



# State Incentives Update

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# Machinery & Equipment Expense Deduction

- Provides full value of cost of M&E when added to present value of Federal depreciation deductions
- Calculation of the Kansas M&E Expense Deduction is predicated on Federal IRC 168 & 179 per IRS Publication 946
- Straightline, 150% Declining Balance, 200% Declining Balance, Straightline Bonus, 150% Declining Balance Bonus, or 200% Declining Balance Bonus Depreciation



- Need to know :
  - Type & use of equipment
  - Cost of equipment
  - Method of depreciation company will use
  - Is Bonus depreciation being taken

*Example:*

Company XYZed is purchasing \$100,000 in manufacturing equipment with a 7 year life. They typically use Straightline, zero Bonus depreciation method and will be claiming under IRC 168 (b) (3).

\$100,000 cost of equipment

      x.19       multiplier factor from SB 196 Table

\$19,000 expense deduction



- Tax Credits that can't be used if Expense Deduction is claimed:
  - HPIP tax credit
  - Research and development credit
  - Alternative fuel vehicle credit
  - swine facility improvement credit
  - Historic preservation credit

- Refinery credit or accelerated depreciation
- Oil or gas pipeline or accelerated depreciation
- Biomass-to-energy plant credit or accelerated depreciation
- Integrated coal or coke gasification nitrogen fertilizer plant credit or accelerated depreciation
- Biomass-to-energy plant credit or accelerated depreciation

- Integrated coal gasification power plant credit
- Renewable electric cogeneration facility credit or accelerated depreciation
- Biofuel storage and blending equipment credit or accelerated depreciation
- Carbon dioxide capture equipment credit
- Film production credit

# Promoting Employment Across Kansas

- Creating new jobs from relocating, locating or expanding a business
- Ineligible industry groups are Gambling, Religious, Retail Trade, Educational Services, Public Administration, Food Service and Restaurants, and Bioscience

- Possible approval of ineligible industry if project is national or international headquarters
- Shall not be delinquent in the payment of taxes
- Shall not be under federal bankruptcy protection



- Must make available to full-time employees adequate health insurance coverage and pay at least 50% of the premium
- Must create minimum of 10 jobs in metro-counties and 5 jobs in all other counties within two years

- Must create 100 jobs for High Impact project to retain withholding for 7 – 10 years
- Meet or exceed county median wage or regional NAICS industry average wage
- Application must be received prior to hiring PEAK jobs

# High Performance Incentive Program

- Cannot be used on equipment if taxpayer elects Expensing Deduction.
- 16-year carry-forward
- \$1 million minimum capital investment in Douglas, Johnson, Sedgwick, Shawnee and Wyandotte counties
- Project Exemption from Sales Tax for Certified Business only



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