House Committee on Commerce
Presented by Eric Stafford, VP of Government Affairs, Kansas Chamber
Proponent Testimony on House Bill 2757- Tax Incentive Reform

Thursday, February 12, 2026

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber represents small, medium and large-sized businesses across the state, advocating for policies which improve the economic climate in Kansas. We appreciate the opportunity to submit comments in support of House Bill 2757, which was presented during the Interim Commerce Committee.

Last fall, we presented a recommendation to the interim committee that proposed to eliminate roughly 20 income tax credit programs that were largely under-utilized or ineffective. We also proposed several changes to the state's High-Performance Incentive Program (HPIP) which are included in this legislation, plus additional clarification provided to us after the interim committee on the treatment of ESOP-owned S-Corps for HPIP credits. And last, we include the renewal of the aviation tax credit and the angel investor tax credit programs in HB 2757. As drafted, HB 2757 does eliminate the sunset on the aviation tax credit, while the angel investor program would be extended for five years.

During that interim, we suggested eliminating the Rural Opportunity Zone program and replace it with restoring the business and jobs development tax credit. However, after we learned of the Rural Business Growth Act (House Bill 2541, 2026), we did not include this provision in the bill. But in our view, that proposal (HB 2541) would serve as a positive rural-focused program aimed at attracting investment in rural parts of our state.

Speaking specifically to the changes to HPIP, beginning with Section 4, page 6, we are proposing to modify the alternative wage standard to 125% of the aggregate average wage for all non-metro counties. In conversations with the Department of Commerce and ensuring these are high-wage positions, they'd feel more comfortable with a threshold of 130%, so we are open to an amendment reflecting this change.

Secondly specific to HPIP, experts in our summer working group shared there were instances where a firm qualified for HPIP, due to factors outside of their control around county-specific wage standards, a business could make the investment but then later lose their certification even though they continue to meet the commitments required under the HPIP program approved by Department of Commerce. HB 2757 states that if a company meets the wage standard and other requirements in the year it earns the credit, the company can continue to be HPIP certified if they continue to meet the average wage requirement to ensure continued certification, avoiding a bait and switch scenario where certification is lost.

Third, a discrepancy has happened between C-Corp and pass through entities such as LLC's and S-Corps regarding transferability of HPIP credits. As stated in testimony from the Interim hearing:

"In 2021, Senate Bill 65 was passed allowing for the transfer or sale of up to 50% of the HPIP investment tax credits. Recently, the Kansas Department of Revenue determined that pass-through entities (LLC's, partnershis, S-corporations, etc.) can only transfer their HPIP credits in the year they are earned and before filing the company tax return for that year.

We believe that was not intended by the legislature under Senate Bill 65. This determination creates inequitable treatment based on company type. For reference, C corporations can transfer any unused tax credits in any future year."

The proposed clarification states that all entity types may transfer up to 50% of any unused HPIP investment tax credits, as long as the credits are still viable under the carryforward period.

And last, specific to HPIP that was not received prior to the interim committee hearing, was feedback seeking clarity for treatment on ESOP structured S-Corps, where ownership falls to the employees of the company. While a C-Corp might be able to claim their full credits earned under the HPIP program during the 16-year carryforward position, having employee ownership could prevent the similar ability for the full value of the credits to be claimed by employees of the ESOP during the carryforward period. Changes under HB 2757 create that certainty. It's not intended to create discrepancy between some companies who can only transfer 50% of their credits and this structure who would be able to transfer 100%, but rather these businesses seek to clarify that the employee-owned firm would be able to fully claim all credits earned under the HPIP program since the credits fall to the employee ownership.

In closing, we will say the same thing we did last fall regarding the elimination of income tax credits- we tried to be proactive in addressing the large number of credits on the books for the state. This is a starting point and a list that is not set in stone, but we must protect the positive incentive program Kansas offers. But we wanted to provide thorough research and options for the Legislature to consider. We appreciate the opportunity to submit testimony in support of House Bill 2757, and I would be happy to answer any questions the committee may have.

Proposed Tax Credits to Eliminate

- Abandoned Well Plugging Credit
- Agritourism Liability Insurance Credit
- Alternative Fuel Tax Credit
- Assistive Technology Contribution Credit
- Attracting Power Economic Expansion (APEX-expired, cleaning up statutes)
- Biomass-to-Energy Plant Tax Exemption and Deduction
- Carbon Dioxide Capture/Sequestration Tax Deduction
- Disabled Access Credit
- Electric Cogeneration Facility Credit
- Employer Health Insurance Contribution Credit
- Environmental Compliance Credit
- Friends of Cedar Crest Credit
- Incumbent Worker Training
- Kansas International Trade Marketing Assistance Program
- Kansas International Trade Show Assistance Program
- Kansas Downtown Redevelopment Tax Rebate
- Petroleum Refinery Credit
- Regional Foundation Credit
- Rural Opportunity Zones
- Storage and Blending Equipment Credit
- Swine Facility Improvement Credit