


Vern Squier

President/CEO



Chamber of Business & Industry of Centre County
and
Centre County Industrial Development Corporation

Vern Squier is President and CEO of both the Chamber of Business & Industry of Centre County (CBICC) and the Centre County Industrial Development Corporation (CCIDC). Squier's prior experience consists of more than 25 years of experience working with Chambers, Economic Development Organizations, and State policy and Legislative issues in the state of Kansas.


Squier currently serves on the Board of Directors for the Pennsylvania Association of Chamber Professionals (PACP).



Pennsylvania
Competitiveness


Incentive Spectrum



Tax Credits Cash

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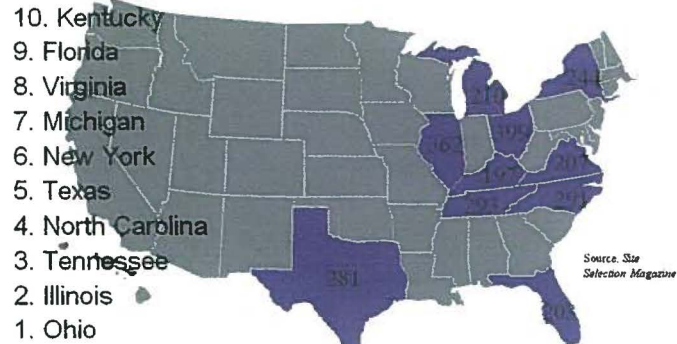


Grant Thornton

Window shopping for state credits and incentives
November 17, 2008

Kris Shilt
Regional Leader of Credits and Incentives
Grant Thornton LLP
Kansas City

Top 10 States for Expansion Projects – 2007



What's new in state incentives Cash and credit incentives based on new payroll

- Most popular state-level incentive
 - AL, AR, KY, LA, IL, IN, MI, MO, NE, NJ, NC, NM, OH, OK, SC and others
- Based on wages paid for new job creation
- Incentive is either cash payment, grant or refundable income tax credit
- Possibly available for job retention projects
- Most programs provide immediate benefit

External Assessment

New tools/efforts are needed to:

- Make PA more competitive nationally
- Attract attention of site selectors/consultants
- Aggressive marketing needed

Dennis Donovan

Partner

WBG Consulting, LLC, Wadley-Donovan

Representative Marvin Kleeb

Kansas District 48

Committee Assignments

Taxation, Judiciary, Transportation

The Kansas existing economic tool box in 2009 consisted almost exclusively of:

- Income tax credit programs, particularly for companies making large capital investments in plant and equipment;
- An upfront cash incentive program financed by earmarking a 2% diversion of employee income tax withholdings statewide into an economic development fund

The Kansas cash incentive program had five issues:

- Since 2% of income tax withholdings financed the up-front incentives, there was increasing pressure to divert these dollars to the state budget rather than to economic development;
- Unemployment was up significantly, therefore income tax withholdings were down and so was available incentive money;
- The program allowed bonding and the pledging of future tax withholdings for debt payments; so much upfront incentive money had been awarded through bonding over the years that the 2% cap on statewide withholding for the fund was almost reached;
- There was a growing aversion to increasing indebtedness anywhere in the state government;
- A few high profile defaults on companies' promises to create and retain jobs highlighted to the public and the legislature the downside of providing up-front money to companies, despite claw back provisions.

Kansas Economic Program developed and passed in 2009:

- There is no up-front incentive money to a company from the state so there can be no default and loss of taxpayer money. The only monetary benefit to the company occurs when a job is created, wages paid and income tax withholdings actually submitted.
- The only eligible projects were for businesses locating, relocating or expanding from out-of-state. Therefore, these are all new jobs to the state that have never been subject to income taxation so no one can argue state revenues are being taken from the state budget for economic development.
- No indebtedness could be incurred by the state.
- The program emphasized the number of the jobs and the quality of the employee's pay; there were not minimum plant and equipment investments required. Consequently, even service companies could be incentivized.

Overview

- Enacted by the 2009 Legislature (K.S.A. 74-50,210 through 74-50,216 PEAK Act)
- Amended in 2010 & 2011 to broaden number of companies that can apply
- Approval by the Secretary of Commerce is required for participation
- Qualified companies may retain 95% of the payroll withholding tax of "PEAK-Eligible" Jobs paying at or above the county median wage (or alternative regional NAICS average wage)

Kansas PEAK Program

Requirements

- Must apply as a regional, national or international headquarters if applying as a not-for-profit organization
- Shall not be delinquent in the payment of taxes to any federal, state and/or local taxing entities.
- Shall not be under the protection of the federal bankruptcy code.
- Must make available to full-time employees "adequate" health insurance coverage and pay at least 50% of the premium.

Kansas PEAK Program

Benefits

- Basic – Companies using the county median wage standard to qualify that are creating a minimum of five new jobs in non-metro areas or 10 new jobs in a metro county within two years, may be approved for a benefit period as follows:
- Up to five years, if the company's annual PEAK Jobs' median or average wage is at least 100 percent of the county median wage;
 - Up to six years, if the company's annual PEAK Jobs' median or average wage is at least 110 percent of the county median wage;
 - Up to seven years, if the company's annual PEAK Jobs' median or average wage is at least 120 percent of the county median wage.

Kansas PEAK Program

Benefits (cont'd)

- High Impact – Companies using the county median wage standard to qualify that are creating a minimum of 100 new jobs, regardless of location within two years, may be approved for a benefit period as follows:
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Kansas PEAK Program

Benefits

(cont'd)

- Up to nine years, if the company's annual PEAK Jobs' median or average wage is at least 120 percent of the county median wage;
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NAICS – Companies using the regional NAICS wage standard to qualify, may be approved for a benefit period for up to five years.

Kansas PEAK Program

Requirements

- Must create a minimum of five PEAK Jobs in a non-metropolitan county or 10 PEAK Jobs in a designated metropolitan county (Johnson, Sedgwick, Wyandotte, Shawnee, Leavenworth or Douglas) within two years to receive Basic program benefits.
- Must create a minimum of 100 jobs within two years, regardless of location, to receive High Impact program benefits.
- Applications are accepted throughout the year and must be received prior to hiring PEAK Jobs/Employees in Kansas.

Kansas PEAK Program

Kansas PEAK Bill Vote Count

	<u>Senate</u>	<u>House</u>
2009	(SB 97) 37-1	(HB 2365) 124-1
2010	(HB 2538) 40-0	(HB 2538) 84-34
2011	(SB 193) 37-1	(SB 193) 107-10

PEAK Report Card

- Number of Companies in the Program = 55
- Est. Total PEAK Benefits (over 10 yrs) = \$132,504,870
- Total Projected Jobs to be Created (over 5 yrs) = 6,483
- Estimated Total Average Wage = \$57,643
- Total Projected New Annual Payroll = \$373,700,880
- Total Projected Capital Investment = \$789,395,535

Kansas PEAK Program

GOAL

To make Pennsylvania more competitive in the local, regional and national economic arenas.

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To make Pennsylvania more competitive in the local, regional and national economic arenas.

- HB 2626 will bring the goal of increased competitiveness to reality!

John Lenio
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HB 2626

- Based on NEW jobs to PA
- Does not require funding/disbursements by the state
- Commonwealth allows company to retain a percentage of payroll withholding for eligible jobs created/maintained
- Does not reward low paying jobs
- County by County wage threshold (median wage)



HB 2626

- Requires a minimum number of new jobs
- Program can be used with other program offerings
- Benefit period 5-10 years based on wages paid for eligible jobs
- Discretionary program approved by DCED
- Subject to audit/verification by DCED and Dept. of Revenue

Overview

- Currently, new companies locating in the State and growing existing Kansas companies are eligible
- Benefits for existing KS company expansions are capped at \$4.8 mil in State FY12 and \$6.0 mil in each succeeding FY
- PEAK can be used to retain jobs with benefits starting 1/1/13 through 12/31/14
- Benefits for retention projects are capped at \$2.4 mil for each FY

Kansas PEAK Program



HB 2626

A Game Changer!!

Overview

- Benefit periods can range from 5-10 yrs depending on:
 - number of jobs created in two years, and
 - wages paid to PEAK Jobs
- Company can choose to use their PEAK Jobs' median or average wage to compare to the county median wage (or alternative regional NAICS average wage) to qualify
- Kansas resident owners that are materially participating in a relocated PEAK company, can qualify for a 95% tax credit to offset personal income attributable to the qualified PEAK company

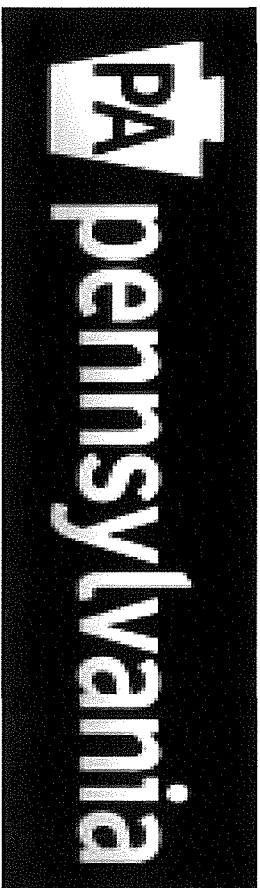
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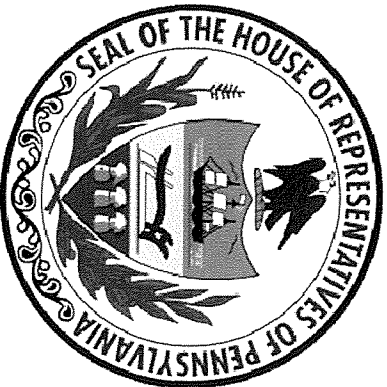
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- Shall not be a bioscience company (as defined in KSA 2008 Supp. 74-99b33 and amendments thereto).

Kansas PEAK Program



Pennsylvania Competitiveness



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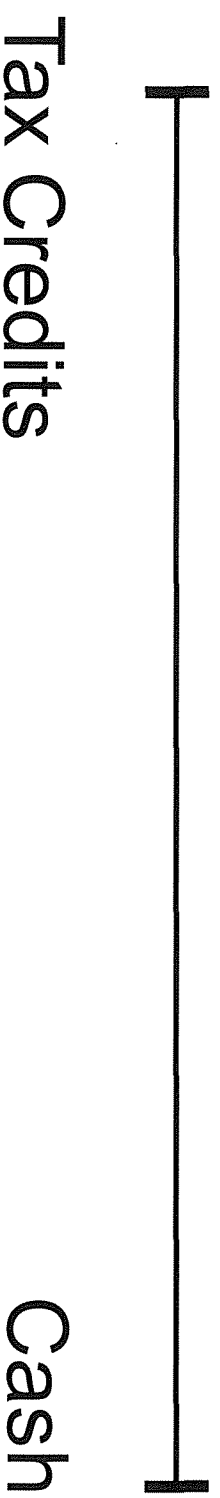
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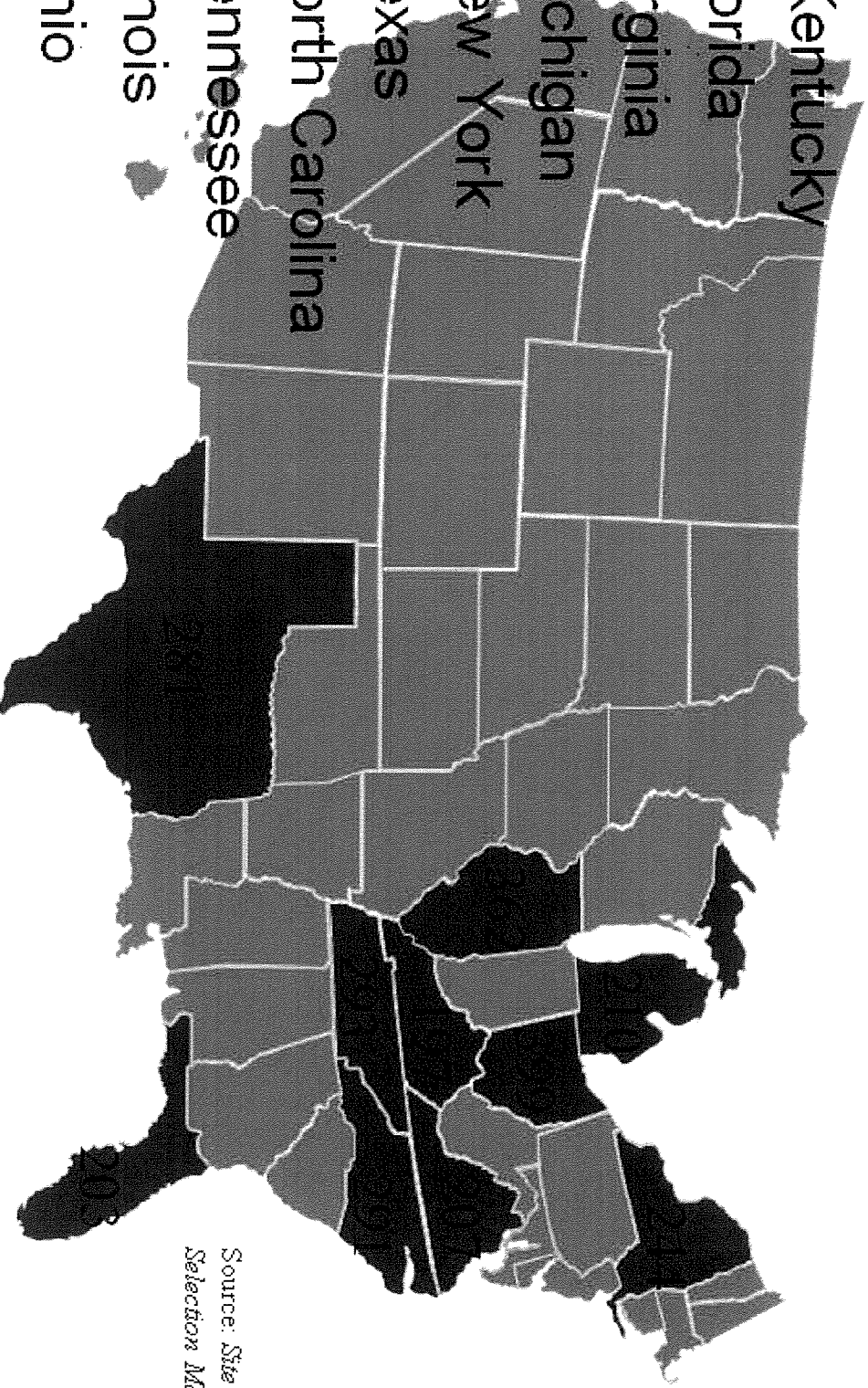
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Top 10 States for Expansion Projects – 2007

10. Kentucky
9. Florida
8. Virginia
7. Michigan
6. New York
5. Texas
4. North Carolina
3. Tennessee
2. Illinois
1. Ohio



Source: *Site Selection Magazine*

What's new in state incentives

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PEAK Report Card

- Projected New Jobs = 10,666
- Projected Total New Payroll Annually = \$781,076,351
- Estimated PEAK Benefits Per Year = \$26,836,736
- Actual PEAK Benefits Received To-date by Companies =13,862,043
- Projected Capital Investment = \$1.44 billion

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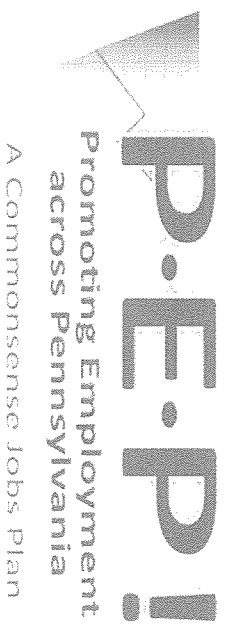
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