wishes to take electric service from the Company, and the Company agrees to furnish service to the Customer under this Rider and pursuant to all other applicable tariffs of the Company;
	The Company and Customer agree as follows:
	1. Service to the Customer's Facilities located at (address) (city), (state) (state) (state), (state)
	2. Customer acknowledges that the incentive credits provided by the Rider are structured to be a discount discount discount discount , the date in which service is provided by Company to Customer.
	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.
	6. Customer requests that service under this Rider begin on

In witness whereof, the parties have signed this Agreement as of the date first above written.

Evergy	R. I TALL I
Ву:	Ву:
Title: Sr. Director of External Affairs	Title: Co-Founder & COO
Date	Date:



Title Evergy Kansas - EDR Contract

File name Evergy\_

Document ID

SENT

Audit trail date format MM / DD / YYYY

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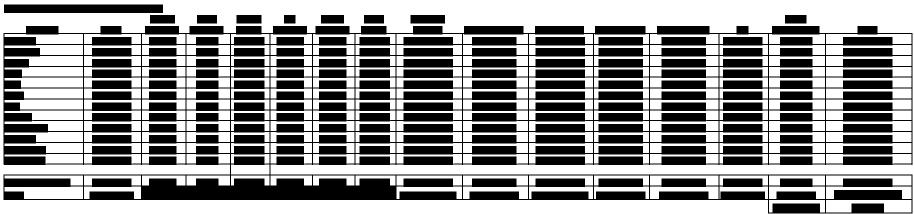
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Company Name: Project KCDC



Rates effective 01-01-23

Rates are estimated, based on current tariff information and do not include applicable taxes or franchise fees



Company Name: Project KCDC

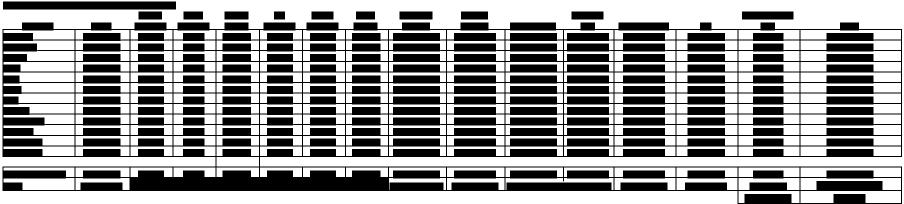


Rates effective 01-01-23

Rates are estimated, based on current tariff information and do not include applicable taxes or franchise fees



Company Name: Project KCDC



Rates effective 01-01-23

Rates are estimated, based on current tariff information and do not include applicable taxes or franchise fees

# KANSAS

COMMERCE





**Business Recruitment Project Manager** 

1000 SW Jackson, Suite 100 Topeka, KS 66612



## **REASONS TO CHOOSE KANSAS**











#### **LOWER OPERATING COSTS**



**FEWER RESTRICTIVE REGULATIONS THAN AVG** AMONG ALL U.S. STATES<sup>8</sup>



**REDUCTION OF BASE CORPORATE** TAX BY 20251



**HIGHER LABOR PRODUCTIVITY THAN** MIDWEST REGION AVG<sup>2</sup>

- X NO FRANCHISE TAX<sup>1</sup>
- X NO INVENTORY TAX<sup>1</sup>
- X NO LOCAL INCOME TAX ON EARNINGS<sup>1</sup>
- X NO ALTERNATIVE MINIMUM TAX<sup>1</sup>
- X NO GROSS RECEIPTS TAX<sup>1</sup>
- X NO PERSONAL PROPERTY TAX ON M&E<sup>1</sup>

#### **BUILT FOR BUSINESSES**



SAY KANSAS ROADS ARE EXCELLENT OR GOOD<sup>4</sup>



LARGEST PUBLIC ROADWAY NETWORK<sup>4</sup>



LARGEST RAIL NETWORK<sup>4</sup>



**COUNTIES DESIGNATED EPA ATTAINMENT AREAS**<sup>9</sup>



U.S. ACCESSIBLE WITHIN 3 DAYS VIA FREIGHT1



**AIRPORTS WITH** COMMERCIAL SERVICES<sup>4</sup>

#### **AVAILABLE TALENT**



12,000+ POSTSECONDARY **GRADUATES LOOKING FOR** EMPLOYMENT IN KANSAS7



**KANSANS OVER 25 YEARS OLD HAVE AN ASSOCIATE** OR BACHELOR'S DEGREES7



**55.7% KANSANS OVER 25 YEARS OLD HAVE POSTSECONDARY** CREDENTIALS<sup>10</sup>

#### LIVING IN KANSAS



**25.9%** LOWER AVG RENT FOR 2-BEDROOM APARTMENT5



STATE TO MAKE A LIVING11



BEST INTERNET ACCESS<sup>3</sup>



LOWER COST OF SINGLE FAMILY DWELLING<sup>5</sup>



SHORTEST COMMUTE TO WORK IN THE U.S.3



SUNNIEST U.S. STATE<sup>5</sup>

6 CNBC

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



Phone: (785) 296-3481 Fax: (785) 296-5055 KansasCommerce.gov

David C. Toland, Secretary

Laura Kelly, Governor

October 17, 2024
Dear
We are very pleased to present the following Kansas revised incentive proposal to , to assist with the location and growth of their business operation in Kansas. Please let us know how we can assist to make this decision a success!
Kansas has been, and continues to be, aggressive in its efforts to grow our economy. Major companies, such as Panasonic Energy, Urban Outfitters, Hill's Pet Nutrition, Amazon, The Hershey Salty Snacks Company, Hostess Brands, Schwan's, Bartlett Grain and Kubota recently chose Kansas as their preferred business location. These companies selected Kansas due to the business advantages our state can offer, advantages that translate to increased performance and profits.
This packet outlines our business advantages, the parameters of this project and the state business incentives being offered under current program statutes and policies. The incentives offered in this letter are valid until
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
Sincerely,
Business Recruitment Project Manager, East Coast 913.967.9332

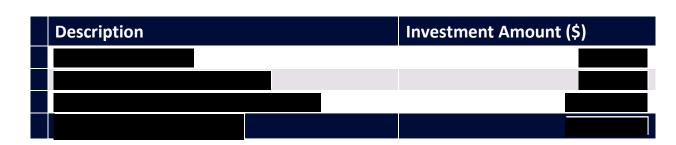
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## **PROJECT OVERVIEW Company Operations Employment** We understand the company is planning to create the following Wages Average Wage with Overtime, Base Average Wage (\$) Median Wage (\$) Commission and Bonus (\$) Year 1 Year 2

### **Capital Investment**

Net, new capital investment for this project is estimated to be up to



**Note:** In calculating the lease for capital investment, we multiply the first full year of lease payments by eight to determine the capital investment amount for lease. Equipment and machinery relocated to Kansas is valued at its original acquisition cost for capital investment purposes.

#### **Estimated Incentives**

We have several major incentive programs to assist a company in reducing their cost of expanding or locating a new business operation in Kansas. 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 are listed below:

Incentive Program		Maximum Incentive (\$)
Promoting Employment Across Kansas (PEAK)	Up to	
Kansas Industrial Training (KIT)	Up to	
Workforce Recruitment & Screening Assistance	Estimated Value	
Personal Property Tax Exemption (for first 10 years - savings continue indefinitely)	Up to	
Total 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**

#### **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 or be refunded up to 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, companies may qualify for program participation using the aggregate average wage of the PEAK jobs/employees. Qualifying using the average wage limits the benefits received. Final approval will depend upon the satisfaction of all program criteria and the discretion of the Secretary.

The benefit being offered under the PEAK program is up to a seven-year period for the 6 net, new jobs over an initial base employment level established per the PEAK Guidelines (see Definitions). This offer is based on the wages shown in the Project Overview section of this letter including a median wage of or an hourly wage of application, then the PEAK benefit will be reduced accordingly. The company will receive the PEAK benefit based on generated withholding tax of PEAK Eligible Employees paid at or above the county median wage up to an annual maximum cap of the county median wage up to an annual maximum cap of the company's actual benefit generated is less than the annual cap in any benefit year, the unclaimed amount will be added to the maximum benefit available in the subsequent benefit year. Any unclaimed PEAK benefit remaining at the end of the agreement term will be foregone.

#### **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 net, new jobs to non-metropolitan areas or ten net, new jobs to metropolitan areas of Kansas to receive "Basic" program benefits; 2) relocate or create within two years, a minimum of 100 net, new jobs, regardless of location, to receive "High Impact" program benefits; 3) pay the relocated or new PEAK jobs at least the county median wage as published by the Kansas Department of Labor at 7 | P a g e

the time of application; and 4) offer "adequate" health insurance coverage and pay at least 50% of the premium for health insurance for full-time employees.

The current county median wage, effective <u>July 1, 2024</u>, for the sites under consideration are as follows:

#### **Crawford County -**

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 July.

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 or refunded; 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 or refunded to 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 K-CNS 100 Quarterly Wage Report 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), Form BLS 3020, 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, which may include repayment of the PEAK benefit, 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. The 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 jobs' 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 annual 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 notified in writing that it may lose its PEAK eligibility and be subject to repayment or other remedies if such deficiencies cannot be 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 or 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 PEAK agreement will list in full detail the conditions of default and the corresponding remedies.

#### 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.

#### **Workforce Assistance**

#### **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. If your company utilizes PEAK for this project and if they are eligible for the program, we are making the following KIT offer for the new jobs in the first three years:

The program can be structured as classroom training, on-the job training, self-directed training 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. Travel expenses are also allowed expenses under this program. Eligible expenses include airfare, ground transportation (including rideshare, car rental, trains and personal mileage reimbursement), and certain lodging and per diem allowances. The total amount of the travel will not exceed 50% of the entire award.

#### **Qualifying Criteria**

To access the funding, the company will prepare a plan identifying the 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 agreement with our agency. All agreements will be written for 12 months; however, a company can close early on the agreement 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

The average wage must be equal to or higher than the median wage for the county in which the project is located. The current county median wages, effective <u>July 1, 2024</u>, for the sites under consideration are as follows:

Over 50% of the revenues for this operation will need to come from outside of Kansas to qualify. For expanding Kansas businesses, base employment for KIT is calculated in a similar manner as described under the PEAK program.

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 Recruitment & Screening 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 prescreening 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 at no cost and may be accessed through <a href="https://www.kansasworks.com">www.kansasworks.com</a> or by contacting the local Kansas Workforce Center.

Private sector clients have estimated that our recruitment and screening services can save a company . At 6 new jobs, this would be an estimated savings of up to

## **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

Kansas law allows 100% property tax abatement for ten (10) years on real property if industrial revenue bonds are utilized in the project or if it qualifies under the state constitution. Companies that manufacture articles of commerce, conduct research and development or store goods or commodities sold in interstate commerce may qualify for 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 current average mill levy rate in Kansas of 128.359 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 and chairs, copiers, fax machines, business machinery, equipment used in manufacturing operations, and equipment used in warehousing.

#### Estimated Machinery and Equipment Property Tax Savings

	M&E Cost (7-yr. Depreciation		Assessed Value of M&E (25%)			Property Tax  Liability		
Year 1								
Year 2								
Year 3								
Year 4								
Year 5								
Year 6								
Year 7								
Year 8								
Year 9								
Year 10								
	Estimate of 10-Year Tax Savings							

#### Kansas Corporate Income Tax Credits

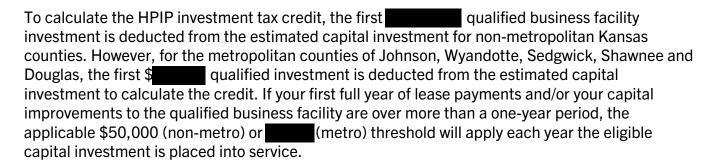
The current corporate income tax rate in Kansas is 4% of net income. Net income in excess of \$50,000 is subject to a surtax of 3%. Effective tax year 2024, the tax rate will be reduced to 3.5%.

#### High Performance Incentive Program

Commerce's High Performance Incentive Program (HPIP) is available to for-profit companies having employees, payroll and corresponding qualified investment and who meet the program requirements. The Kansas statutes and rules and regulations in effect at the commencement of the proposed certification or re-certification period for which the HPIP application is received will be applicable to any given project. Under current HPIP regulatory structure, the High Performance Incentive Program (HPIP) offers;

- **Income tax credit up to 10**% on the qualified net, new capital investment for a qualified business facility, with a 16-year carryforward.
- Employee Training Tax Credit, which provides a dollar-for-dollar state tax credit up to \$50,000, for training and education expenditures that exceed 2% of total payroll at the worksite. This tax credit has no carry-forward provision.
- Sales Tax Project Exemptions (STPE) on purchases of materials and services related to capital investment at the worksite.

#### **HPIP Tax Credit Calculation**



For companies making an investment in a new facility in Kansas, if all the anticipated investment satisfies the statutory definition of "qualified business facility investment," the 10% HPIP income tax credit is estimated to be up to:

The HPIP credits can reduce or eliminate a company's Kansas corporate income tax liability. The credits must be taken within a 16-year period, starting from the first year the company establishes the credits on their tax filing. All program criteria must be met so the company's worksite can obtain HPIP certification for a majority of any tax year in which the credits are taken against Kansas income tax liability. After HPIP certification, the company will be able to capture their eligible tax credit on their respective income tax filing.

#### **HPIP Tax Credit Transfers**

An HPIP certified company may sell or transfer HPIP tax credits, under certain conditions, to another entity or individual.

For projects placed into service on and after January 1, 2021, a taxpayer may sell or transfer up to 50% of the tax credit allowed. The taxpayer may sell or make a transfer to one or more transferees, but the total of all transfers shall not exceed 50% of the taxpayer's tax credit. An HPIP certified company may request up to two transfers a year and the taxpayer shall make the transfer or transfers within a single tax year. The credit may be sold or transferred to any individual or entity and shall be claimed in the year the credit was transferred against the transferee's tax liability for the income tax under the Kansas income tax act or the premium tax, privilege fees, or the privilege tax as measured by the net income of financial institutions imposed pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated.

The amount of the credit that exceeds the transferee's tax liability for such year may be carried forward for credit in the succeeding taxable year or years until the total amount of the tax credit is used, except that no such credit shall be carried forward for deduction after the 16th taxable year succeeding the taxable year in which such credit was initially claimed. Fees are associated with the transfer or sell of the credits.

In the event the tax credit earned by the taxpayer and transferred to a transferee is later disallowed in whole or in part by the Secretary of Revenue, the taxpayer that originally earned the tax credit shall be liable for repayment to the state in the amount disallowed.

#### **Qualifying Criteria**

The estimated NAICS code for this Kansas worksite is as follows:

 NAICS Code 518210 – Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services

The Kansas Department of Labor is the final authority on the assignment of NAICS codes for Kansas companies. We would be glad to work with the officials of the company on the assignment of a NAICS code for the worksite.

If your company can be classified as such under HPIP statutes and policy in force at the commencement of the initial certification period and any subsequent re-certification periods, they would need to meet the following requirements during the twelve-month measurement period to become certified:

- 1. Pay salaries that are above average for similar types of businesses within the county/region of Kansas where the company locates;
- 2. Be either a manufacturer or able to document that 51% or more of its sales are to either Kansas manufacturers and/or out-of-state businesses or government agencies.

For HPIP, we can use either the three-or-four-digit NAICS code for wage standards. The current wage standards for this project based on the relevant NAICS code and best wage to qualify is:

(Under 500 employees; updated July 1, 2024)



If the worksite's internal average wage does not satisfy the regular wage standard for its NAICS category, the worksite can alternately meet the HPIP wage requirements by paying an average wage, exclusive of compensation paid to owners of 5% or more equity in the business, which equals or exceeds one- and one-half times the state-wide wage. This alternative wage standard is currently

Based on the average wage information submitted in the questionnaire and as illustrated in the Project Overview, the company's project average wage for the jobs located in Kansas would not exceed the current wage standard for HPIP based on the wage standard noted above. Information on the program is included in case the overall worksite wage would exceed the current wage standard. The wage standards for this program are updated the third quarter of each year and the internal wage will be compared to the wage standard in effect at the time the chosen four-quarter measurement period ends.

Note: To qualify, the average wage with overtime and bonus can be compared to the NAICS wage standard. The company must submit average wage and overtime information to our agency to determine qualification.

To satisfy the HPIP wage requirement, Kansas statutes state that a company must pay a higher-than-average wage at its qualifying worksite. For a new worksite, this is typically accomplished by comparing the worksite average wage during the first four calendar quarters of operations (i.e., the HPIP measurement period), to the appropriate HPIP wage standard. The appropriate wage standard depends on (a) the worksite location; (b) the company's NAICS category; and (c) when the HPIP measurement period ends.

The K-CNS 100 Quarterly Wage Report, for unemployment insurance, would be the source for the company to determine their wages paid during the first four calendar quarters. The compensation will include wage items for management, supervisors and other reported worksite employees that are specifically included as compensation per the Kansas Department of Labor link; <a href="https://example.com/html/>
HPIP Wage Information">HPIP Wage Information</a>

A "Capital Investment Project Description" sheet will need to be submitted to our agency for the worksite of each legal entity applying for the HPIP program <u>prior</u> to them signing any document, such as a contract to purchase or lease land, property, or equipment, or bringing assets owned by the company into Kansas from an out-of-state location, which commits the company to its Kansas investment.

#### Fees:

HPIP applications received will require a non-refundable application fee per worksite location to be submitted with the application. The fee schedule per location is as follows: 1) First time certifications - \$750; 2) Re-Certifications - \$250; 3) One page carry-forward only - \$0; or 4) Tax Credit Transfer Fee - \$1,500 for transferor plus \$500 for additional transferees.

## Sales Tax Exemptions

The Kansas state sales and use tax is 6.5%. Cities and counties may collect additional sales tax. However, Kansas has a variety of sales tax exemption programs to reduce this sales tax liability.

#### Sales Tax Exemption for Construction, Remodel, Equipment and Furnishings

Companies that are eligible for the High Performance Incentive Program (HPIP) can apply for a Project Exemption Certificate (sales tax exemption). This is a 100% sales tax exemption on items used to construct, build-out, remodel, furnish and equip the new worksite. The exemption could cover the eligible taxable purchases of capital investment made by the legal entity submitting an application.

If this project can be HPIP-certified, we estimate the following savings in sales tax, at a state average sales tax rate of 8.6%:

- purchases of equipment and machinery
- cost of build-out



#### **Qualifying Criteria:**

Companies applying for the sales tax exemption under HPIP need to qualify for certification under the High Performance Incentive Program. The Request for Project Exemption Certificate (sales tax exemption) 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 indicating the legal entity is certified under the High Performance Incentive Program is necessary for the sales tax exemption request to be approved and issued by the Kansas Department of Revenue. The certification letter from the Kansas Department of Commerce is issued once the company is certified under the HPIP program.

The sales tax exemption certificate is issued effective from the latter of the date the exemption request is received by the Kansas Department of Revenue or the start of the HPIP certification period. If the company could not obtain HPIP certification to allow the sales tax exemption to be issued before taxable purchases were made for the project, the company would apply to the Kansas Department of Revenue for sales tax reimbursement on qualified taxable purchases made during the HPIP certification period. The company must remain HPIP-certified to continue to apply for the sales tax exemption for future taxable purchases.

#### Sales Tax Exemption 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. 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

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 = 1.6 = 1.60.

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: <a href="Expensing Deduction">Expensing Deduction</a>

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.

#### **Industrial Revenue Bonds**

Industrial Revenue Bonds (IRBs) are issued by cities and counties to provide funds for credit-worthy 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 real 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.

## Kansas Value-Add Programs

#### **Apprenticeship Program**

The <u>Kansas Office of Apprenticeship</u> intentionally designs employer-driven programs to create unique opportunities for career seekers throughout the state and a successful pipeline of qualified workers that directly supports employer success. The program brilliantly incorporates on-the-job learning paralleled with technical instruction and mentorship, prioritizing long-term employment.

#### **Local Supplier Referral Network**

Whether you need to find, or be found, Connex is a Kansas supply chain tool designed to help you quickly connect with other Kansas companies that can serve your needs. <u>CONNEX Kansas</u> is an advanced supply chain and manufacturing networking database used to connect the Kansas and U.S. manufacturing supply chain and promote domestic sourcing for a more assured delivery of your essential components and services.

#### **Amplifying Employer's Recruiting and Hiring Success**

<u>KansasWorks</u> is a free statewide job board where you can post jobs, find talent and promote your company. Connect with training providers, apprenticeship programs, and youth training providers to help fill your talent pipeline with some of the finest available people.

<u>Skillbridge</u> is a Department of Defense program designed to connect highly trained military personnel with civilian jobs upon the completion of their service. Similar to an internship, individuals in the program can work for your company up to six months — at no cost — while collecting a military salary. Test for cultural fit, skills verification, and advancement potential with very little financial risk to your company.

#### **Diversity, Equity and Inclusion Business Network**

Find, and be found. The Office of Minority and Women Business Development promotes business development with a focus on disadvantaged, minority-and women-owned businesses and offers certifications in these areas. Information and referrals are provided in the areas of procurement, contracting and subcontracting, financing and business management. The office also partners with other business advocates to sponsor business education workshops and seminars.

#### **Kansas Manufacturing Solutions (KMS)**

A program by manufacturers, for manufacturers, and developed by the National Institute of Standards and Technology (NIST), <u>KMS</u> assists small and medium-sized manufacturers find the results they are looking for in terms of profitability, efficiency, quality control, processes, production line improvements, and connecting with vetted, highly regarded contractors.

#### Foreign Trade Zones (FTZ)

<u>Foreign Trade Zones</u> are areas within the United States where foreign and domestic goods are not within U.S. Customs Territory. Manufacturers are thereby exempt from paying duty or federal tax while goods remain in the zone or are exported. Managed at the county level of government, Zone 17 serves nine counties surrounding the greater Kansas City area, and Zone 161 serves seven counties surrounding the greater Wichita area. More counties may be added by request.

#### Funding options for over 90% of Kansas Businesses

With nine offices across Kansas, the federal <u>Small Business Development Centers</u> are here to support you and your local suppliers find success in our state. Grants, loan programs, startup advisors, business planning, cybersecurity and other services are available at no cost in many cases.

## **Apply for 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) <u>High Performance Incentive Program Project Description Form (HPIP6k)</u> — the legal entity applying for the High Performance Incentive Program will submit a completed form to our agency prior to them signing any document, such as a contract to purchase or lease land, property or equipment, or relocating company-owned assets from another state to Kansas which commits the company to its Kansas investment. The link to this form can be found at: "<u>HPIP Resources</u> — <u>HPIP Project Description</u>."

Upon submission of this form, the program manager for HPIP will assign a number to the project and will send a letter directing the company to file additional documents as necessary to become certified under the program and ultimately file for the capital investment tax credits. A K-59 form is filed to claim the tax credits. If an outside tax service is used, please discuss this with them prior to filing your taxes with Kansas.

Fees: HPIP applications received will require a non-refundable application fee per worksite location to be submitted with the application. The fee schedule per location is as follows: 1) First time certifications - \$750; or 2) Re-Certifications - \$250; or 3) One page carry-forward only - \$0. 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 \*(processing fees apply) by using link.

\*Processing Fees - A 2.5% service fee will be applied to online credit and debit card payments (2.5% of the total charge) A \$1.50 service charge will be applied to online ACH payments.

**HPIP Tax Credit Sale/Transfer Fee**: An HPIP certified company may request up to two transfers a year. A transferor will pay a nonrefundable fee of \$1,500 plus \$500 for any additional transferees. The fee will apply to each request received.

2) 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: <a href="Promoting Employment Across Kansas">Promoting Employment Across Kansas</a> (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" 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>Fees:</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 this link.

\*Processing Fees - A 2.5% service fee will be applied to online credit and debit card payments (2.5% of the total charge) A \$1.50 service charge will be applied to online ACH payments.

- 3) Warehouse Machinery & Equipment Exemption Certificate ST-203 Those businesses that operate a warehouse or distribution facility in Kansas may use this certificate. A warehouse or distribution facility is a single, fixed location of buildings or structures in a contiguous area where storage or distribution operations are conducted that are separate and apart from the business' retail operations, if any, and which do not otherwise qualify for an exemption occurring at a manufacturing or processing plant or facility. The exemption certificate can be found at: <a href="https://ksrevenue.gov/pdf/st203.pdf">https://ksrevenue.gov/pdf/st203.pdf</a>
  - K.S.A. 79-3606(fff) exempts all sales of material handling equipment, racking systems and other related machinery and equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility in Kansas, all sales of installation, repair and maintenance services performed on such machinery and equipment; and all sales of repair and replacement parts for such machinery and equipment. If there are questions related to this form, please reach out to the Sales Tax Exemption section of the Kansas Department of Revenue at 785-368-8222.
- 4) <u>Workforce Training</u> The workforce training team will work with your firm to apply for the training funds and assist you in understanding the process to create a training plan. The first step to apply for our funding is to contact us when a decision has been made to locate in Kansas and we will make the appropriate connections to start the process. The workforce training plan and contract should be in place prior to job creation and workforce training related to the project: More information on the training programs can be found at: <a href="Workforce Training">Workforce Training</a> Kansas Industrial Training
  Workforce Training Kansas Industrial Retraining

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.

<u>Fees:</u> A non-refundable application fee of \$500 will be required for all Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) applications and is required at the time of application submission. 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 \*(processing fees apply) by using <a href="https://doi.org/10.1001/jhis.link">this.link</a> for (KIT) or <a href="https://doi.org/10.1001/jhis.link">this.link</a> for (KIR)

\*Processing Fees - A 2.5% service fee will be applied to online credit and debit card payments (2.5% of the total charge) A \$1.50 service charge will be applied to online ACH payments.

5) Sales Tax Exemption (Request for Project Exemption Certificate (PR70b) — The PR70b form is submitted to the Kansas Department of Revenue prior to taxable purchases being made for this project. Once the company becomes certified under the High Performance Incentive Program (HPIP) for the project, a letter from the Kansas Department of Commerce will be sent to the Kansas Department of Revenue stating the legal entity is certified under HPIP which will allow the sales tax exemption request to be processed. If the company paid sales tax on qualified purchases for the project during the HPIP-certification period, they would file to the Kansas Department of Revenue for any eligible sales tax reimbursement. The link to the sales tax exemption (PR 70b) form is available at: Revenue PR 70b Form

If the company needs to file for sales tax reimbursement, this form is available via the following link: Sales Tax Exemption Reimbursement Form

## **ACCEPTANCE OF INCENTIVE PROPOSAL**

Our company has reviewed the <u>October 17, 2024</u>, incentive proposal from the Kansas Department of Commerce. We accept this offer effective as of this date and fully understand the information as set forth in the incentive proposal.

Company Officer (Signature)	
Company Officer (Printed Name)	
Company Name	
Date	

#### **Press Release:**

Please provide a company contact who the Kansas Department of Commerce can coordinate with on a press release for the announcement of this project at the appropriate time:

Name:	
Title: _	Managing Member
Email:	
Phone:	

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.