

**Kansas Department of Commerce  
Proponent Testimony on HB 2394, Research and Development Tax Credits  
Written Testimony  
House Taxation Committee  
February 16, 2022, 3:30 p.m.  
Room 346-S**

The Kansas Department of Commerce testifies in support of HB 2394 and urges you to pass this bill favorably.

In 2000, a research and development (R&D) tax credit was created to allow a 6.5% credit on the growth in research expenditures as compared to previous years. In any one year, the amount of credit allowable for deduction from the taxpayer's tax liability could not exceed 25% of the total amount of the credit plus any applicable carry forward amount. In 2013, the credit was modified and corporations were the only eligible entity.

HB 2394 increases the total amount of credit that can be earned from 6.5% to 10%, allows not only corporations but S corporations, LLCs, etc. to be eligible and allows that credit to be transferable. These adjustments make the credits more valuable and applicable to a broader audience.

These credits continue to support companies who are developing new or improved business components, including products, processes, computer software, techniques, formulas or inventions. With technology integrated into all components of business, this can be beneficial for all companies who are constantly re-examining their technical constraints in producing a product or offering a service. Innovation often includes failure, which comes at a real cost. These tax credits help to buffer that cost of trying new ways and testing new procedures. The R&D tax credits will be valuable to our Kansas businesses.