

**Kansas Department of Commerce
Testimony on HB 2471
Bob North, Chief Legal Counsel
at the Kansas Department of Commerce
House Commerce
February 29th, 1:30pm
Room 346-S**

The Kansas Department of Commerce requests that the Kansas Legislature support HB 2471.

Kansas long ago earned its place in the automotive industry. Now that industry is undergoing rapid evolution. With more than \$245 billion eligible for the electric vehicle (EV) industry from the federal Infrastructure Investments and Jobs Act and Inflation Reduction Act and automobile manufacturers announcing over \$1.2 trillion in planned EV production investment by 2030, the United States is poised to become a global leader in the EV transition. Ford will increase its global investment in EVs to \$50 billion, GM will invest \$35 billion globally by 2030 with \$391 million announced to be invested at the Fairfax facility in Wyandotte County. Stellantis has announced it will invest \$35.5 billion and Tesla plans to spend \$6 billion to \$8 billion per year in Germany and the United States over the next two years. New market entrants are increasing their investments as well. Electric truck maker Rivian, Lucid Motors and Hyundai Motor Group all will invest billions in expansion efforts through 2030. These developments create tremendous opportunity.

Long-term investment decisions by EV and hydrogen powered vehicle manufacturers are being made in the next 12 months. This bill gives Kansas the tool it needs to protect the future of the automotive industry in Kansas and shows the world that Kansas is open for business.

Specifically tailored to electric vehicle (EV) and hydrogen powered vehicle assembly, components and subassembly manufacturers and their respective headquarters or research and development (R&D) facilities, HB 2471 slightly enhances our traditional incentives giving the State a competitive edge to successfully recruit this industry as well as national headquarters. The bill establishes clear eligibility requirements, includes meaningful clawbacks and requires all benefits to be earned after jobs are created and investment is made.

Program Qualifications:

The bill is specific to EV and hydrogen powered vehicle assembly, component and subassembly manufactures, and their respective headquarters or research and development (R&D facilities). Each project must meet the following qualifications to receive the benefits:

- At least 250 jobs within five years of production start,

- Base wages at least 120% or more of county median wage,
- \$250 million capital investment for vehicle assembly operations (no minimum for the other qualified activities) and
- Project completion within five years of start date.

Program Benefits:

After meeting the described qualifications, the following benefits may be earned by the business:

- Training – No cost access to any Kansas community college or technical college of employer’s choice for the purpose of supporting training of production workers. This reimbursement component has a \$5 million cap per project.
- Payroll Tax – Up to 100% of project employee payroll withholding retained by employer for up to 10 years. This is similar to our current Promoting Employment Across Kansas (PEAK) benefit. Currently with PEAK, businesses are eligible for 95% of the project employee payroll withholding tax.
- Capital Investment Tax Credit – Up to 10% of total project capital investment in a refundable tax credit that is paid over at least 5 years or more. This is a significant reduction in the capital investment tax credit included in APEX, which was up to 15%.
- Sales Tax Exemption – An abatement of the construction materials sales tax on the construction, renovation or expansion of a qualifying project for the specific purpose of this industry. The Sales Tax Exemption is a commonly used component of our High-Performance Incentive Program (HPIP).

Category	HB 2471	APEX	Traditional
Investment Tax Credit	Up to 10% investment tax credit (refundable) unless located in a non-MSA area of the state, then it’s fixed at 10%	Up to 15% investment tax credit (refundable)	HPIP: 10% income tax credit up to 50% may be transferable; credit that exceeds the transferee’s tax liability may be carried forward (not refundable)
Payroll Tax	100% of payroll withholding tax rebate for 10 years	Up to 10% of total payroll costs for 10 years	PEAK: 95% of the payroll withholding for up to 7 years; high-impact projects that create at least 100 new jobs may be eligible for up to 10 years
Training	Up to \$5M reimbursement for no-cost access to any KS community college or technical college of employer’s choice (approximately 1,860 workers)	Reimbursement up to \$5M at a 50% rate for 5 years for training	KIT/KIR: \$1,200 - \$2,000 per trainee; KIR requires a dollar-to-dollar match; KIT does not require a match
Sales Tax	100% construction material exemption	100% construction material tax exemption	100% construction material tax exemption

Program Clawbacks:

After entering into an agreement, the following clawbacks will be implemented in these scenarios:

- If a company fails to reach at least 90% of the committed capital investment at project completion, or if the project is abandoned before the incentive agreement expires, all earned benefits of this program shall be revoked and reimbursed to the State.
- If employment drops below 90% of the committed jobs at any point after project completion, but not to exceed 15 years from that date, the payroll tax and sales tax exemption benefits shall be clawed back proportionally.

In short, this bill creates a new economic development tool for job creation activity, capital investments made by the manufacturers or national headquarters, and training partnerships with our community colleges. Overall, this tool will allow the state to continue to capture future investments of the automotive industry and build off the established momentum that has been earned from our bipartisan efforts to make Kansas the best place in the country to do business.

I urge the committee to favorably pass HB 2471.