

SESSION OF 2011

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2220**

As Recommended by House Committee on
Taxation

Brief*

Sub. for HB 2220 would expand the Promoting Employment Across Kansas (PEAK) program in several ways.

The program, which provides for a diversion of 95 percent of certain employee income taxes away from the State General Fund (SGF), would be expanded on January 1, 2012 to include for the first time “retained jobs,” which generally would be defined to mean jobs which would otherwise be lost but for employer participation in PEAK.

Additional changes would allow companies to use either the median or the average wage paid to employees (as opposed to the median wage only under current law) as one of the tests for qualification; allow companies to retain employee withholding taxes for all new jobs (as opposed to only those jobs equal to or above the wage threshold); and allow not-for-profit corporations to enter the program. Participation of existing Kansas businesses in the job creation or expansion phases of the program would be accelerated from January 1, 2012, to July 1, 2011.

Qualified companies also would be authorized to utilize or contract with all third-party employers (as opposed to only unrelated third-party employers).

A new provision would allow Kansas small businesses, defined as qualified companies with fewer than 100

*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>

employees, to be eligible to the extent that additional employees represent an increase over the highest employment level of the previous 10 years.

The bill also would effectively provide an individual income tax exemption (through an income tax credit mechanism) for certain Kansas source income received by Kansas resident owners of qualified companies who materially participate in the business activities.

Finally, a \$4.8 million cap for each fiscal year on the total amount of benefits granted to expanding businesses would be repealed.

Background

Proponents, who included the Secretary of Commerce and Representative Kleeb, said that the legislation would assist with private-sector job creation and retention.

The House Taxation Committee on March 2 adopted a package of amendments recommended by the Department of Commerce, added the new provision relative to small businesses, and recommended that a substitute bill be created.

Based on the latest fiscal information available from the Department of Revenue, the provisions of the bill would combine to have the following impact on SGF receipts:

(\$ in millions)	
FY 2012	\$ (10.0)
FY 2013	(20.5)
FY 2014	(31.0)
FY 2015	(41.5)
FY 2016	(52.0)
5-yr total	<u>\$ (155.0)</u>