

Date:

March 8, 2017

To:

Senate Assessment and Taxation Committee

Regarding

SENATE BILL 222
&
SENATE BILL 223

Position

Written Testimony in Opposition to SENATE BILL 222 & SENATE BILL 223

From

Matthew Masilionis



Dear Committee

My note to you today is in reference to submit my testimony in opposition to SB222 & SB223, which I recently understand that the State of Kansas, by way of several of its Legislature members, is looking to place a hold, mortarium and make substantial changes to two of the primary Business Incentive programs that the state can provide to companies whom move their goods or services to the State of Kansas. More specifically, I thought it would be prudent to utilize my company as the model example for the reason the PEAK incentive program has worked effectively for the State of Kansas and why it needs to be maintained as a resource and tool for recruitment of companies (and their employees) for the State of Kansas.

Rees Masilionis Turley Architecture (or RMTA) was established in 1990 as an Architectural Design business in the State of Missouri, to which we resided within the Kansas City, Missouri urban downtown core until January last year (2016) when we sold our building at 908 Broadway (in 2015) and were looking to move to another location within the urban core of Kansas City, Missouri. During our search process for a new location, one of our clients (who owns numerous buildings in Missouri and Kansas) had noted we should look at the Kansas side of the line for our new operation as he had moved his operations from Kansas City, Missouri to Kansas the prior year and found that his quality of life, in addition to his staff, was better, so we expanded our search area across the state line.

As part of our selection process we contacted both Missouri and Kansas to evaluate the tax effects to the business as well as to review any type of business incentives which we could include in our financial evaluations. Specifically, my finance manager was put in touch with Steve Kelly, Deputy Secretary Kansas Department of Commerce, who had requested our company complete a Business Recruitment Questionnaire so that the State could properly evaluate the positive financial impact that our company moving to Kansas would offer (the document form we were requested to complete is attached as a point of reference). Following complete submittal of the document to the State of Kansas, Barbara K. Hake, Business Development Consultant-Kansas Department of Commerce, responded with a proposal reviewing the Promoting Employment Across Kansas (PEAK) which she clarified as a program that:

"allows qualified companies approved at the Secretary of Commerce's discretion to retain 95% of their Kansas payroll withholding tax over a period of years, depending on the aggregate median wage of all PEAK jobs/employees as compared to the relevant county median wage. If the aggregate median wage of the PEAK jobs/employees does not qualify the project for PEAK, the annual average wage of the jobs can be used" and clarified that "The benefit being offered under the PEAK program is up to \$150,000 of retained payroll withholding taxes over a five-year period for the 23 net, new jobs based on the wages shown in the Project Overview section of this letter"

After reviewing numerous facility locations on both sides of the State line, we found that the rental rates for the Kansas side of the line were much higher than other facility options in the urban core of Kansas City, Missouri, however, when the PEAK incentive was included with the evaluation, the financial "hit" was more habitable (albeit still higher than Missouri).

The firm ownership (four total owners with equal split of owners from each state) carefully evaluated our options and came to the conclusion that the best fit for our company was to make a giant leap from Kansas City, Missouri to Mission Woods, Kansas after a 26-year commitment in Missouri. It is important to articulate that the Kansas PEAK program was one of the primary components in helping our ownership make the decision to move our \$1.2 mil staff payroll over to the Kansas side of the line after 26 years of being a Kansas City, MO company. Had PEAK not been there as an incentive to help our company make a commitment to move to the State of Kansas, we could not have afforded the move from Missouri. PEAK helped "balance the scale" of the higher rent and move of the company operations we would be experiencing in moving to Kansas.

It is critical to note that our company experience great success during our long-term commitment in Kansas City, MO and could have easily remained there as that was our basis of operation since our inception in 1990, but when the opportunity to move to Kansas with an annual 5-year "back based" incentive plan presented by the State of Kansas, the ownership rethought our entire business plan and facility location; which was no small task. Our firm ownership clearly understood (and understands) that the implementation of PEAK only occurs at the back end following submittal and validation of our company financial reports to the state, indicating staffing increase. Additionally, our ownership understood (and understands) that no financial "hand-out" from the State occurs but that our company must create the investment in its workspace and operations to grow our company, which requires our company to commit capital AT THE FRONT END for any state incentives to work at the BACK END.

I would hope that my testimony would assist the legislature in understanding is that the PEAK program works and is a vital tool in helping business's make the hard decision to move their operations into Kansas. As it relates to my company specifically, it should be understood that our company was not looking for any "handouts", however, the state offered our firm an opportunity to extend its long-term success by moving our operations across the State Line; and for that offer, we agreed to commit our staff's taxable salaries to move to Kansas AND the firm would make a commitment to invest in our operations to help grow our company to which the State would see the financial benefit from such.

For the reasons stated above, I request that the Kansas Legislature oppose SB222 & B223.

Respectfully,



Matt Masilionis, AIA, NCARB
Managing Member
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