

SESSION OF 2008

**SUPPLEMENTAL NOTE ON  
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2037**

As Recommended by Senate Committee on  
Assessment and Taxation

**Brief\***

Senate Sub. for HB 2037 would extend by five years (from December 31, 2009 to December 31, 2014) the deadline for certain manufacturers to become eligible for a single-factor corporation income tax apportionment formula by constructing a new facility in Kansas that costs at least \$100 million; employing at least 100 new employees; and paying higher than average wages.

**Background**

The original HB 2037 dealt with various tax incentives for energy efficiency improvements of non-owner occupied housing units. The Senate Assessment and Taxation Committee on March 24, 2008 stripped the bill's original provisions; recommended that a substitute bill be created; and inserted the provisions of SB 686 relating to the corporation income tax apportionment formula for certain manufacturers.

Kansas has traditionally determined the amount of multistate income subject to taxation based on a three-factor formula utilizing sales, property, and payroll. Legislation enacted in 2007 (SB 240) allowed certain manufacturers meeting specific criteria to qualify for a single-factor formula based only on sales in the state. Proponents said that the 2007 legislation was designed to encourage Hill's Pet Nutrition to locate a new facility in Kansas.

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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>

During the public hearing on SB 686, proponents, who included the Secretary of Commerce, said that they preferred to not state publicly at this time which additional companies might qualify under the five-year extension.

A fiscal note from the Department of Revenue indicated that the bill likely would not have any fiscal note for at least five fiscal years based on the assumption that any manufacturer making an investment of a magnitude that would trigger the new apportionment formula also would be eligible under current law for High Performance Incentive Program tax credits.