

# INCOME TAX CREDITS

## Kansas

### Angel Investor Tax Credits

Tax credits are offered against Kansas income tax liability for accredited investors making investments in seed and early-stage capital financing for emerging Kansas businesses engaged in the development, implementation and commercialization of innovative technologies, products and agencies.

- The credit is 50% of the investor's cash investment in the qualified business.
- If the amount of credit exceeds the investor's tax liability in any one taxable year, the remaining portion of the credit may be carried forward until the total amount of the credit is used.
- The Kansas Department of Revenue will not allow tax credits that are attributable to an individual of more than \$50,000 of cash investments in the qualified securities of a single Kansas business for cash qualified investments in the securities of more than five Kansas businesses each year.

### High Performance Business Tax Credits

The High Performance Incentive Program (HPIP) provides tax incentives to employers that pay above-average wages and have a strong commitment to skills development for their workers. This program recognizes the need for Kansas companies to remain competitive and encourages capital investment in facilities, technology and continued employee training and education. A substantial investment tax credit for new capital investment in Kansas and a related sales tax exemption are the primary benefits of this program. HPIP applications require a non-refundable application fee per worksite location to be submitted with the application. The fee schedule per location is as follows: 1) First time certifications - \$750; or 2) Re-certifications - \$250; or 3) One-page carry-forward only - \$0. Note: a 2.5% service fee will be applied to online credit and debit card payments, and a \$1.50 service fee will be applied to online ACH payments.

HPIP offers employers four potential benefits:

- A 10 percent income tax credit for eligible capital investment that exceeds \$50,000 at a company's facility, with a carry-forward that can be used in any of the next 16 years in which the qualified facility re-qualifies for HPIP.
- A sales tax exemption to use in conjunction with the company's eligible capital investment at its qualified facility. A training tax credit of up to \$50,000.
- Priority consideration for access to other business assistance programs.

Participating businesses must be: A for-profit company subject to state taxes;

- Pay above-average wages (as compared to other similar firms in the same geographical area with matching NAICS codes);
- Make a significant investment in eligible employee training; and
- Be either a manufacturer or able to document that most of its sales are to Kansas manufacturers and/or out-of-state business or government agencies. A business in any NAICS code can qualify if it is a headquarters or back-office operation of a national or multi-national corporation.

# INCOME TAX CREDITS

Companies are required to submit a Capital Investment Project Description estimating the scope of anticipated investment before the company commits to any investment on which it expects to claim HPIP investment tax credit.

## **Child Day Care Assistance Tax Credits**

Tax credits are offered against Kansas income tax liability for businesses that pay for or provide child care services for their employees or that provide facilities and necessary equipment for child daycare services.

- During the first year, credit of up to 50% of the amount spent to establish a day care facility for employees' dependent children is allowed. The credit cannot exceed \$45,000 per taxpayer during the first year. One or more taxpayers may work together to establish such a facility.
- The annual credit available in taxable years after the year of establishment is 30% of the amount expended for annual operation of the facility. The total credit allowed to any taxpayer cannot exceed \$30,000 for any tax year.

## **Research & Development Tax Credits**

Taxpayers who invest in research and development (R&D) are entitled to tax credits against their Kansas income tax liability. Qualified R&D expenditures are defined under the U.S. Internal Revenue Code. The credits are based on the amount of current tax year R&D expenditures less average R&D expenditures. The maximum credit is 6.5% of this amount. Only 25% of the allowable annual tax credit may be claimed in any one year. Any remaining credit may be used in 25% increments against future income tax obligations, until the total amount of credit is exhausted.

## **Kansas Venture Capital and Seed Capital Credits**

A credit for a portion of a taxpayer's investment in Kansas Venture Capital, Inc., Sunflower Technology Venture, LP, or a certified private venture capital company or local seed capital pool may be claimed against its Kansas income tax liability. The amount of the credit will be 25% of the total amount of cash investment. The amount of credit exceeding the taxpayer's liability in any one taxable year may be carried forward until the total amount of credit is used.

## **Community Service Contribution Tax Credits**

Any business firm which contributes to a community service organization or governmental entity which engages in the activities of providing community services is allowed a credit against its Kansas income tax liability. "In kind" contributions of property or services may also qualify for the credit. The credit is 50% of the total amount contributed during the taxable year. However, if the approved community service organization is in a rural community as defined by the law, the credit is 70%. If the credit allowed exceeds tax liability, the excess will be refunded. Non-Kansas taxpayers may transfer the credits to others.

## **Alternative-Fuel Tax Credits**

Expenditures for qualified alternative-fueled motor vehicles or for a qualified alternative-fuel fueling station qualifies for income tax credits. Alternative fuels are defined under Title 42 of the U.S. Code Section 13211 and include fuels that are substantially not petroleum and yield substantial energy security and environmental benefits. For qualified alternative-fuel motor vehicles, the credit is 40% of the conversion or incremental cost, up to the maximum for the vehicle's gross weight (ranging from \$2,400 for GVW under 10,000 pounds to \$40,000 for GVW over 26,000 pounds). The credit available for a qualified alternative-fuel fueling station is 40% of the total amount expended up to a maximum of \$100,000 for each fueling station. The amount of credit which exceeds tax liability may be carried forward to the next three tax years or until used, whichever is earlier.

# INCOME TAX CREDITS

## **Other Tax Credit Programs**

Kansas offers additional tax credit programs for contributions to a variety of funds and programs. The Historic Preservation Tax Credit is available for the rehabilitation of qualified historic structures. The credit is 25% of qualified expenditures when the total amount of expenditures exceeds \$5,000. The Telecommunications Tax Credit is available for specified telecommunications companies. Specified telecommunications companies are those whose primary business is the transmissions of communications in the form of voice, data, signals, or facsimile by wire or fiber optic cables. For all taxable years commencing after Dec. 31, 2000, and with respect to property initially acquired and first placed into service in this state on and after Jan. 1, 2001, there shall be allowed an income tax credit, for an amount equal to the difference between the property tax levied at 33 percent assessment rate and an assessment rate of 25 percent on all taxes actually and timely paid during the appropriate income tax year. Additional Kansas tax credits include the Employer Health Contribution Credit and the Disabled Access Credit.

# INCOME TAX CREDITS

## Missouri

### Research Expense Tax Credit Program

In order to induce existing businesses to increase their research efforts, businesses are permitted to claim a tax credit equal to 6.5% of the excess of qualified research expenses during the tax year, over the average amount of qualified research expenses incurred in Missouri during the preceding three tax years. The credit may be carried forward for up to five additional years. The amount of the tax credits cannot exceed \$10 million annually.

### Brownfield Remediation Program

Any person or business operating an eligible project of redevelopment on certain abandoned and contaminated commercial/industrial property may be eligible to earn state income tax credits for new investment and new jobs. The proposed redevelopment site must have been abandoned or underutilized for at least three years. The program provides state income tax benefits for up to 100% of remediation costs. DED will issue 75% of the credits upon adequate proof of payment of the costs; the remaining 25% will not be issued until a clean letter has been received from the DNR.

The eligible project must be in a blighted area and must comply with the Dept. of Natural Resources' environmental conditions. A new company must create and maintain 10 new jobs, and an existing company must retain 25 jobs to receive benefits.

### Missouri Development Finance Board Tax Credit Programs

Any taxpayer may receive a state tax credit equal to 50% of any amount contributed to the Industrial Development and Reserve Fund, the Infrastructure Development Fund, or the Export Finance Fund. Contributions to these funds are used to make direct loans and loan guarantees to new and expanding businesses and nonprofit organizations, and to make grants to public entities. Credits may be transferred or sold and there is a five-year carry-over provision.

### Development Tax Credit Program

The state provides income tax credits based on a contribution by a company to a local non-profit corporation (NPC) for projects approved by the Department of Economic Development (DED). The amount of credits approved will be based on the economic impact of the project and the minimum amount of credits required to cause the project to occur. The purpose of the program is to create full-time, year-round jobs. The project must be located in a "blighted" or "distressed" area.

Eligible donations include cash, machinery and equipment, and real estate. The NPC will lease the real or personal property to a business entity. The lease is structured to facilitate the business' project and lease payments will be based on the costs of the non-profit to operate and maintain the subject assets (if any). In most cases the NPC will provide DED the lease payments received in an amount to repay the tax credits plus interest. The tax credits may be used in the year received, or for up to five years if desired. Credits also may be sold or transferred.

# INCOME TAX CREDITS

## **New Markets Tax Credit Program**

The New Markets Tax Credit (NMTC) is administered by the Community Development Financial Institutions Fund (CDFI Fund), a branch of the Department of the Treasury and is designed to stimulate the flow of capital into low-income and economically-distressed areas by providing investors (corporate or individual) with a tax incentive for investing in a qualified Community Development Entities (CDE). The CDE, in turn, is charged with providing capital to low-income areas by investing in qualified low-income community businesses (QALICB), which can be a for-profit or not-for-profit business, operating in qualified census tracts. Participating CDE's are given NMTC allocation authority to offer investors a federal tax credit equal to 5 percent of the investment amount in each of the first three years following the initial investment, and a credit equal to 6 percent of the investment amount in each of the following four years. In total, investors receive a credit equal to 39 percent of the initial investment amount. The benefit to the QALICB is access to low-cost of capital which can be used to fund activities including property/land acquisition, construction, equipment purchase, even working capital.

## **Other Tax Credit Programs**

Missouri offers several programs which provide significant tax credits to businesses making contributions to a variety of projects and funds. Some of the programs include the Small Business Incubator Tax Credit Program, the Neighborhood Assistance Program, the Historic Preservation Tax Credit Program, and the Community Bank Investment Tax Credit Program. Tax credits available range from 25% to 70% of contributions to qualified projects. Effectively, such programs enable businesses to redirect their tax dollars to help finance local job creation, growth of the tax base, elimination of blight, and a variety of other purposes. Some programs allow credits to be used in ensuing tax periods or to be sold or transferred to other taxpayers.

## Oklahoma

### The Investment/New Jobs Income Tax Credit

Investment/New Jobs Tax Credits provide growing manufacturers a significant tax credit based on either an investment in depreciable property OR on the addition of full-time-equivalent employees engaged in manufacturing, processing, or aircraft maintenance. Participation in this benefit prohibits a manufacturer from participating in the Quality Jobs Program unless the manufacturer makes a qualifying capital investment in excess of \$40 million.

Manufacturers that invest in qualified new depreciable property and also hire new employees may compute the five-year tax credit either:

- A. By calculating 1% of the qualifying investment; or
- B. By multiplying \$500 per new employee, and then choosing whichever credit is larger.

Investment in depreciable property must equal at least \$50,000, and the number of employees must not decrease as a result of the investment. Qualified property includes all machinery, fixtures and buildings, including warehousing or substantial improvements to buildings used in a manufacturing operation on a manufacturing site. Eligibility is initially determined each year by the taxpayer on its income tax return.

The credit is computed on a year-by-year basis. Therefore, a company that had qualified in one year for the credit based on new employees hired, but experiences a reduction in employment the next year, would still qualify for a partial credit, unless employment fell below the employment level for the year prior to the first year the credit was allowable. If, in later years, additional qualifying employees were added, a new base employment level would be calculated, and the new series of credits could be taken for the number of employees above that base level of employment.

The number of jobs may fluctuate if the credit is based on investment. However, a loss in number of jobs must not be attributable to the new investment.

### Quality Jobs + Investment Tax Credits

This incentive is available for manufacturers who have capital investments greater than \$40 Million in addition to creating skilled jobs. The incentive lays the foundation for attracting “top-notch” companies to Oklahoma and demonstrates a policy of incentivizing businesses with large – greater than \$40 million - capital investments that create jobs that pay higher than average wages.

Qualifying Requirements:

- Same as present Quality Jobs Program job creation requirements but the wages must be greater than the state’s average wage. Average county wage requirements change every year at the same time as the Quality Jobs Program’s wage;
- Capital investment must be greater than \$40 million within three years of start date to qualify for Investment Tax Credits - a 2% tax credit per year for 5 years;
- With the ability to take both Quality Jobs and Investment Tax Credits incentives, the number of the Quality Jobs portion is equal to the calculated number;
- There are no automatic 5% areas;

# INCOME TAX CREDITS

- Companies may not exceed the 5% net benefit rate;
- Quality Jobs + Investment Tax Credits may not be combined with Small Employer Quality
- Jobs or 21st Century Quality Jobs;
- Only the manufacturing industries that presently qualify for Investment Tax Credits may qualify for this incentive.

\*SB 1582, which is effective as of November 1, 2016, amends 68 O.S. §2357.4 by limiting the amount of credit for various periods by implementing a \$25 million annual cap for tax years beginning on or after January 1, 2016 and ending on or before December 31, 2018).

## **Aerospace Industry Engineer Work Force Tax Credit**

Aerospace companies hiring engineers in a variety of fields will receive a tax credit equal to five (5) percent of the compensation paid to an engineer before January 1, 2026, or ten (10) percent if the engineer graduated from an Oklahoma college or university (up to \$12,500 per employee per year), plus another credit of up to fifty (50) percent of the tuition reimbursed to an employee before January 1, 2026. Additionally, the engineer hired receives a tax credit of \$5,000 per year before January 1, 2026.

## **Insurance Premium Tax Credit**

Insurance companies that locate or expand regional home offices in Oklahoma and maintain an employee level above 200 are eligible for special tax credits against the tax imposed in the Insurance Code. Annual credits range from 15% to 50% based on the numbers of full time and year-round employees. This credit is not available to participants in the Quality Jobs Program.

For more information, contact Dwight DeJear at the Oklahoma Insurance Department at (405) 522-0891 or [dwight.dejear@oid.ok.gov](mailto:dwight.dejear@oid.ok.gov).

## **Clean Burning Fuel Vehicle Credit**

For tax years beginning before January 1, 2020, a one-time income tax credit is available for 45% of the incremental cost of purchasing a new original equipment manufacturer AFV or converting a vehicle to operate on an alternative fuel. The state also provides a tax credit for 10% of the total vehicle cost, up to \$1,500, if the incremental cost of a new AFV cannot be determined or when an AFV is resold, as long as a tax credit has not been previously taken on the vehicle. Equipment used for conversions must be new and must not have been previously used to modify or retrofit any vehicle. The alternative fuels eligible for the credit are compressed natural gas, liquefied natural gas, hydrogen, and liquefied petroleum gas (propane). Tax credits may be carried forward for up to five years.

## **Clean Burning Fuel Vehicle Infrastructure Credit**

For tax years beginning before January 1, 2015, a tax credit is available for up to 75% of the cost of alternative fueling infrastructure. Eligible alternative fuels include compressed natural gas (CNG), liquefied natural gas, liquefied petroleum gas (propane), hydrogen, and electricity. The infrastructure must be new and must not have been previously installed or used to fuel alternative fuel vehicles. A tax credit is also available for up to 50% of the cost of installing a residential CNG fueling system, for up to \$2,500. The tax credit may be carried forward for up to five years.

# INCOME TAX CREDITS

Legislation enacted in 2013 extends the one-time income tax credit for investments in qualified clean burning motor vehicle property from 2015 to 2020 and is effective November 1, 2013.

## **Ethanol Fuel Retailer Tax Credit**

Beginning January 1, 2006 retailers of ethanol-blended fuel (a blend of gasoline and ethyl alcohol consisting of not more than 15% ethyl alcohol by volume) may claim a motor fuel tax credit of \$0.016 for each gallon of ethanol fuel sold in Oklahoma if the retailer provides a price reduction to the purchaser of the ethanol fuel in the same amount. This incentive is effective unless the federal government mandates the use of reformulated fuel in an area within the state of Oklahoma that is in non-attainment with the National Ambient Air Quality Standards.

## **Income Tax Credits and Exemptions for Entrepreneurs**

Royalty earned by an inventor from a product developed and manufactured in this state shall be exempt from state income tax for a period of seven (7) years from January 1 of the first year in which such royalty is received as long as the manufacturer remains in the state.

An in-state manufacturer of a product developed in this state by an inventor shall be eligible for a tax credit, as provided for in Section 2357.4 of Title 68 of the Oklahoma Statutes. In addition, such manufacturer may be excluded from Oklahoma taxable income, or in the case of an individual, the Oklahoma adjusted gross income, sixty-five percent (65%) of the cost of depreciable property purchased and utilized directly in manufacturing the product. The maximum exclusion shall not exceed Five Hundred Thousand Dollars (\$500,000).

To qualify for the incentives, the product shall be patented or have patent pending pursuant to federal law and shall be registered with the Oklahoma Center for the Advancement of Science and Technology (OCAST).

If the exclusion allowed exceeds the Oklahoma taxable income, or in the case of an individual, the Oklahoma adjusted gross income, the amount of the exclusion that is in excess of such income may be carried forward as an exclusion against subsequent Oklahoma taxable income or in the case of an individual, subsequent Oklahoma adjusted gross income, for a period not to exceed four (4) years.

For more information, contact Dan Luton at the Oklahoma Center for the Advancement of Science and Technology (OCAST) at (405) 319-8415 or [dan.luton@ocast.ok.gov](mailto:dan.luton@ocast.ok.gov). The Oklahoma Tax Commission will determine the eligibility of the taxpayer for any Oklahoma tax credits or exemptions. Filing this document with OCAST does not guarantee receipt of any tax credit or exemption. All other qualifications must be met as determined by the Oklahoma Tax Commission. For eligibility requirements, contact (800) 522-8165.

## **Incubator Site Tenant Tax Exemption**

A business incubator site is a facility in which small businesses may rent space, and where management provides business development services such as financial consulting and marketing assistance. Sponsors of an incubator may be exempt from Oklahoma income taxes on income earned from rental fees, other income derived from services provided to the tenants, or for providing funding for an incubator site. This exemption is for 10 years from the date of the tenant's occupancy within an incubator. A sponsor must be a certified incubator with the Oklahoma Department of Commerce.



# INCOME TAX CREDITS

The tenant of a certified incubator, or its owner, is exempt from state tax liability on income earned as a result of activities conducted as an occupant in an incubator for up to 10 years from the occupancy date in an incubator site in accordance with rules of the Oklahoma Tax Commission. The exemption remains in effect after the date the tenant is no longer an occupant in an incubator, but not to exceed a total of 10 years. In order to qualify for the income tax exemption for the 6th through 10th year, the tenant must make at least 75% of its gross sales to buyers located outside the state or to the federal government.

## **The Work Opportunity Tax Credit Program (WOTC)**

The Work Opportunity Tax Credit Program (WOTC) was designed to promote the hiring of target group individuals. The tax credit for WOTC is up to \$2,400 for each new hire: 40% of qualified first-year wages for those employed 400 hours or more, 25% for those employed at least 120 hours. Qualified wages are capped at \$6,000, Summer Youth wages are capped at \$3,000, Long Term Family Assistance Recipients are capped at \$10,000, Food Stamp Veteran wages are capped at \$6,000, Disabled Veteran having aggregate unemployment for 6 months wages are capped at \$24,000, Unemployed Veteran having aggregate unemployment for at least 4 weeks wages are capped at \$6,000, and Unemployment Veteran having periods of unemployment of 6 months wages are capped \$14,000.

The tax credit is as much as \$1,200 for each Summer Youth hire, \$2,400 for each new adult hire, \$2,400 for each new hire Food Stamp Veteran, \$4,800 for each new Disabled Veteran hire, \$9,600 for each new Disabled Veteran unemployed 6 months, \$2,400 for each new Unemployed Veteran unemployed for 4 weeks, and \$5,600 for each new Unemployed Veteran for 6 months, and \$9,000 for each new long-term family assistance recipient hire.