

HOUSE BILL No. 2357

By Committee on Commerce, Labor and Economic Development

2-10

1 AN ACT concerning rural economic development; enacting the Kansas
2 agribusiness technology and entrepreneurship district act.

3
4 *Be it enacted by the Legislature of the State of Kansas:*

5 Section 1. Sections 1 through 12, and amendments thereto, shall be
6 known and may be cited as the Kansas agribusiness technology and
7 entrepreneurship district act.

8 Sec. 2. For purposes of the agribusiness technology and
9 entrepreneurship district act:

10 (a) "Agribusiness sector" means a business sector identified in
11 sections 11 and 12, and amendments thereto.

12 (b) "Qualifying business features" means the features, with their
13 respective point values, set forth in section 10, and amendments thereto.

14 (c) "District" means an agribusiness technology and entrepreneurship
15 district.

16 (d) "Secretary" means the secretary of commerce.

17 Sec. 3. (a) The secretary and the secretary of agriculture shall
18 cooperatively construct and implement, in consultation and cooperation
19 with cities, counties and local and regional economic development
20 professionals or associations, plans for economic development in rural
21 areas of this state through the establishment of agribusiness technology
22 and entrepreneurship districts pursuant to the provisions of this act. In
23 developing a plan, the secretary and secretary of agriculture shall seek to
24 coordinate and maximize the effect of all available federal or state
25 economic development programs in addition to benefits available pursuant
26 to this act.

27 (b) On and after January 1, 2019, the secretary may consider the
28 establishment of a district if:

29 (1) The secretary makes a determination, in consultation with the
30 secretary of agriculture, that establishment of the district would stimulate
31 agribusiness growth, jobs and economic development within and
32 surrounding the district with respect to a specified agribusiness sector or
33 sectors;

34 (2) the secretary receives a petition, in the form containing such
35 information as required by the secretary, from a county or city requesting
36 the establishment of a district for the benefit of a specified agribusiness

1 sector or sectors; or

2 (3) the secretary receives a petition, in the form containing such
3 information as required by the secretary, from a business desiring to locate
4 or expand inside a proposed district and that is also seeking qualification
5 from the secretary for business incentives associated with the proposed
6 district, as provided in sections 5 through 8, and amendments thereto.

7 (c) The secretary's consideration of the establishment of a district
8 shall include a determination by the secretary, in consultation with the
9 secretary of agriculture, of: (1) The agribusiness sector or sectors set forth
10 in sections 11 and 12, and amendments thereto, that will be targeted by the
11 district for development; and (2) the geographic boundaries of the district.

12 (d) (1) In consultation with the secretary of agriculture, the secretary
13 shall consider the following factors when considering whether to establish
14 or approve the establishment of a district and when determining the
15 geographic boundaries of a district:

16 (A) Discussion with city or county economic development
17 professionals, business and community leaders and potential qualifying
18 businesses associated with the proposed district;

19 (B) economic development incentives for the targeted agribusiness
20 sectors currently offered or proposed by the city, county or region
21 associated with the district;

22 (C) local workforce development efforts in support of the proposed
23 target agribusiness sector or sectors intended to benefit from the proposed
24 district;

25 (D) the presence and extent of local cooperation across the region to
26 provide regional support and economic development benefits and
27 incentives to a district; and

28 (E) other state economic development efforts that may support
29 district efforts; and

30 (2) such other factors as may be developed by the secretary in
31 consultation with the secretary of agriculture.

32 Sec. 4. (a) On and after January 1, 2019, a business may make
33 application to the secretary, in the manner and including such information
34 as required by the secretary, for designation by the secretary as a qualified
35 business.

36 (b) In determining whether a business is a qualified business, the
37 secretary shall consider:

38 (1) Whether the business has its principal business location, as
39 determined by criteria established by the secretary, within a district;

40 (2) whether the business is classified, as determined by the secretary,
41 as within an agribusiness sector or sectors set forth in sections 11 and 12,
42 and amendments thereto, that have been designated by the secretary for
43 development within the district;

1 (3) whether the business is determined by the secretary to have
2 qualifying business features that have a total point value, as set forth in
3 section 10, and amendments thereto, greater than or equal to a minimum
4 total point value established by the secretary for qualification for purposes
5 of that agribusiness sector and that district; and

6 (4) whether the business meets any other qualifications required by
7 the secretary in consultation with the secretary of agriculture.

8 In determining the total point value for qualifying business features, the
9 secretary may award one point to a business based on criteria established
10 by the secretary, in consultation with the secretary of agriculture,
11 applicable to a specific established district.

12 (c) In the discretion of the secretary, a business may submit a phased-
13 growth plan by which the business proposes to meet thresholds for
14 qualifying business features, as established by the secretary, over a period
15 of time allowed by the secretary, but not more than three years. The
16 secretary, in consultation with the secretary of agriculture, shall establish
17 criteria for the acceptance of such plans.

18 (d) Businesses that are designated by the secretary as qualified
19 businesses may, in the discretion of the secretary, be selected to participate
20 in the district, and receive business incentives and economic development
21 benefits set forth in sections 5 through 8, and amendments thereto, as
22 determined and as awarded by the secretary in consultation with the
23 secretary of agriculture. A business selected by the secretary to receive
24 business incentives or economic development benefits shall enter into an
25 agreement with the secretary with terms and conditions as the secretary
26 may require.

27 Sec. 5. (a) A qualified business shall receive benefits pursuant to this
28 section upon approval by the secretary, upon a determination by the
29 secretary that the requirements of this section and any additional
30 requirement of the secretary have been met, and pursuant to an agreement
31 with the secretary as provided in section 4, and amendments thereto, and
32 subsection (c).

33 (b) (1) In order to qualify for benefits under this section a qualified
34 company shall locate a new business facility, office, department or other
35 operation in the district and locate the new jobs directly related to such
36 business facility, office, department or other operation in the district. A
37 qualified company may utilize or contract with a third-party employer to
38 perform services whereby the third-party employer serves as the legal
39 employer of the new employees providing services to the qualified
40 company and such services are performed in Kansas and the third-party
41 employer and the new employees are subject to the Kansas withholding
42 and declaration of estimated tax act.

43 (2) Any qualified company, approved by the secretary for benefits

1 pursuant to subsection (a), that locates its new business operation in a
2 district and hires new employees within 10 years from the date the
3 qualified company enters into an agreement with the secretary shall be
4 eligible to retain 75% of the qualified company's Kansas payroll
5 withholding taxes for the new employees for a period of up to 10 years
6 from the date of the agreement with the secretary.

7 (c) (1) Any qualified company meeting the requirements of this
8 section, and any additional requirements of the secretary, may apply to the
9 secretary for benefits under this section. The application shall be submitted
10 on a form and in a manner prescribed by the secretary, and shall include
11 evidence that the requirements of subsections (a) and (b) are met.

12 (2) If the secretary approves the application, the qualified company
13 shall be eligible to receive benefits under this act as of the date the
14 qualified company enters into an agreement with the secretary in
15 accordance with this section.

16 (d) (1) Upon approval of the application for benefits, the secretary
17 shall enter into an agreement with the qualified company. If applicable, the
18 secretary shall also enter into an agreement with any third party described
19 in subsection (a), or such third party shall be a party to the agreement
20 between the qualified company and the secretary. The agreement shall
21 commit the secretary to certify to the secretary of revenue: (A) That the
22 qualified company is eligible to receive benefits under this act; (B) the
23 number of new employees hired by the qualified company; and (C) the
24 amount of gross wages being paid to each new employee.

25 (2) The agreement between the qualified company and the secretary
26 shall be entered into before any benefit may be provided under this
27 section, and shall specify that should the qualified company fail to comply
28 with the terms and conditions set forth in the agreement, or fail to comply
29 with the provisions set forth in this act, the secretary may terminate the
30 agreement, and the qualified company shall not be entitled to any further
31 benefits provided under this act and shall be required to remit to the state
32 an amount equal to the aggregate Kansas payroll withholding taxes
33 retained by the qualified company, or remitted to the qualified company by
34 a third party, pursuant to this act as of the date the agreement is terminated.

35 (e) Any qualified company eligible to receive benefits pursuant to this
36 section shall complete and submit to the department of revenue:

37 (1) The amount of Kansas payroll withholding tax being retained by
38 the qualified company pursuant to this act in a manner prescribed by the
39 director of taxation; and

40 (2) a form designed by the secretary of revenue, providing such
41 information and in the manner and at such time as prescribed by the
42 secretary of revenue in order for the secretary of revenue to implement and
43 administer the provisions of this section. The completed form shall be

1 confidential.

2 (f) The secretary and the secretary of revenue may adopt rules and
3 regulations necessary to implement and administer the provisions of this
4 section.

5 Sec. 6. A qualified business approved by the secretary and in
6 accordance with an agreement with the secretary pursuant to section 4, and
7 amendments thereto, shall, upon approval by the secretary, receive a sales
8 tax exemption for all sales of tangible personal property or services
9 purchased on or after January 1, 2019, for the purpose of and in
10 conjunction with constructing, reconstructing, enlarging or remodeling,
11 and the sale and installation of machinery and equipment purchased for
12 installation at any such business. The exemption provided in this section
13 shall not apply to projects that have actual total costs less than \$50,000.
14 When the qualified business contracts for the construction, reconstruction,
15 enlargement or remodeling of the business, the qualified business shall
16 obtain from the secretary of revenue and furnish to the contractor an
17 exemption certificate for the project involved, and the contractor may
18 purchase materials, machinery and equipment for incorporation in such
19 project. The contractor shall furnish the number of such certificates to all
20 suppliers from whom such purchases are made, and such suppliers shall
21 execute invoices covering the same bearing the number of such certificate.
22 Upon completion of the project, the contractor shall furnish to the owner
23 of the qualified business a sworn statement, on a form to be provided by
24 the director of taxation, that all purchases so made were entitled to
25 exemption under this subsection. All invoices shall be held by the
26 contractor for a period of five years and shall be subject to audit by the
27 director of taxation. Any contractor or any agent, employee or
28 subcontractor of the contractor, who shall use or otherwise dispose of any
29 materials, machinery or equipment purchased under such a certificate for
30 any purpose other than that for which such a certificate is issued without
31 the payment of the sales or compensating tax otherwise imposed thereon,
32 shall be guilty of a misdemeanor and, upon conviction therefor, shall be
33 subject to the penalties provided for in K.S.A. 79-3615(h), and
34 amendments thereto.

35 Sec. 7. (a) Upon application to and approval by the secretary, for
36 taxable years commencing on January 1, 2019, any qualified business who
37 shall invest in new or additional laboratory facilities for the qualified
38 business and located in a district may be allowed a credit for such
39 investment, in an amount of 10% of the amount of the investment as
40 determined by the secretary, against the tax imposed by the Kansas income
41 tax act for the taxable year during which commencement of commercial
42 operations occurs at such new or additional laboratory space.

43 (b) Upon application to and approval by the secretary, for taxable

1 years commencing on January 1, 2019, any qualified business that, prior to
2 making a commitment to invest in new or additional laboratory facilities
3 for the qualified business and located in a district, has filed a certificate of
4 intent to invest in a form satisfactory to the secretary and that has received
5 written approval from the secretary shall be entitled to a credit in an
6 amount equal to 10% of the laboratory facility investment in lieu of the
7 credit provided in subsection (a).

8 (c) The credit allowed by subsection (a) or (b) for each qualified
9 business investment shall be a one-time credit. If the amount of the credit
10 allowed under subsection (a) or (b) exceeds the tax imposed by the Kansas
11 income tax act on the Kansas taxable income of the qualified business, the
12 amount that exceeds the tax liability or a portion thereof may be carried
13 forward for credit in the succeeding taxable year or years until the total
14 amount of the tax credit is used, except that no such tax credit shall be
15 carried forward for deduction after the 16th taxable year succeeding the
16 taxable year in which the credit was first claimed.

17 (d) Application for the tax credit allowed by subsection (a) or (b)
18 shall be in the manner and shall include such information as the secretary
19 may require, and approval of an application shall be in the discretion of the
20 secretary. The secretary shall enter into an agreement with a qualified
21 business with such terms and conditions as the secretary may require
22 before the tax credit allowed by subsection (a) or (b) shall be allowed.

23 Sec. 8. The secretary, the secretary of agriculture and the secretary of
24 transportation shall cooperate in developing rules and regulations, which
25 shall provide that qualified businesses, upon application to and approval
26 by the secretary, shall be granted priority consideration by the secretary of
27 transportation for specified economic development incentives offered by
28 the department of transportation and identified by the secretary, the
29 secretary of agriculture and the secretary of transportation as beneficial for
30 economic development of agribusiness in districts.

31 Sec. 9. The secretary shall conduct an annual review of the activities
32 undertaken by a qualified company receiving benefits pursuant to this act
33 to ensure that the qualified company is in compliance with the provisions
34 of this act, any rules and regulations adopted by the secretary with respect
35 to this act and all agreements with the secretary as provided by this act.
36 The books and records of the qualified company, or any third party that is
37 part of any agreement under this act, including employment and wages of
38 any employees, that record the basis or qualifications for the receipt of
39 benefits pursuant to this act and the rules and regulations of the secretary
40 shall be available for inspection by the secretary or the secretary's duly
41 authorized agents or employees at all times during business hours. The
42 secretary may request the department of revenue to audit the qualified
43 company or third party for compliance with the provisions of this act and

1	the rules and regulations of the secretary.	
2	Sec. 10. Table 4	
3	Qualifying Feature	Points
4	Utilizing municipal benefit district	1
5	Utilizing county benefit district	1
6	Locating in target business zone for state	1
7	Business is in the list of defined sectors	1
8	Addition of 1-5 jobs in metropolitan counties	1
9	Addition of 1-5 jobs in non-metropolitan counties	2
10	Addition of 6-10 jobs in metropolitan counties	2
11	Addition of 6-10 jobs in non-metropolitan counties	3
12	Addition of more than 10 jobs in metropolitan counties	3
13	Addition of more than 10 jobs in non-metropolitan counties	4
14	Water rights used in the business which are enrolled in a	
15	LEMA or WCA	1
16	Water rights used in the business which draw from the	
17	Ogallala are in an area with an estimated useable life	
18	of 50 years or more	1
19	Riley County NBAF connection- co-location, employee	
20	access, related research, etc.	1
21	Animal Health Corridor company locating anywhere between	
22	Kansas side of KC metro to Manhattan	1
23	Provided housing for employees in non-metropolitan counties	2
24	Provided employee housing utilizes a rural housing incentive	
25	district	1
26	At least 25% of new employees take part in ROZ or Rural	
27	Veterinary Program	1
28	Purchase and utilization and/or demolition of a vacant building	
29	in local business district	1
30	Purchase of existing business and retention of employees	1
31	Investment of \$100,000 to \$499,999 in plant and equipment	
32	subject to property tax	1
33	Investment of \$500,000 to \$999,999 in plant and equipment	
34	subject to property tax	2
35	Investment of \$1,000,000 or more in plant and equipment	
36	subject to property tax	3
37	Business classification in NAICS sector with economic	
38	multiplier greater than 1.5	1
39	Business classification in NAICS sector with economic	
40	multiplier greater than 1.8	2
41	50% of new employee wages above median county wage	1
42	75% of new employee wages above median county wage	2
43	\$500,000 to \$999,999 in sales tax eligible sales	1

1	\$1,000,000 or more in sales tax eligible sales			2
2	Sec. 11. Table 5			
3			Estimated	
4		Sector	Economic	
5	Sector Name	Number	Multiplier	Agricultural Application
6	Custom Computer	451	1.90	Application Development
7	Programming			and Installation
8	Computer Systems	452	1.87	Network Design and
9	Design			Installation
10	Data Processing	430	1.85	Data Hosting and Processing
11	Satellite and Telecom	429	1.84	GPS and Telemetry
12	Equipment Resellers			Equipment Dealers
13				and Service
14	UAV Manufacturing	357	1.36	UAV Manufacturing and
15				Retrofitting
16	Broadcast and Wireless	305	1.45	GPS Equipment
17	Equipment Manufacturing			Manufacturing
18	Electric Component	313	1.50	Other Electrical
19	Manufacturing			Component Manufacturing
20	Laboratory Testing	449	1.524852	Agriculture laboratory
21				testing
22	Biotechnology Develop-	456	1.481465	Agriculture research and
23	ment and Agriculture			development
24	Research			
25	Vaccine Manufacturing	176	1.399688	Animal Health vaccines
26	Industry Associations	515	1.793651	Agriculture industry groups
27				and trade associations

28	Sec. 12. Table 6			
29	Sector Name		Sector	Estimated
30			Number	Economic
31				Multiplier
32	Fluid milk manufacturing		84	2.137489
33	Animal slaughtering		89	2.058092
34	Flour milling		67	1.972788
35	Tortilla manufacturing		98	1.961478
36	Meat processed from carcasses		90	1.930099
37	Malt manufacturing		69	1.903097
38	Rendering and meat byproduct processing		91	1.901169
39	Wet corn milling		70	1.897769
40	Dry, condensed, and evaporated dairy product			
41	manufacturing		87	1.870589
42	Paperboard mills		148	1.866514
43	Sawmills		134	1.82119
44	Spice and extract manufacturing		104	1.780159
45	Veterinary services		459	1.763874
46	Bread and bakery product, except frozen,			

1	manufacturing	94	1.762743
2	Nitrogenous fertilizer manufacturing	169	1.732018
3	Support activities for agriculture and forestry	19	1.731375
4	Other snack food manufacturing	100	1.721071
5	Other animal food manufacturing	66	1.716255
6	Dry pasta, mixes, and dough manufacturing	97	1.716125
7	Paper mills	147	1.704718
8	Frozen cakes and other pastries manufacturing	95	1.7045
9	Frozen specialties manufacturing	80	1.699414
10	All other food manufacturing	105	1.637321
11	Frozen fruits, juices and vegetables		
12	manufacturing	79	1.631973
13	Cookie and cracker manufacturing	96	1.630971
14	Coffee and tea manufacturing	101	1.622149
15	Landscape and horticultural services	469	1.603495
16	All other industrial machinery manufacturing	271	1.592268
17	Food product machinery manufacturing	267	1.578545
18	Confectionery manufacturing from purchased		
19	chocolate	78	1.577418
20	Canned specialties	82	1.573999
21	Dog and cat food manufacturing	65	1.564487
22	Roasted nuts and peanut butter manufacturing	99	1.536896
23	Wineries	109	1.527964
24	Breweries	108	1.523295
25	Phosphatic fertilizer manufacturing	170	1.520538
26	Nonchocolate confectionery manufacturing	76	1.519511
27	Breakfast cereal manufacturing	73	1.516422
28	Bottled and canned soft drinks & water	106	1.512782
29	Chocolate and confectionery manufacturing		
30	from cacao beans	77	1.505469
31	Poultry processing	92	1.503197
32	Dehydrated food products manufacturing	83	1.495843
33	Pesticide and other agricultural chemical		
34	manufacturing	172	1.487083
35	Soybean and other oilseed processing	71	1.485424
36	Canned fruits and vegetables manufacturing	81	1.471748
37	Fats and oils refining and blending	72	1.458339
38	Mayonnaise, dressing, and sauce manufacturing	103	1.454053
39	Fiber, yarn, and thread mills	112	1.431717
40	Farm machinery and equipment manufacturing	262	1.423912
41	Other chemical and fertilizer mineral mining	35	1.409963
42	Flavoring syrup and concentrate manufacturing	102	1.371364
43	Lawn and garden equipment manufacturing	263	1.343901

1 Distilleries 110 1.280421
2 Sec. 13. This act shall take effect and be in force from and after its
3 publication in the statute book.