

**Kansas Department of Commerce
Testimony on SB 325,
Rachel Willis, Director of Legislative Affairs
at the Kansas Department of Commerce
Senate Commerce
April 26, 8 a.m.
Room 546-S**

The Kansas Department of Commerce requests that the Kansas Legislature support SB 325.

Kansas long ago earned its place in the automotive industry. Now that industry is undergoing rapid evolution. With more than \$245 billion eligible for the electric vehicle (EV) industry from the federal Infrastructure Investments and Jobs Act and Inflation Reduction Act and automobile manufacturers announcing over \$1.2 trillion in planned EV production investment by 2030, the United States is poised to become a global leader in the EV transition. Ford will increase its global investment in EVs to \$50 billion, GM will invest \$35 billion globally by 2030, Stellantis has announced it will invest \$35.5 billion and Tesla plans to spend \$6 billion to \$8 billion per year in Germany and the United States over the next two years. New market entrants are increasing their investments as well. Electric truck maker Rivian, Lucid Motors and Hyundai Motor Group all will invest billions in expansion efforts through 2030. These developments create tremendous opportunity.

Long-term investment decisions by EV and hydrogen powered vehicle manufacturers are being made in the next 12 months. This bill gives Kansas the tool it needs to protect the future of the automotive industry in Kansas and shows the world that Kansas is open for business.

Specifically tailored to electric vehicle (EV) and hydrogen powered vehicle assembly, components and subassembly manufacturers and their respective headquarters or research and development (R&D) facilities, SB 325 slightly enhances our traditional incentives giving the State a competitive edge to successfully recruit this industry. The bill establishes clear eligibility requirements, includes meaningful clawbacks and requires all benefits to be earned after jobs are created and investment is made.

Program Qualifications:

The bill is specific to EV and hydrogen powered vehicle assembly, component and subassembly manufactures, and their respective headquarters or research and development (R&D facilities). Each project must meet the following qualifications to receive the benefits:

- At least 250 jobs within five years of production start,
- Base wages at least 120% or more of county median wage,

- \$250 million capital investment for vehicle assembly operations (no minimum for the other qualified activities) and
- Project completion within five years of start date.

Program Benefits:

After meeting the described qualifications, the following benefits may be earned by the business:

- Training – No cost access to any Kansas community college or technical college of employer’s choice for the purpose of supporting training of production workers. This reimbursement component has a \$5 million cap per project.
- Payroll Tax – Up to 100% of project employee payroll withholding retained by employer for up to 10 years. This is similar to our current Promoting Employment Across Kansas (PEAK) benefit. Currently with PEAK, businesses are eligible for 95% of the project employee payroll withholding tax.
- Capital Investment Tax Credit – Up to 10% of total project capital investment in a refundable tax credit that is paid over at least 5 years or more. This is a significant reduction in the capital investment tax credit included in APEX, which was up to 15%.
- Sales Tax Exemption – An abatement of the construction materials sales tax on the construction, renovation or expansion of a qualifying project for the specific purpose of this industry. The Sales Tax Exemption is a commonly used component of our High Performance Incentive Program (HPIP).

Program Clawbacks:

After entering into an agreement, the following clawbacks will be implemented in these scenarios:

- If a company fails to reach at least 90% of the committed capital investment at project completion, or if the project is abandoned before the incentive agreement expires, all earned benefits of this program shall be revoked and reimbursed to the State.
- If employment drops below 90% of the committed jobs at any point after project completion, but not to exceed 15 years from that date, the payroll tax and sales tax exemption benefits shall be clawed back proportionally.

In short, this bill creates a new economic development tool for job creation activity, capital investments made by the manufacturers, and training partnerships with our community colleges. Overall, this tool will allow the state to continue to capture future investments of the automotive industry and build off the established momentum that has been earned from our bipartisan efforts to make Kansas the best place in the country to do business.