

SESSION OF 2005

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2265**

As Amended by Senate Committee of the Whole

**Brief\***

HB 2265, as amended, would create the Qualified Manufacturer Act and amend the Kansas Downtown Redevelopment Act.

**The Qualified Manufacturer Act**

Under the provisions of the Act, a manufacturer could receive up to \$1.0 million in Kansas income tax withholding paid by the manufacturer to its employees. The maximum period is four calendar years.

In order to qualify for the Kansas withholding revenue:

A qualified manufacturer is a person, corporation, partnership, or other entity engaged in the production of cellulose film in Shawnee County, Kansas, and:

- ! is a company that has paid or agrees to pay at least \$10.0 million in existing annual gross compensation to employees in Kansas;
- ! has an average wage and salary of at least \$50,000 plus benefits;
- ! currently has an investment in Kansas of at least \$26.0 million;
- ! employs at least 190 full-time equivalent employees in Kansas; and
- ! enters into an agreement with the Secretary of Commerce, which in return for benefits authorized in this Act, the qualified manufacturer agrees to maintain at least 190 full-time equivalent employees

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

in Kansas for five years or longer as the manufacturer and Secretary have agreed.

A qualified manufacturer may apply to the Secretary to enter into an agreement for benefits under this Act. Once the agreement between the manufacturer and Secretary is executed, the income tax withheld on the Kansas wages paid by the manufacturer will be credited to the Special Manufacturer Fund. Distributions from the Fund would not be subject to appropriation and interest from the State General Fund would be paid monthly based on the average daily balance of moneys in the Fund for the preceding month, and the net earnings rate of the Pooled Money Investment Portfolio for the preceding month. Moneys credited to the Fund would be distributed on the order of the Secretary.

In the event the qualified manufacturer terminates, cancels, or reduces the scope of the terms and conditions approved by the Secretary in the agreement, the agreement would provide that the Secretary could terminate the agreement.

The qualified manufacturer would not be allowed to participate in the Investments in Major Projects and Comprehensive Training Act programs. If the qualified manufacturer fails to maintain the employment levels, the manufacturer would be required to repay an amount in proportion to the level that employment has fallen below the agreement which has been a proportionate amount of the distribution back as determined by the Secretary. The incentives provided by this Act could not be used for: increased compensation packages, rewards, bonuses, pensions, enhanced retirement, stock options, buyouts or substantial severance pay, or other financial benefits to any Chief Executive Officer, Chief Financial Officer, or any officers of the company.

The Secretary of Commerce would be required to annually submit to the Governor, the Senate Committee on Commerce, the House Committee on Economic Development, and the Joint Committee on Economic Development a report that includes an estimate of jobs created and jobs preserved by the investments; and an estimate of the multiplier effect on the Kansas economy of the investments made under conditions of this Act. The Secretary also would be required to conduct an annual review of the activities required by the Act to ensure that benefits issued are in compliance with the provisions of the Act.

Finally, any violation of the reporting requirements would be grounds for loss of designation as a qualified manufacturer.

## **Kansas Downtown Redevelopment Act**

The bill would amend the Act so that the tax increment generated by the improvement would be credited to the fund for the purpose of returning all or part of the tax increment to the taxpayer. Current language states that all real property taxes assessed to the base year appraised value would be credited to the fund for the purpose of returning all or part of the tax increment to the taxpayer.

The bill would take effect after its publication in the *Kansas Register*.

## **Background**

Proponents for the bill included Representative Mah, Senator Hensley, Chairman of the Shawnee County Commission, and representatives from the Greater Topeka Chamber of Commerce, Innovia Films, Inc., a mayoral candidate for Topeka, and Whitley's Pallet Mfg.

The House Committee amended the bill by changing the phrase incentives which could be awarded, may be provided only on the closure of a cellulose film production facility in a foreign country to Great Britain; and the bill would take effect upon publication in the statute book to the *Kansas Register*.

The Senate Committee amended by bill adding the reporting requirements and penalties; technical clarifying language requested by the Kansas Department of Revenue; and insert that the Great Britain plant could either close or retool prior to the funds being distributed under the Qualified Manufacturer Act provisions. All the provisions added for the Kansas Downtown Redevelopment Act were completed by the Senate Committee.

The Senate Committee of the Whole amended the bill by deleting the language that would have required that incentives could be awarded only on the closure or retooling of a cellulose film production facility in Great Britain.

The fiscal note indicates the passage of the bill would decrease State General Fund revenues by \$250,000 annually for four years beginning in FY 2006.