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TO: Sen. Caryn Tyson, Chair
Members, Senate Taxation Committee

FROM: Blake Schreck, President of the Lenexa Chamber of Commerce

DATE: March 9, 2017

RE: Opposition to SB 223 – Distance Requirement for PEAK Eligibility

I appreciate the opportunity to share feedback regarding SB 223, which adds a new distance requirement for PEAK eligibility and accelerates the sunset for the retention and expansion portions of the program.

PEAK incentives are a temporary reduction in future tax liability tied to new job creation that creates new revenue streams to the state. Because it is based on withholding taxes, no benefit may be received by a company until a promised new job is created – if the new jobs never happen, there is no benefit and the state is “out” nothing. While the state may temporarily forego an amount equal to 95% of projected new withholding taxes on qualifying jobs, the result is that the state will still receive 5% more in withholding tax revenues than it is receiving today, to be followed by the full amount at the conclusion of the benefit period.

Under SB 223, in order to qualify for PEAK benefits a company would have to relocate to Kansas from a distance of at least 250 miles. I really can’t understand how a geographic boundary drawn this wide could possibly help the State of Kansas as we work to attract and retain jobs and capital investment.

This boundary immediately puts our major job centers across the state at a competitive disadvantage with our border states in the Midwest. Companies considering a relocation to or expansion in Kansas are usually considering options in Oklahoma, Nebraska, or Missouri as well.

A business new to Kansas is a business new to Kansas, no matter from which state it comes. It represents new jobs and new revenue to Kansas, benefiting all Kansas taxpayers by helping hold down state and local taxes and fund statewide needs like education, public safety, social services, and transportation – benefits that increase over time as the temporary incentive expires. It represents a choice to benefit from most of a revenue loaf that will ultimately generate multiple loaves versus potentially no loaf at all.

Some say most companies would probably just move here anyway, so Kansas is giving up tax revenue unnecessarily. The reality is that in today’s world of economic development there are nearly always *multiple* markets in play for projects, all competing at their highest and best abilities and universally using incentives. Companies can and do move. A state that arbitrarily limits incentives assuming companies will just move here anyway will ensure that state loses good quality projects it otherwise would have earned. This is essentially opting out of economic development when we need to be as aggressive as possible in our efforts to grow this state.

I would strongly encourage you to reject SB 223 and appreciate your consideration.