

Testimony of Commerce Secretary Pat George In Support of House Bill No. 2591

House Taxation Committee

3:30 p.m., Wednesday, Feb. 7, 2012
783 Docking State Office Building

Good afternoon, Mr. Chairman, and members of the Committee. I am here today to express my support for House Bill No. 2591, legislation which would make a short-term, but important, change to income tax credits for businesses in the High Performance Incentive Program (HPIP).

This legislation allows certain companies that qualify to use HPIP carry forward tax credits in seven equal annual installments across their “unitary group.” To qualify, companies must submit a Capital Investment Project description after Oct. 1, 2011, and before June 30, 2013; commit to \$10 million or more in capital investment; and create at least 50 new jobs.

As you know, HPIP provides a 10 percent income tax credit for eligible capital investment that exceeds \$50,000 (\$1 million in five metro counties) at a company’s facility, with a carry forward that can be used in any of the next 15 years in which the facility re-qualifies for HPIP. This program also features a sales tax exemption to use in conjunction with the company’s eligible capital investment at its qualified facility; a training tax credit up to \$50,000; and priority consideration for access to other business assistance programs.

The Department of Commerce knows that many companies earn tax credits but cannot use them, or it takes the full 16-year carry forward period to use the credits. This bill accelerates that process for any company which qualifies. This change in law will allow companies that have earned HPIP tax credits – but do not have taxable income – to be able to apply those credits towards related entities that may have taxable income.

This change will provide the Department with another tool to help grow the economy in Kansas in the next two years. Last year during the session, I worked with businesses on a plan to make use of already secured tax credits, but there were concerns in the Legislature about budget restraints. Since then, the Department has developed this targeted pilot program that encourages economic activity through the limited ability to use tax credits in a unitary fashion, if certain employment and capital expansion is met.

In addition, this legislation encourages companies that already have a presence in Kansas to expand. I sometimes hear concerns that the Department is too focused on bringing economic growth from outside the state instead of working with the great companies already in Kansas. I have said many times that it is easier to keep a good customer than to find a new one.

Finally, this legislation is drafted in a limited scope so that it fits within the budget, so I would urge the Legislature not to broaden this bill because of impact on the budget. I urge the Committee to approve this legislation. Thank you.