

SESSION OF 2013

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2267**

As Amended by House Committee on Taxation

**Brief\***

HB 2267, as amended, would expand the High Performance Incentive Program (HPIP) in several ways.

Certain animal production and aquaculture businesses classified under subsector 112 of the North American Industry Classification System (NAICS) would be brought under the program beginning in tax year 2013, making such entities eligible for income tax credits equivalent to 10 percent of the amount of qualifying investment, as well as the enterprise zone sales tax exemption that applies to materials, machinery, and equipment installed as part of certified projects.

An additional change to the HPIP program enacted in 2011 that increased from \$50,000 to \$1 million the minimum amount of qualifying investment necessary in certain urban counties would be repealed.

**Background**

The original bill dealt with the expansion of the program by including those businesses in NAICS code 112. Proponents included Secretary of Agriculture Dale Rodman and a representative of the Kansas Livestock Association.

The House Taxation Committee amended the bill on March 18 to remove a provision that would have expanded the NAICS code qualification criteria retroactive to tax year

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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>

2012, and to add the provision reversing language enacted in 2011 that increased the minimum level of investment necessary in urban counties for HPIP qualification.

The following table summarizes the latest fiscal information available from the Department of Revenue on the House Taxation Committee version of the bill:

(\$ in millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>5-yr Total</u>
Sales Tax						
Exemption	\$ (3.560)	\$ (3.092)	\$ (3.208)	\$ (3.328)	\$ (3.453)	\$ (16.641)
NAICS Code 112	(0.500)	(0.520)	(0.541)	(0.562)	(0.585)	(2.708)
Urban County						
Threshold	<u>(0.720)</u>	<u>(0.749)</u>	<u>(0.779)</u>	<u>(0.810)</u>	<u>(0.842)</u>	<u>(3.900)</u>
<b>Total All Funds</b>	<b>\$ (4.780)</b>	<b>\$ (4.361)</b>	<b>\$ (4.528)</b>	<b>\$ (4.701)</b>	<b>\$ (4.880)</b>	<b>\$ (23.249)</b>

Exhibit:

*Disaggregation by Fund*

State General Fund	\$ (4.124)	\$ (3.791)	\$ (3.937)	\$ (4.087)	\$ (4.244)	\$ (20.184)
State Highway Fund	\$ (0.656)	\$ (0.570)	\$ (0.591)	\$ (0.613)	\$ (0.636)	\$ (3.065)