



Steps to Success

A Resource Guide to
Starting a Business in Kansas

Produced by the Kansas Department of Commerce & Housing



SMALL BUSINESS ASSISTANCE AGENCIES AND SMALL BUSINESS DEVELOPMENT CENTERS

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was compiled and reported
June 1, 2001

Small Business Assistance Agencies

The following government agencies have customer service programs dedicated to assisting the new entrepreneur, and can provide some business registration requirements for your business.

Kansas Department of Commerce & Housing (KDOC&H)

First Stop Clearinghouse

KDOC&H Business Development Division

1000 S.W. Jackson Street, Suite 100

Topeka, KS 66612-1321

Phone: (785) 296-5298

Fax: (785) 296-3490

TTY (Hearing Impaired): (785) 296-3487

e-mail: busdev@kdoch.state.ks.us

web site: www.kansascommerce.com

The First Stop Clearinghouse (Clearinghouse) was created to serve as a link between the business owner and state government. The Clearinghouse provides a central point of contact for state government requirements to streamline the registration process. The Clearinghouse provides some state forms, applications and permits that relate to the licensing of new businesses. If the requirements are not clear, the Clearinghouse representative will research all aspects as part of the service. A packet of information and applications will be assembled and mailed for that particular business activity.

The Clearinghouse representative will answer basic questions concerning legal structure, employment, taxes, licensing, and some federal requirements. If needed, the inquiry will be referred directly to the agency that can handle the specific issues. In addition, the new businessperson will be advised of local contacts that should be made for additional direction and hands-on assistance.

Kansas Department of Revenue (KDOR)

Taxpayer Assistance Center

Docking State Office Building

915 S.W. Harrison Street

Topeka, KS 66612

Phone: (785) 368-8222

Fax: (785) 291-3614

e-mail: bob_clelland@kdor.state.ks.us

web site: www.ink.org/public/kdor

The Taxpayer Assistance Center provides a wide range of assistance to taxpayers by phone and in person for all the taxes administered by the Department of Revenue. Revenue representatives assist in completing Kansas income tax returns and homestead refund claims, as well as registration for business taxes and completion of business tax returns. The center also assists taxpayers in understanding and responding to correspondence received from the department, and answers questions about taxability, responsibilities, record-keeping, and return preparation for the various tax types. Publications, forms, and small business workshop schedules are also available from the Kansas Department of Revenue web site.

New Business Orientation/State Small Business Workshops- The Education Unit of the Taxpayer Assistance Center provides *FREE* assistance to new businesses in understanding the taxes, rules, and forms required of Kansas businesses. Seminars and workshops are held regularly throughout the state on sales tax, withholding tax, and special business topics. One-on-one counseling on form preparation, requirements, and business tax issues is also available.

Publications- The KDOR publishes brochures, notices, and information guides on a wide range of business tax topics. These free publications are available by mail, web site, or in person from the offices below between the hours of 7:30 a.m. and 5:00 p.m. For more information contact:

Topeka Assistance Center

Docking State Office Building
915 S.W. Harrison Street, 1st Floor
Topeka, KS 66625-0001
Phone: (785) 368-8222
Fax: (785) 291-3614

Metropolitan Assistance Center

Mill Creek Shopping Center
Pflumm Road & Shawnee Mission Parkway
Shawnee, KS 66216-1782 13420 W. 62nd Terrace
Fax: (913) 631-6125

Wichita Assistance Center

Finney State Office Building
230 E. Williams, Room 7150
Wichita, KS 67202-4002
Fax: (316) 337-6162

Toll Free Number for all locations: (877) 526-7738
TTY (Hearing Impaired): (785) 296-6461

**Kansas Secretary of State
Corporations Division**

First Floor, Memorial Hall
120 S.W. 10th Avenue
Topeka, KS 66612-1594
Phone: (785) 296-7456
Fax: (785) 296-4570
e-mail: faribap@kssos.org
web site: www.kssos.org

The Corporations Division is one of the Secretary of State's business services divisions and is staffed by 11 full-time employees dedicated to providing customers with quality service, emphasizing economical, efficient, responsible, and responsive service. The Corporations Division administers the Kansas General Corporation Code, the Kansas Limited Liability Act, the Kansas Revised Uniform Limited Partnership Act, and other related laws. Forms and procedures to follow in forming and maintaining business entities, as well as business records, may be found here.

Kansas Department of Health & Environment**Division of Environment—Public Advocate**

1000 S.W. Jackson Street, Suite 430

Topeka, KS 66612

Phone: (800) 357-6087 or (785) 296-0669

Fax: (785) 291-3266

e-mail: jneff@kdhe.state.ks.us

web site: www.kdhe.state.ks.us

The Division of Environment Public Advocate is your source for information regarding whom to contact in the Division of Environment with your problem or issue. The following contacts may also be helpful if you have questions about specific permits, pollution prevention technologies, or other questions.

Customer Service

Phone: (785) 296-1229

e-mail: jransom@kdhe.state.ks.us

The Division of Health

Landon State Office Building

900 S.W. Jackson

Topeka, KS 66612

Phone: (785) 296-1343

Fax: (785) 296-1231

The Division of Health, within the Kansas Department of Health and Environment, acts as a clearinghouse for health promotion information, and provides regulatory oversight for health-related industries and issues. This division also provides general information about public health matters.

Bureau of Health Facility Regulations

Phone: (785) 296-1240

This bureau is responsible for regulation and licensing of health care facilities and health occupations.

Bureau of Consumer Health

Phone: (785) 296-0189

The Bureau of Consumer Health handles issues concerning food safety, food service, restaurant licensing, and childcare licensing.

Kansas Department of Human Resources (KDHR)

401 S.W. Topeka Boulevard

Topeka, KS 66603-3182

Phone: (785) 296-5025

Fax: (785) 291-3425

web site: www.hr.state.ks.us

Kansas employers receive a variety of services from the Kansas Department of Human Resources (KDHR). Many services can be obtained from the 23 Job Service Career Centers located across the state. Employers receive referrals for job seekers, and can post job openings on the Internet-accessible Kansas Job Bank and America's Job Bank. The Job Service Career Centers are equipped with computers linked to the Internet and provide a number of other products employers can utilize to build their workforce.

All employers doing business in Kansas have to comply with the Kansas Employment Security Law. Virtually all Kansas employers are required, by law, to provide for payment of workers compensation at no expense to the employee. Employers pay worker compensation costs through general workers compensation insurance, self-insurance, or a group-funded pool.

Kansas Insurance Department

Kathleen Sebelius, Commissioner

420 S.W. 9th Street

Topeka, KS 66612-1678

Phone: (785) 296-3071

Fax: (785) 296-2283

e-mail: ksebelius@ins.wpo.state.ks.us

web site: www.ksinsurance.org

Wichita office:

130 S. Market, Suite 4030

P.O. Box 3850

Wichita, KS 67202-3850

Phone: (316) 337-6010

Fax: (316) 337-6018

The Kansas Insurance Department staff is ready to answer questions you may have about your various insurance needs as you start your new business. Trained customer representatives are accessible by phone or e-mail on a daily basis. Use the Kansas Insurance Department as your insurance resource when beginning your new business venture.

Kansas Small Business Development Centers

State Administrative Office

214 S.W. 6th Street, Suite 301

Topeka, KS 66603-3719

Phone: (785) 296-6514

Fax: (785) 291-3261

e-mail: bogorman@fhsu.edu

web site: www.fhsu.edu/ksbdc

The mission of the Small Business Development Center (SBDC) is to provide entrepreneurs and small business owners with knowledge, tools, and resources to enhance their success. SBDCs identify business needs and guide small business owners toward opportunities and solutions. The regional SBDCs provide the following services.

Free counseling- Confidential management and/or technical assistance is delivered at the time and location most convenient to the small businessperson. Assistance is available in areas such as accounting and record-keeping, business plan development, business start-ups, market analysis, management information systems, pricing, public relations, sources of capital, cost analysis, computer systems, government procurement, advertising plans, product development, invention feasibility, and commercialization.

Low-cost training- Classes, workshops, seminars, and conferences focused on specific business issues are available.

Free resource referrals & business information- SBDCs provide referrals to other small business service providers, private consultants, and local, state, and federal organizations serving small businesses. SBDCs also maintain libraries of books, periodicals, reference materials, audio, and videotapes.

Counties served: Cloud, Ellsworth, Jewell, Lincoln, McPherson, Mitchell, Ottawa, Republic, Saline, and Rice.

LOCATIONS:

Emporia State University

1320 C of E Drive

Emporia, KS 66801-2584

Phone: (620) 341-5308

Fax: (620) 341-5418

e-mail: brumbaul@emporia.edu

web site: www.emporia.edu/sbdc

Counties served: Chase, Coffey, Greenwood, Lyon, Marion, Morris, Osage, Wabaunsee, and Woodson.

Fort Hays State University

109 W. 10th Street

Hays, KS 67601-3602

Phone: (785) 628-6786

Fax: (785) 628-0533

e-mail: sbdc@fhsu.edu

web site: www.fhsu.edu

Counties served: Barton, Cheyenne, Decatur, Ellis, Gove, Graham, Logan, Norton, Osborne, Pawnee, Phillips, Rawlins, Rooks, Rush, Russell, Sheridan, Sherman, Smith, Thomas, Trego, and Wallace.

Garden City Community College

801 Campus Drive
Garden City, KS 67846-6333
Phone: (620) 276-9632
Fax: (620) 275-3249
e-mail: pveesart@genet.com or sbdc@gccc.cc.ks.us
web site: www.westernkansas.net/sbdc

Counties served: Clark, Edwards, Finney, Ford, Grant, Gray, Greeley, Hamilton, Haskell, Hodgeman, Kearny, Kiowa, Lane, Meade, Morton, Ness, Scott, Seward, Stanton, Stevens, and Wichita.

Johnson County Community College

Carlsen Center, Room 309
12345 College Boulevard
Overland Park, KS 66210-1299
Phone: (913) 469-3878
Fax: (913) 469-2547
e-mail: cstreeet@jccc.net
web site: www.centerforbusiness.org

Counties served: Johnson, Miami, and Wyandotte.

Kansas State University

2323 Anderson Avenue, Suite 100
Manhattan, KS 66502-2912
Phone: (785) 532-5529
Fax: (785) 532-5827
e-mail: sbdc@ksu.edu
web site: www.cba.ksu.edu/cba/depart/sbdc

Counties served: Clay, Dickinson, Geary, Marshall, Pottawatomie, Riley, and Washington.

Pittsburg State University

Shirk Hall
1501 S. Joplin
Pittsburg, KS 66762-7560
Phone: (620) 235-4920
Fax: (620) 235-4919
e-mail: krichard@pittstate.edu
web site: www.pittstate.edu/bti/sbdc.html

Counties served: Allen, Anderson, Bourbon, Cherokee, Crawford, Labette, Linn, Montgomery, Neosho, and Wilson.

University of Kansas, The

734 Vermont, Suite 104
Lawrence, KS 66044-2370
Phone: (785) 843-8844
Fax: (785) 843-8878
e-mail: kusbdc@cjnetworks.com
web site: www.kusbdc.net

Counties served: Atchison, Doniphan, Douglas, Franklin, Jefferson, and Leavenworth.

Washburn University

101 Henderson Learning Center
Topeka, KS 66621-0001
Phone: (785) 231-1010, ext 1305
Fax: (785) 231-1063
e-mail: zzsbdc@washburn.edu
web site: www.washburn.edu/sbdc

Counties served: Brown, Jackson, Nemaha, and Shawnee.

Wichita State University

WSU Metropolitan Complex
1845 Fairmount, Campus Box 148
Wichita, KS 67260-0148
Phone: (316) 978-3193
Fax: (316) 978-3647
e-mail: sbdc@twsu.edu
web site: www.twsu.edu/~ksbdc

Counties served: Barber, Butler, Chautauqua, Comanche, Cowley, Elk, Harper, Harvey, Kingman, Kiowa, Pratt, Reno, Rice, Sedgwick, Stafford, and Sumner.

Kansas Association of Certified Development Companies (CDC)

David Long, President
Hillcrest Bank Building, Suite 214
11111 W. 95th Street
Overland Park, KS 66204
Phone: (913) 599-1717
Fax: (913) 599-6430
web site: www.kacdc.com

A network of Certified Development Companies throughout the state provide resources to businesses by utilizing federal, state, Small Business Administration (SBA), and private financial sources. These organizations were certified by the SBA to originate loans for the SBA 504 program; most CDCs are familiar with available financing sources and have experience utilizing a variety of financing tools.

U.S. Small Business Administration (SBA)

U.S. SBA Answer Desk

200 North College Street, Suite A-2015
Charlotte, NC 28202
Toll Free: (800) 827-5722
e-mail: answerdesk@sba.gov
web site: www.sba.gov

Kansas City District Office(SBA)

Lucas Place, 323 W. 8th, Suite 501
Kansas City, MO 64105
Phone: (816) 374-6729
Fax: (816) 374-6759

Wichita District Office (SBA)

271 W 3rd Street North, Suite 2500
Wichita, KS 67202
Phone: (316) 269-6631
Fax: (316) 269-6618

The U.S. Small Business Administration is an independent federal agency created to assist and counsel small businesses, and champion the small business perspective in legislative and regulatory matters. There are two SBA offices serving Kansas, Wichita, and Kansas City.

Through these offices, the SBA provides management, counseling, training, financial assistance through loan guarantees, surety bond guarantees, assistance with obtaining government contracts, access to policies, and other vital information that affects small businesses. Special emphasis has been placed on providing assistance to minority and women owned businesses, small businesses in rural areas, and those engaged in international trade – especially exporting.

SBA & SCORE Business Information Center

Lucas Place
323 W. 8th, Suite 104
Kansas City, MO 64105
Phone: (816) 374-6675
Fax: (816) 374-6691

One Stop Capital Shop

601 Minnesota Avenue
UMB Bank Building, 3rd Floor
Kansas City, KS 66101
Phone: (913) 371-6007
Fax: (913) 371-6580

Business Development

Management counseling and training is available from the SBA through the Division of Business Development. The programs include individual counseling, courses, conferences and workshops, as well as publications. Counseling and training is provided through the Service Corporation of Retired Executives (SCORE), the Active Corps of Executives (ACE), Small Business Institutes (SBIs), the Small Business Development Centers (SBDCs), and the SBA District Offices. For more information contact the following centers.

Internal Revenue Service (IRS)

The Internal Revenue Service offers a variety of services available to businesses. The following are available by telephone:

- For assistance or information on federal taxes, (800)-829-1040;
- For tape-recorded tax information, IRS Tele-Tax, (150 subjects, 3-5 minutes each), (800)-829-4477; and
- For IRS forms and publications, (800)-829-FORM (3676).

For further information, the Internal Revenue Service suggests entrepreneurs order free IRS Publications; 334-Sole Proprietors, Publication 942-Corporations, or Publication 941-Partnerships. If the entrepreneur will be hiring employees, order IRS Circular E, Employer's Tax Guide and Supplement. These publications provide information on employer-employee relationships, contract labor, family employees and other important information. They also contain income tax and social security withholding tables.

For persistent federal tax problems (such as misplaced payments, incorrect bills, etc.), which are not solved through regular IRS channels, write to:

Internal Revenue Service
Problem Resolution Program
P.O. Box 66776
St. Louis, MO 63166

The following offices provide assistance Monday through Friday, from 8:00 a.m. to 4:30 p.m. (walk-in only, no appointment is necessary):

Kansas City, MO: 5800 E. Bannister Road, Suite 201
Mission: 5799 Broadmoor
Topeka: Townsite Plaza Building #4, 2nd Floor
Wichita: 271 W. 3rd

The IRS also offers free seminars, workshops, and group presentations. To request a speaker, or request dates and locations of scheduled events, contact:

IRS Taxpayer Education Coordinator
1222 Spruce Street
St. Louis, MO 63166
Phone: (314) 612-4525
Fax: (314) 612-4705
web site: www.irs.ustreas.gov

SECTION ONE: STEPS TO STARTING A NEW BUSINESS

The decision to start a business is a big step to take, and *Steps to Success: A Resource Guide to Starting A Business in Kansas*, is the best tool for the organizing and financing resources needed to start a Kansas business. *Steps to Success* provides a comprehensive look at state-level regulations, as well as providing resource information that will assist with starting a new business.

Note: The information contained herein is provided for discussion and educational purposes only, and **SHOULD NOT** be relied on as a substitute for legal advice provided by a qualified attorney, or as accounting advice provided by a qualified accountant. Please consult the appropriate professionals for further clarification and assistance when making legal filings.

Chapter 1:

Business Organization Structure

Business Organization

One of the first decisions a new business owner faces is choosing a structure for the business. Businesses range in size and complexity, from a self-employed plumber to a large corporation, and can be organized in a variety of ways.

The principal types of business organizations are sole proprietorships, partnerships, corporations, and limited liability companies. Each structure has certain advantages and disadvantages. Factors such as taxes, type of business, insurance needs, number of owners, and financial needs will determine how the business should be organized. Choosing the appropriate organizational structure for your business is one of the most important decisions made, and may require advice from an attorney, an accountant, or another knowledgeable business advisor.

The following is a brief description of registration requirements on each type of business organization, as well as the variations of each structure. Again, it is advisable to have your legal counsel and/or accountant explain the advantages and disadvantages of each type of business organization before determining your business structure. In Kansas, entrepreneurs may choose from the following.

Sole Proprietorship

Registration: None

Fee: None

The sole proprietorship is the most common form of business structure. A sole proprietorship is a business controlled and owned by one individual, and is limited to the life of its owner; when the owner dies, the business ends. The owner receives the profits and takes the losses from the business. This individual alone is responsible for the debts and obligations of the business. Income and expenses of the business are reported on the proprietor's individual income tax return and profits are taxed at the proprietor's individual income tax rate.

Kansas has no state requirements to register or file business names of a sole proprietorship. A self-employed person, who does not expect to have employees, is not required to apply for a Federal Employer's Identification Number through the IRS. All income and expenses of the business are reported on the proprietor's individual income tax return, and profits are taxed at the proprietor's individual income tax rate. Form 1040 (Schedule C) must be filed with the Federal Government and a Kansas tax return with the Kansas Department of Revenue, on or before the 15th day of the fourth month following the close of the taxable year.

Note: Sole proprietors and partnerships are required to make estimated income tax payments if their estimated Kansas income tax, after all credits, is \$200 or more. Non-residents should consider only income from Kansas sources for meeting these conditions.

Advantages

1. Few formalities and low organizational costs.
2. Decision-making is made by the owner.
3. Ability to do business in almost any state without elaborate formalities.
4. Fewer reporting requirements to government agencies.
5. Avoidance of corporate "double tax."
6. Business losses may be taken as a personal income tax deduction to offset income from other sources.
7. All profits taxed as income to owner at the owner's personal income tax rate.

8. Registration of a trade name is available to prevent confusion resulting from deceptively similar business names.

Disadvantages

1. Less able than corporation or partnership to take advantage of certain fringe benefits afforded by the Internal Revenue Code.
2. Business terminates upon death of owner.
3. Investment capital limited to that of owner.
4. Loans based on credit worthiness of owner.
5. Owner's assets subject to business liabilities. Thus, if a company truck is involved in an accident, the owner's personal assets (i.e., bank accounts, cars, etc.), may be attached to compensate the injured party.

Tax Implications

1. Profits are taxed as personal income on IRS Form 1040, Schedule C.
2. For information on Social Security tax, refer to IRS publication 533, and use IRS Form SE.
3. For estimated tax payments, refer to IRS publication 505.
4. To receive a "New Business Tax Kit," contact the IRS at (800) 829-3676.

General Partnership

Registration: Secretary of State — Optional, not required.

Fee: \$75.00

A general partnership is a business owned by two or more persons (even a husband and wife), who carry on the business as a partnership. Partnerships have specific attributes, which are defined by Kansas statutes. All partners share equally in the right and responsibility to manage the business. Each partner is responsible for all debts and obligations of the business. The distribution of profits and losses, allocation of management responsibilities, and other issues affecting the partnership are usually defined in a written partnership agreement.

For income tax purposes, a general partnership functions as a conduit, and not as a separate taxable entity. No tax is imposed on the partnership itself (K.S.A. 79-32,129 et. seq.). Those carrying on business as partners are liable for tax only in their separate or individual capacities and file a Kansas Individual Income Tax Return (form K-40) (K.S.A. 79-3220). Each individual partner is subject to the same reporting requirements and tax rates as the sole proprietor or individual. The partnership must file a Kansas Partnership Return (form K-65) each year to enable the State to determine who should be paying taxes relative to the partnership.

Unemployment taxes need not be paid on the partners, or for services rendered by individuals who are the children under eighteen years of age, the spouse, or the parents of any partners.

General partnerships may file different statements with the Secretary of State's office. The filings are optional and not mandatory. The filing fee for partnership authority is \$75 and the filing of any amendments to the general partnership agreement (such as the addition of a partner) is \$20. Partnerships are required to apply for a Federal Employer's Identification Number, whether they have employees or not.

Advantages

1. Easy to organize and few initial costs.
2. Draws financial resources and business abilities of all partners.
3. Quasi-entity status – may own assets; contract in partnership name; may sue and be sued in partnership name; and may file separate bankruptcy.
4. Liability is shared by all partners.
5. Partners may take business losses as a personal income tax deduction.

6. May register a trademark or servicemark to help prevent confusion resulting from deceptively similar business names.

Disadvantages

1. Each partner is personally liable for all the obligations of the business, not just his or her share. Thus, if a company truck is involved in an accident, each partner's personal assets may be attached to help compensate the injured party.
2. Each partner has the power to act on behalf of the business. This requires that partners be chosen with care.
3. No continuity of life – if any partner dies or becomes incompetent, the partnership must dissolve and be reformed.
4. All partners must pay tax on their share of partnership profits, although profits may be retained in the business.
5. A partnership has more opportunity than a sole proprietorship, but less than a corporation, to take advantage of certain fringe benefits afforded by the Internal Revenue Code.

Tax Implications

1. Each partner receives a K-1 which shows proportional profits to be declared on partner's 1040.
2. The partnership files a return using IRS Form 1065.
3. Estimated tax payments may be subject to quarterly tax payments; refer to IRS Publication 505.
4. Partners may be subject to self-employment withholding; refer to IRS Publication 533.
5. For more information refer to IRS publication 541 on partnerships.

Limited Partnership

Registration: Secretary of State

Fee: \$150.00 (Domestic/Foreign)

In a limited partnership, each partner is liable for debts only up to the amount of his or her investment in the company. Under Kansas statutes (K.S.A a56-1a, et seq.), a limited partnership must be formed in writing between one or more general partners and one or more limited partners. In addition, limited partners have no voice in the management of the partnership. Limited Partnerships are ideal for property, or raising capital.

Each limited partnership must have and maintain a registered office that may or may not be the place of business. Additionally, a Kansas resident agent must be appointed, which may either be an individual, a domestic corporation, or limited partnership.

In a limited partnership, each partner is responsible for filing a Kansas Individual Income Tax Return (form K-40), the same requirement as a General Partnership. A Kansas Partnership Return (form K-65) must also be filed. A Limited Partnership Certificate must be filed with the Secretary of State, and the limited partnership may be required to register the limited partnership's interest in securities with the Office of the Securities Commissioner.

Advantages

1. Investors have liability limited to their respective investments in the partnership.
2. The limited partnership is a separate entity and may sue and be sued, own property, protect its limited partners from unlimited liability, may raise capital by selling interests in the partnership, borrow money, and exist independently of its partners' mortality.
3. The limited partnership does not have to be dissolved and reformed every time a general partner or limited partner dies.
4. Ability to borrow money, develop general partner savings, raise funds from operations, plus sales of limited partner interests to generate capital.
5. Managed by the general partner and not subject to investor interference.

6. Partners pay the tax because profits and losses pass through the entity to the partners.

Disadvantages

1. A limited partnership requires advanced accounting procedures.
2. Does not live in perpetuity, but lives for a stipulated period—usually for the life of the assets it owns.
3. Limited partners have little voice in management once the investment is made in the partnership.
4. If more than 20 partners are involved or if sales commissions are given for interests, the limited partnership may need to register its securities before they are sold.
5. Interests may not be freely traded; therefore, a limited partner must hold the investment indefinitely.
6. A Certificate of Limited Partnership must be filed with the Secretary of State, annual financial reporting to limited partners, annual reports to the Secretary of State and franchise tax, as well as accounting for all monies received and disbursed.

Tax Implications

1. The partnership files an IRS Form 1065, but individual partners pay taxes on their share of profits shown on K-1 via Form 1040.
2. The partnership must obtain a tax identification number (FEIN, Form SS-4).
3. For an explanation of taxation and forms, refer to IRS Publication 541.
4. Partners may be subject to self-employment withholding; refer to IRS Publication 533.

Limited Liability Partnership (LLP)

Registration: Secretary of State

Fee: \$150.00

A limited liability partnership is a partnership in which a partner's personal assets are shielded from claims for negligence, malpractice, or other wrongful acts committed by other partners, or the employees those partners directly supervise. LLPs do not shield partners against the partner's own acts, omissions, or other partnership obligations.

In a limited liability partnership, no registered office is required, and no resident agent must be appointed. However, the address of the principal office or partnership agent must be listed.

Advantages

1. Investors have liability limited to their respective investments in the partnership.
2. The LLP is a separate entity and may sue and be sued, own property, protect its partners from unlimited liability, raise capital by selling interest in the partnership, borrow money, and exist independently of its partners' mortality.
3. The LLP does not have to be dissolved and reformed every time a partner dies.

Disadvantages

1. An LLP requires advanced accounting.
2. The LLP does not live in perpetuity, but lives for a stipulated period, usually for the life of the assets it owns.

Corporation

Registration: Secretary of State

Fee: \$75/Domestic & Professional — \$100/Foreign

The most complex business structure is the corporation. A corporation is a separate legal entity that is comprised of three groups of people: shareholders, directors, and officers. The shareholders elect a board of directors that has

responsibility for management and control of the corporation. Because the corporation is a separate legal entity, the corporation generally is responsible for the debts and obligations of the business. In most cases, shareholders are insulated from claims against the corporation. The corporation, as a separate legal entity, is also a separate taxable entity.

The corporation may be taxed under Subchapter C of the Internal Revenue Code (a **“C” corporation**) or Subchapter S of the Code (an **“S” corporation**). Kansas law provides for comparable treatment. A **“C” corporation** reports its income and expenses on a corporation income tax return and is taxed on its profits at corporation income tax rates. Profits are taxed before dividends are paid. Dividends are taxed to shareholders, who report them as income, resulting in **“double taxation”** of profits, which are paid as dividends. If the corporation meets the statutory requirements for **“S” corporation** status, the shareholders may elect to be taxed as an **“S” corporation**. The **“S” corporation** is taxed in much the same manner as a partnership (i.e., the **“S” corporation** files an information return to report its income and expenses, but it generally is not separately taxed). Income and expenses of the **“S” corporation** flow through to the shareholders in proportion to their shareholdings, and profits are taxed to the shareholders at their individual income tax rate.

A **“domestic”** corporation is one incorporated within the boundaries of Kansas. A **“domestic”** corporation must file Articles of Incorporation with the Secretary of State. This application carries a \$75 filing fee.

A **“foreign”** corporation is a business incorporated in another country, state, or jurisdiction other than Kansas. In order to conduct business in Kansas, a foreign corporation must file a Certificate for Authority to engage in business in Kansas. This application carries a \$100 filing fee. A business is required to apply for authority to engage in business in Kansas, if they are a place of business opening an office or distribution point, or delivering wares to resident agents in Kansas for sale, delivery and/or distribution (K.S.A. 17-7303).

The **“professional corporation”** is comprised of a single professional, or group of professionals, who file both Articles of Incorporation and a certificate from their specific professional regulatory board with the Secretary of State with a \$75 filing fee. Shareholders of a professional corporation are limited to members of that specific profession.

It is advised to have your legal counsel and/or accountant explain the advantages and disadvantages of each type of business structure.

Advantages

1. No shareholder, officer, or director may be held liable for debts of the corporation unless corporate law was breached.
2. Interests in the business may readily be sold by the transfer and sale of shares in the corporation.
3. The ready transferability of shares facilitates estate planning.
4. If desired, the corporation may be taxed as a partnership by complying with the Subchapter S of the Internal Revenue Code.
5. Shares of the company may be sold to investors in order to obtain capital financing.
6. Corporations, to a much greater extent than sole proprietorships and partnerships, may take advantage of pension plans, medical payment plans, group life and accident plans, and other fringe benefits available under the Internal Revenue Code.
7. The corporate form provides for a great deal of flexibility with respect to tax planning. For instance, income between the corporation and its shareholders may be adjusted, within reasonable limits, to obtain the most favorable tax treatment for each individual.
8. The entity exists forever, so long as corporate regulations are met. There is no need to cease operations if an owner or manager dies.

Disadvantages

1. Cost of organization, legal fees and state filing fees can be expensive depending on the complexity and size of the business.
2. Control is vested in a board of directors, elected by shareholders rather than the individual owners. Thus, a shareholder who owns less than 50 percent of the stock may have no effective voice in how the business is run.
3. The possibility of double taxation exists. Income from the business is taxed at the corporate level and again when the individual shareholders receive profits in the form of dividends.
4. The corporation must qualify in each state in which it chooses to do business.
5. Unlike sole proprietorships and partnerships, individual shareholders may not deduct corporation losses unless the corporation has elected to be taxed as a Subchapter S corporation.

Tax Implications

1. Read IRS Publication 542 on corporate taxation.
2. Corporations file an IRS Form 1120 and report earnings and taxing profit.
3. Corporations may be subject to quarterly estimated tax payments; refer to IRS Publication 505.

Tax Consideration

There are two ways to tax a corporation: as a regular corporation or as a **Subchapter S** corporation. Salaries of officers are deductible expenses and therefore reduce the amount of income subject to corporate income tax, but they are also subject to individual income tax. If salaries become too high, the IRS may treat a portion as a dividend from the corporation. Dividends are not deductible by the corporation, resulting in double taxation, because the same money is taxed as a part of the corporate profit and as income to the individual.

A Subchapter S corporation is taxed in the same way as a sole proprietorship or partnership. In order to qualify under a Subchapter S corporation, the corporation must file with the Internal Revenue Service and must meet the following requirements:

1. Have at least one, and no more than 75 shareholders (husband and wife count as only one shareholder);
2. Have no shareholders who are nonresident aliens;
3. Have only one class of stock;
4. Have no more than 80 percent of its gross receipts from outside the United States; and
5. Have no more than 20 percent of the corporation's gross receipts from royalties, rents, dividends, interest, annuities, and gains on sale or exchange of stock or securities.

Note: Every Corporation must make a declaration of its estimated income tax for the taxable year, if its Kansas income tax liability can reasonably be expected to exceed \$500 (K.S.A. 79-32,101). Any corporation who began business in Kansas during this period is not required to file a declaration for this period, and no underpayment of estimated tax penalty will be imposed. Subchapter S Corporations must file a Kansas Small Business Corporation Form (form 120S) and report income on individual income tax forms. Corporations doing business in Kansas, or deriving from Kansas sources, must file a Kansas Corporate Income Tax Return, Form K-120. The corporate tax rate is four percent of Kansas taxable income, with an additional tax of 3.35 percent on income over \$50,000 (K.S.A. 79-32,110).

Limited Liability Company (LLC)

Registration: Secretary of State

Fee: \$150 (domestic/foreign or professional)

A limited liability company is a business entity that combines the limited liability of a corporation with the flexible management options of a general partnership. In 1990, Kansas was the fourth state to authorize the creation of

LLCs (K.S.A. 17- 7600 et seq.). Each member of an LLC enjoys liability limited to that of the investment in the business, and pays taxes in proportion to ownership, thus avoiding the corporate malady of double taxation. Every limited liability company formed in Kansas must have the words “limited company,” or their abbreviation “LC,” “L.C.,” “LLC,” or “L.L.C.” included at the end of the company name.

An LLC must maintain a resident agent and file annual reports. Members of an LLC may be involved in the management of the business without incurring personal liability. If properly structured, an LLC may receive pass-through income tax treatment similar to a partnership. Articles of organization and other filings must be filed with the Secretary of State. A foreign LLC must file an application for authority to do business in the State of Kansas with the Secretary of State.

The professional LLC is comprised of a single professional, or group of professionals, who file both articles of organization and a certificate from their specific professional regulatory board with the Secretary of State’s office. The certificate must state that each member is duly licensed and that the company name has been approved. No special wording denoting that they are different from a regular, nonprofessional LLC is required.

Advantages

1. Liability of members limited to amount invested.
2. Very flexible management options.
3. May be taxed as partnership.
4. An LLC can be perpetual.

Disadvantages

1. Limit on the life of the company.
2. Articles of organization must state a date upon which the company will dissolve.
3. LLCs are not available in every state, thus the limited liability of the interest holder(s) may not be recognized by the courts of those states.
4. LLCs are complicated to form legally and require substantial accounting work.
5. Limited transfer of interest - an investment is illiquid since all members must vote to transfer a member’s interest.

Tax Implications

1. An LLC must obtain a tax identification number.
2. Although the business structure resembles a corporation, LLCs can be taxed as though they were a partnership. The IRS has the ultimate say on taxation, but new treasury regulations allow the LCC to indicate how it is to be taxed when filing.
3. In a limited liability company, each member must report income on individual income tax forms and file a Kansas Partnership Return (Form K-65).

Business Trust

Registration: Secretary of State

Fee: \$50

The business trust has filing requirements similar to those required of corporations. Specific questions about establishing a Kansas business trust should be directed to the Corporations Division within the Kansas Secretary of State’s office.

Franchise

Registration: None

Fee: None

There are no registration requirements at the state level for the establishment of a franchise. However, some cities have occupational licensing for business establishments. Businesses are, for the most part, categorized according to the federal Standard Industrial Classifications (SIC) code. There are no distinctions made between a business that has a national franchise agreement and one that is independently owned.

Nonprofit Corporation

Registration: Secretary of State & Internal Revenue Service

Fee: \$20

There are three main characteristics that distinguish a nonprofit organization from a business enterprise, they are:

1. Significant amounts of revenues are received from providers or entities that do not expect to receive either repayment or economic benefits relative to the amounts provided;
2. There is no defined ownership that can be sold, redeemed, transferred; nor is there entitlement to a share of the assets if the organization is liquidated; and
3. The purpose in the operation is not to produce a profit.

There are more than 25 categories of tax-exempt organizations classified under Section 501(c)(3) of the Internal Revenue Code, as well as additional types of entities under other sections of the code. Some of the major classifications include: civic leagues, religious organizations, chambers of commerce, recreation clubs, social clubs, labor organizations, libraries, museums, and voluntary health and welfare organizations.

An organization that wants to be a nonprofit entity must apply for tax-exempt status from the IRS and pay a user fee. Tax exemption is a privilege granted by Congress through the IRS. In return, nonprofit organizations are subject to a range of IRS requirements that differ from those for business enterprises. Among those is the requirement that a nonprofit organization's activities (income and expenses) be substantially related to its exempt purpose. A nonprofit organization must limit all partisan political activity, as well as limit lobbying activities. In addition, none of the nonprofit organization's assets can insure benefit to any private individual.

Most nonprofit organizations are required to file an annual tax return, Form 990. If more than \$1000 of income is received, that was not related to the exempt purpose, Form 990T must be completed and taxes on those receipts paid.

The best course of action to take before starting activities is to seek competent professional help prior to assuming you are a nonprofit organization. For more information contact:

- IRS (800) 829-1040
web site: www.irs.ustreas.gov
- To order IRS Publication 557-Tax Exempt Status for your Organization
Contact the IRS at (800) 829-3676

Chapter 2:

The Business Plan

A carefully prepared business plan can be a valuable management tool for any business, whether an existing company or a start-up company. Very simply, the business plan is a written road map for the businessperson to determine where the company is, where it wants to be, and how it plans to get there. The development of a business plan allows the businessperson to think through all aspects of the business venture; lays the groundwork for an operational plan to track the progress of the company, and provides the basis for potential lenders and investors to review the business for securing the necessary business financing.

The information outlined provides basic guidelines for the preparation of a business plan. The guidelines are very general, and should be adapted to meet the specific circumstances of the business, emphasizing its strengths and addressing the potential problems and challenges.

Executive Summary

The executive summary is often considered to be the most important component of the business plan. For the firm seeking financing, the summary should convince the lender or venture capitalist that it is a worthwhile investment.

The summary should briefly cover at least the following:

- Name of the business;
- Business location;
- Discussion of the product market and competition;
- Expertise of the management team;
- Summary of financial projections;
- Amount of financial assistance requested (if applicable);
- Form of and purpose for the financial assistance (if applicable);
- Purpose for undertaking the project (if financial assistance is sought); and
- Business goals.

Business Description

This section provides background information on the company and usually includes a general description of the business, including:

- The product or service;
- Historical development of the business;
- Name, date and place (state) of formation;
- Legal structure (proprietorship, partnership, corporation);
- Significant changes in ownership, structure, new products or lines, acquisitions and/or dates;
- Subsidiaries and degree of ownership, including minority interests; and
- Principals and the roles they played in the formation of the company.

Product or Service

Describe the present or planned product or service lines, including:

- Relative importance of each product or service including sales projections;
- Product evaluation (use, quality, performance);
- Comparison to competitors' products or services and competitive advantages over other producers; and
- Demand for product or service and factors affecting demand other than price.

Project Financing

If financing is sought for a specific project, it must include the following:

- A complete list of all items required to begin the business, undertake the expansion, buy or sell the business, and associated cost;
- A written explanation of all operating costs; and
- The owner's financial requirements including taxes.

Management

- Organizational chart with key individuals (include supervisory personnel with special value to the organization);
- Responsibilities of key individuals;
- Personal resumes (describing skills and experience as they relate to activities of the business); and
- Present salaries (include other compensation such as stock options, bonuses);

Other employees:

- Number of employees at year-end, total payroll expenses for each of the previous five years (if applicable) broken down by wages, benefits;
- Methods of compensation;
- Departmental/divisional breakdown of work force; and
- Planned staff additions.

Ownership

- Names, addresses, and business affiliations of principal holders of subject's common stock and other types of equity securities (include details on holdings);
- Degree to which principal holders are involved in management;
- Principal non-management holders;
- Names of board of directors, areas of expertise and role of board when business is operational; and
- Amount of stock currently authorized and issued.

Marketing Strategy/Market Analysis

- Current situation of industry;
- Industry outlook;
- Principal markets (commercial/industrial, consumer, government, international);
- Current industry size and anticipated growth in the next ten years (explain sources of projections);
- Major characteristics of the industry; and
- Effects of major social, economic, technological, or regulatory trends on the industry;

Description of Major Customers

- Names, locations, products, or services sold to each;
- Percentage of annual sales volume for each customer over previous five years (if applicable); and
- Duration and condition of contracts in place.

Description of Market

- Principal market participants and their performance;
- Target market;
- Customer requirements and ways for filling those requirements; and
- Buying habits of customers and impact on customers using the product or service.

Description of Competition

Describe the companies with which the business competes and how the business compares with these companies. This section is a more detailed narrative than that contained in the description of the product or service above.

Description of Prospective Customers

Incorporate reaction to the firm and any of its products or services that have been seen or tested, including:

- Description of firm's marketing activities;
- Overall marketing strategy;
- Pricing policy;
- Methods of selling, distributing and servicing the product; and
- Geographic penetration, field/product support, advertising, public relations, promotion, and priorities among these activities.

Description of Selling Activities

Include the method for identifying prospective customers and the method you will use to contact the relevant decision makers. Describe your sales effort by defining sales channels and terms, number of salespersons, number of sales contacts, anticipated time, initial order size, estimated sales, and market share.

Technology

Describe technical status of the product (idea stage, development stage, prototype) and the relevant activities, milestones, and other steps necessary to bring the product into production including:

- Present patent or copyright position, (if applicable), include how much is patented and how much can be patented, (how comprehensive and effective the patents or copyrights will be). Include a list of patents, copyrights, licenses or statements of proprietary interest in the product or product line;
- Describe new technologies that may become practical in the next five years that may affect the product;
- Describe new products (derived from initial products) the firm plans to develop to meet changing needs;
- Describe regulatory or approval requirements and status, and discuss any other technical and legal considerations that may be relevant to the technological development of the product;
- Describe research and development efforts both current and future; and
- Describe production/operating plan.

Explain how the firm will perform production and/or delivery of service. Describe in terms of:

- Physical facilities: owned or leased, size and location, expansion capabilities, and types and quantities of equipment needed, (include a facilities plan and description of planned capital improvements, and timetable for those improvements);
- Suppliers: name and location, length of lead time required, usual terms of purchase, contracts (amounts, duration and condition), and subcontractors;
- Labor supply (current and planned): number of employees, unionization, stability (seasonal or cyclical), and fringe benefits;
- Technologies/skills required to develop and manufacture products; and
- Cost breakdown for materials, labor and manufacturing overhead for each product, plus cost versus volume curves for each product or service.

Manufacturing Process

- Describe production or operating advantages of the firm; discuss whether they are expected to continue;
- Specify standard product costs at different volume levels; and
- Present a schedule of work for the next one to two years.

Financial Information

- Auditor: name, address;
- Legal counsel: name, address;
- Banker: name, location, contact officer;
- Controls: cost system used and budgets used;
- Describe cash requirements, now and over next five years, as well as how these funds will be used;
- Amount to be raised from both debt and equity;
- Plans to “go public” — relate this to future value and liquidity of investments;
- Financial statements and projections for next five years;
- Profit and loss or income statements, by month until break even, and then by quarter;
- Balance sheets as of the end of each year;
- Cash budgets and cash flow projections;
- Capital budgets for equipment and other capital acquisitions; and
- Manufacturing/shipping plan.

If financing is sought, most lenders and venture capitalists will require:

- A funding request indicating the desired financing, capitalization, use of funds and future financing;
- Financial statements for the past three years, if applicable;
- Current financial statements;
- Monthly cash flow financial projection, including the proposed financing for two years; and
- Projected balance sheets, income statement and statement of changes in financial position for two years, including the proposed financing.

Chapter 3:

Locating the Business

The physical location of a business is key. When determining the site for a particular business, identify those factors that are most important to that business, including both current and future needs. The determining factors involved with site selection may vary depending on the type of business. A manufacturing business may choose a site based on proximity to customers and suppliers, a good transportation network, available labor, and access to utilities. On the other hand, a retail business will place greater emphasis on access to customers, parking and visibility.

In some cases, it may be appropriate to start the business in the home. When starting a home-based business, the city or county clerk's office should be contacted to determine what local licenses and zoning requirements are needed. Be sure to ask both the city and county about taxes, fees, and any specific requirements that might affect the proposed business. Also check with the local fire department regarding fire safety regulations.

Chapter 4: Records

Every business, no matter the size, must keep written records of the transactions that affect the business. Proper records are required for the banker, the Internal Revenue Service, other taxing authorities, and the owner/operator of the business. There is no prescribed way to keep books or records. The IRS allows you to choose any system suited to the purpose and nature of the business.

Proper accounting records need not require “books.” What is really required is an orderly system for moving, handling and maintaining the records that are generated with each business transaction. A record keeping system should be maintained on a daily basis for best results. The record keeping system should be simple enough for the owner/manager to maintain. If necessary, contact an accountant or bookkeeper to research other options. The system you choose should be designed to generate the information that is periodically required by taxing and other regulatory authorities.

The selected system should provide for:

1. A daily or otherwise periodic summary of cash receipts;
2. A disbursement journal;
3. A business checkbook;
4. Employee compensation record (and withholding, including Social Security and other taxes);
5. A general ledger (for partnerships and corporations) in which the receipts, disbursements, and other transactions of the business are properly classified and summarized; and an
6. Asset Register (including depreciation when applicable).

Important records should be stored for at least four years in a way that makes them readily accessible for reference. Standardized accounting forms for many kinds of businesses are available from most office supply stores. The best of these forms is one that is easy to work with and understandable. Trade associations for different kinds of businesses sometimes make standard accounting systems available for that business. Consult an accountant regarding a system that will best serve your business.

Chapter 5:

Professional Relationships

Selecting an Accountant

Sound accounting practices mean more profits. The system selected need not be elaborate. In fact, the business that is mired in too many records is almost as bad as the business that has next to none. In most cases the simpler a financial record keeping system is, the better. A solid accounting system is used to provide the following:

1. Maintain a record of all transactions of the business;
2. Reflects (in a manner understandable by management) periodic operating results and financial conditions;
3. Protects the assets of the business from errors, fraud and carelessness; and
4. Provides a basis for business planning by showing the results of past decisions and furnishing the facts needed for future decisions.

If an accountant is hired, make sure he/she understands your industry and can explain the system proposed for installation. Fancy computer printouts or accrual basis accounting are helpful management tools, but a new business may be too small for this sophistication. Some businesses find that a more desirable and less costly alternative is to maintain detailed records, and to utilize the accountant to help convert such records into meaningful financial reports.

Choose the accountant with whom a candid relationship can be established. Choose one who seems interested in making a contribution toward the success of your business, not one who merely complies with requests or assists in tax preparation.

For a listing of accountants in your area, check local telephone directory, or contact the following.

Kansas Board of Accountancy

900 S.W. Jackson Street, Suite 556

Topeka, KS 66612-1139

Phone: (785) 296-2162

Fax: (785) 291-3501

e-mail: ksboa@ink.org

web site: www.ink.org/public/ksboa

Selecting an Attorney

If possible, select an attorney experienced in business matters. Be sure to ask about applicable fees in the initial interview, and ask if they are familiar with businesses similar to yours. Generally, fees are based on a fixed hourly rate. For more information on attorney services, contact:

Kansas Bar Association

1200 S.W. Harrison Street

Topeka, KS 66612

Phone: (785) 234-5696

Fax: (785) 234-3813

web site: www.ksbar.com

Selecting a Banker

The location of a bank should not necessarily dictate the choice of a banker. Select a banker who understands the business and its goals. The relationship between a business owner and a banker usually lasts for a number of years, so select one who will be there through the difficult, as well as the good times. Selecting a banker may also impact the means of financing the business. Interest rates, amounts of collateral, and length of time for financing a project may vary from bank to bank.

Alternative Sources of Financing

If a bank is not utilized, the following institutions may be used as alternative sources of financing:

1. Commercial Finance Companies (these companies usually charge a higher interest rate than banks, and generally only loan money when there are accounts receivable, inventory, or equipment to serve as collateral);
2. Leasing Companies (can be used if purchasing equipment is not affordable);
3. Private Investors;
4. Credit Unions;
5. Consumer Finance Companies;
6. Industrial Revenue Bonds -Redevelopment Corporations;
7. Insurance Companies (mortgages);
8. Mortgage Bankers (mortgages); or
9. Small Business Investment Companies (SBICs)

Selecting Insurance

Two fundamental insurance needs that must be accommodated are the protection of the assets of the business from loss due to fire, windstorm, theft or other perils to property, and insurance that allows the business to defend itself from, and pay for, claims of bodily injury or property damage. Other insurance considerations include life and health insurance options in an employee benefits plan, how to handle business interruptions that may arise, and performance or dishonesty bond coverage for employees.

A professional insurance agent or risk manager can assist the business in acquiring the necessary insurance coverage(s) from an insurance company (ies) that can best fit the particular business needs. Even if a portion of the risk is to be self-insured, a professional insurance agent or risk manager can provide a knowledgeable survey of the hazards and risk management assistance.

Choosing an insurance agent or risk manager is no different from selecting an attorney, accountant, or any number of specialists. Business associates, friends and the yellow pages can identify several possibilities.

The Kansas Insurance Department oversees several insurance plans for consumers who are qualified, but unable to purchase insurance through the ordinary market. Types of coverage provided include automobile, fire and property, workers' compensation, medical malpractice liability, and third party liability for owners and operators of underground storage tanks. Questions or complaints about insurance companies, agents, claims or insurance products can be directed to that office.

Chapter 6:

Registering Your Business

The Business Name

The name used by a business can become a valuable asset. Great care should be taken in selecting and protecting a suitable business name. You should not begin using a business name until you are certain that it is available for use. It is helpful to check telephone, business or trade directories and other sources for business names that are confusingly similar. Ultimately, a business should rely upon the advice of its legal counsel before adopting a business name.

Assumed Name and Trade Name

An assumed name is one used by an enterprise in its daily business transactions and is sometimes called a fictitious name. Kansas does not have a fictitious name or trade name act, and has no means in which to register them. A “d/b/a” may be used in Kansas without registering.

Corporate Name

A business that incorporates in Kansas must select a corporate name that is distinguishable, upon the records of the Secretary of State’s office, from the names already on file. The name must be different from the names of active domestic or foreign corporations, limited partnerships and limited liability companies. A business may (although not required), reserve a name for corporate use by filing a name reservation application with the Secretary of State’s office and submitting a \$20 filing fee. The name reservation is effective for 120 days from the date of filing. All domestic and foreign business entities are treated similarly.

Trademarks and Servicemarks

Registration: Secretary of State

Fee: \$25/registers trademark for five years

Any person who adopts and uses a trademark in Kansas may file with the Secretary of State. There is no statutory requirement to register a trademark or servicemark. A trademark may be a word, symbol, design, combination word and design, a slogan, or even a distinctive sound that identifies and distinguishes the goods or services of one party from those of another. If it is used to identify a service, it can be called a servicemark. In general, throughout this section, the term trademark will be used to refer to both trademarks and servicemarks.

Normally, a trademark for goods is the word or design that appears on the product or on its packaging, while a servicemark is usually the word or design that is used in advertising to identify the owner’s services. A trademark is different from a copyright or a patent. A copyright gives protection for an artistic or literary work, and a patent gives protection for an invention.

The applicant may be an individual, firm, partnership, corporation, association, union, or other organization. For the definition of when a trademark or servicemark is deemed to be used, see K.S.A. 81-111(h)(i). The trademark or servicemark must, under Kansas law, be used before it can be registered. Filing a trademark or service mark does not grant any substantive rights. The right to a mark is determined by the common law. Registration of the mark with the Kansas Secretary of State provides public notice of the mark’s use. For suggested classes of goods and services, see K.S.A. 81-119.

Chapter 7: Registration of Intellectual Property

U.S. Patent and Trademark Office

Crystal Plaza III, Suite 2C02
Washington, D.C. 20231
Phone: (703) 308-4357
Toll Free: 1-800-786-9199
web site: www.uspto.gov

A Patent is an exclusive property right to an invention and is issued by the Commissioner of Patents and Trademarks, U.S. Department of Commerce. It gives an inventor the right to exclude others from making, using, or selling an invention for a period of 20 years in the United States, its territories, and possessions. A patent cannot be renewed except by an act of Congress. Design patents for ornamental devices are granted for 14 years. This office administers the patent and trademark laws of the United States. After examining patent and trademark applications, the office grants protection to qualified inventions and federal registration to qualified trademarks. Many useful facts can be found in the booklets, “General Information Concerning Patents,” and “Publications Obtainable from the United States Patent and Trademark Office,” for more information contact the U.S. Patent and Trademark Office.

Copyrights

Library of Congress Copyright Office
101 Independence Avenue, S.E.
Washington, D.C. 20559-6000
Phone: (202) 707-5000
web site: www.loc.gov/copyright

Copyrights protect authors, composers, and artists from the pirating of their literary, musical or artistic work. In some instances, performing and recording rights are included within the protection of the copyright law. The copyright applies to the form of expression, rather than to the subject matter of the writing. A description of a machine could be copyrighted, but this would only prevent others from copying the description. It would not prevent others from writing a description of their own, or from making and using the machine. Copyrights are registered in the Copyright Office in the Library of Congress.

Chapter 8: Registering as an Employer

Kansas Requirements

Kansas Withholding Tax

Register: Kansas Department of Revenue

Every employer who is required to withhold federal income taxes from employees' wages is also required to withhold Kansas income tax from those wages when the employee is a Kansas resident, or the wages are for services performed in Kansas. In addition to a Federal Employer Identification Number (EIN), employers must also have a Kansas Withholding Tax registration.

To register, obtain a Kansas Business Tax Application Booklet, and complete the business tax application form BT/rg-16. This booklet is available from the Kansas Department of Revenue offices, and may be downloaded from the Kansas Department of Revenue home page on the Internet at: www.ink.org/public/kdor. The application should be completed six weeks in advance of hiring employees in order that the registration, Kansas Employer's Withholding Tax Booklet, and forms coupon book are issued before the tax becomes due. There is no fee or bond required for registration. Information and assistance on Kansas withholding tax is available at the Department of Revenue offices.

Forms and Filing Frequency

After the application has been processed, a Kansas Withholding Tax registration certificate (form BT/rg-13) is mailed showing the registration number, starting date, and filing frequency of returns. How often you file and pay Kansas withholding tax depends on the size of your payroll—the larger the payroll, the more frequently the returns must be filed. The chart below shows the filing frequencies and due dates established in the law.

<u>Annual Amounts Withheld</u>	<u>Filing Status of Return</u>	<u>Due Date</u>
\$0.00 to \$200.00	Annually	January 25th of the following year
\$200.01 to \$1200.00	Quarterly	25th day of the month following the end of the quarter
\$1200.01 to \$8,000.00	Monthly	15th day of the following month
\$8000.01 to \$100,000.00	Semi-Monthly	First 15 days of the month due on the 25th of that month; period ending on the 10th day of the following month
Over \$100,000.00*	Four Times Monthly	Within three banking days of the 7th, 15th, 21st and last day of the month

* Employers in this category are required to file their reports by Electronic Funds Transfer (EFT), although any employer may elect to file electronically. For information about the EFT program and filing procedures contact the Electronic Funds Section at (785) 296-6990 or (800) 525-3901.

Each employer is mailed a coupon book of Kansas withholding tax forms for the calendar year. The coupon book has the periodic deposit reports (form KW-5), the annual return (form KW-3), and business change reporting forms. A KW-5 deposit report must be filed for each filing period, even if no Kansas tax was withheld.

Year-End Reports—Forms W-2 and KW-3

Every employer must give each employee three copies of the Wage and Tax Statement (Form W-2) by January 31 of the following year, even if no Kansas tax was withheld. Kansas wages and withholding information are reported on the same W-2 form as are the federal wage, withholding, social security, and medicare deduction information. A copy of the W-2 marked “For State, City, or Local Tax Department” must also be mailed to the Kansas Department of Revenue, with the year-end report form KW-3, by the end of February of the following year.

An employer who begins business or withholding during a calendar year must file for that portion of the year the wages were paid, or Kansas income tax withheld. An employer who discontinues business, or discontinues withholding during a calendar year, must file a Notice of Discontinuation of Business (form BT/rg-108), the final KW-5, and the KW-3 within 30 days after the business closes, or payments of wages ceased.

Information Returns (Form 1099)

In addition to W-2 forms, employers, businesses, and individuals may be required to file information returns on payments of fees, commissions, rents, royalties, and dividends that are subject to taxation. This is done on federal forms 1099. Copies of these forms must be filed with the Internal Revenue Service, and with the Kansas Department of Revenue. A transmittal document (federal form 1096 is filed as a paper document, or a Kansas K-96, if the 1099s are sent to Kansas electronically) must accompany the 1099 forms. Information returns may also be submitted through the combined Federal/State Filing Program, or by magnetic tape. If you elect to use the tape method, contact the Kansas Department of Revenue at (785) 296-0222 for instructions. Like the W-2 forms, these reports are due by the end of February of the following year.

Unemployment Insurance

The Kansas Employment Security Law was enacted to provide some income during limited unemployment for those who are out of work due to conditions in the economy or labor market. Unemployment Insurance helps employers temporarily safeguard their trained labor force during involuntary layoffs. It tends to apply a brake upon the downward spiral of business activity at the beginning of a downward trend in the economy.

Unemployment Insurance benefits paid to eligible claimants come from a trust fund supported by employer taxes. The Division of Employment Security of the Kansas Department of Human Resources (KDHR) administers both the collection of taxes, and the payment of benefits.

Unemployment Insurance benefits are paid to workers until they are recalled by the employer, or find jobs for which they are reasonably suited in terms of training, past experience, and past wages.

All employers doing business in Kansas are subject to the provisions of the Employment Security Law. However, not all employers are subject to the taxing provisions of the law. Consequently, only those employees that work for a liable employer, required to pay unemployment taxes, are eligible for unemployment benefits.

Coverage is determined by the type and nature of the business, the number of workers employed, and the amount of wages paid for services in employment. Employers who begin business operations in Kansas are required to file form K-CNS 010, “Status Determination Report,” within 15 days of the date wages were first paid for employment. Upon receipt of the completed form, a determination of employer liability will be made and the employer will be notified, if liability is established. KDHR provides the “Handbook for Employers,” which more fully explains the process and procedures.

Kansas Employment Security Law

For reporting purposes, all liable Kansas employers are provided form K-CNS 100, "Employer's Quarterly Wage Report and Contribution Return." This report is due on the last day of the month, following the end of each calendar quarter. The form is mailed to registered employers about 30 days in advance of the due date, and is imprinted with the employer's name, address, account number, and contribution rate. Employers who become newly liable during a calendar year must file a separate "Employer's Quarterly Report and Contribution Return" for each calendar quarter in which wages were paid.

Kansas Workers Compensation

Kansas Department of Human Resources

800 S.W. Jackson Street, Suite 600

Topeka, KS 66612-1227

Toll Free: (800) 332-0353

Phone: (785) 296-6767

Fax: (785) 296-4216

web site: www.hr.state.ks.us

Workers compensation is a private insurance plan where the benefits are not paid by the State of Kansas, but are paid by the employer, generally through an insurance carrier. Kansas law requires all employers in the state who have a gross annual payroll of \$20,000 in a calendar year, to insure payment of workers compensation benefits for employees injured on the job. The law, administered by the Division of Workers Compensation, within the Kansas Department of Human Resources, exempts agricultural pursuits, and also wages paid to the employer and family members in determining the \$20,000 threshold. Self-insurance is allowed for those companies with the financial stability to assume payment of a claim. A surety bond or letter of credit is posted, and excess insurance is required.

The Division of Workers Compensation has no jurisdiction in regard to setting premium rates. Group self-insurance is allowed, and is administered by the Kansas Insurance Department. For questions about rates and the proper amount for the insurance premium in individual cases, contact the Insurance Department at (785) 296-3071.

Federal Requirements

Federal Employer Identification Number Requirement

Use Form SS-4, Application for Employer Identification Number, to apply for an Employer Identification Number (EIN), by mail, telephone or Fax. Instructions are provided on the form.

Who must file:

You must file for an EIN **IF**:

1. You pay wages to one or more employees; and/or
2. You are required to have an EIN to use on any return, statement or other document, even if you are not an employer.

All businesses, except sole proprietorships with no employees, are required to obtain a Federal Employer Identification Number. Trusts, estates, corporations, partnerships, or nonprofit organizations (churches, clubs, etc.) must use EINs, even if they have no employees. Individuals who file Schedules C or F (Form 1040) must use EINs if they are required to file excise, employment, alcohol, tobacco, or firearms returns. If you are a sole proprietor, file only one Form SS-4, Application for Employer Identification Number, regardless of the number of businesses operated, or the number of trade names under which a business operates. However, each partnership, trust, estate,

or other entity must file a separate application. If you have become the new owner of an existing business, you cannot use the EIN of the former owner. If you are a sole proprietor and already have an EIN, use that number.

If you have incorporated a sole proprietorship or formed a partnership, you must get a new EIN for the corporation or partnership. If you do not have a number by the time a return is due, write “applied for” and the date you applied in the space shown for the number.

If you do not have a number by the time a tax deposit is due, send your payment to the Internal Revenue Service Center where you file your returns. Make checks payable to Department of Treasury and show your name (as shown on Form SS-4), address, kind of tax, period covered, and the date you applied for your EIN.

For more information about EINs and for federal tax information, see Publication 585, “Starting a Business and Keeping Records,” or call (800) 829-1040. To order Your Business Tax Kit, call the IRS Forms Distribution Center at (800) 829-3676. The kit will be mailed to you within 15 days. Among the publications, the tax kit includes the following:

Form SS-4	Application for Employer Identification Number
Form 1040-ES	Estimated Tax for Individuals
Publication 509	Tax Calendars for Current Year
Publication 583	Starting a Business and Keeping Records
Publication 910	Guide to Free Tax Services

File early enough to allow time for processing Form SS-4, and try to obtain the EIN before you need the number for a return or deposit. If possible, file four weeks before you will need the number.

Social Security Taxes

The Federal Insurance Contributions Act (FICA) was enacted to insure income for retired persons who work for a certain period of time before their retirement. Both the employee and the employer pay Social Security, or FICA taxes. Nearly all employees, employers, and self-employed people are required to participate in the Social Security program. Employers are required to withhold the appropriate percentage from an employee’s income and provide the employee a receipt for this deduction. The employer has to keep records for each employee, match the employee’s contribution, and make periodic deposits. There is a yearly ceiling on the amount of wages subject to FICA taxes. Additional information can be obtained at the Internal Revenue Service web site: www.irs.ustreas.gov, or the Social Security Administration web site: www.ssa.gov.

Self-Employment Tax

Form: Schedule SE — Filed with Form 1040

The purpose of the self-employment tax is to provide you with Social Security coverage, if you work for yourself. If you have income subject to self-employment tax, use Schedule SE (Form 1040) to figure the tax. If you have more than one business, the profits and losses from all of your businesses are combined on the Schedule SE.

Income Tax Withholding

Besides withholding Social Security tax, the employer must withhold income tax from employee wages. No maximum amount of wages is subject to income tax withholding. No matter how much each employee earns, the employer continues to withhold income taxes. Each employee should furnish a Form W-4 to the employer declaring the number of withholding exemptions allowable.

The amount of income tax to be withheld from the employee's gross wages is determined by:

1. Gross wages;
2. Pay-period frequency;
3. Marital status; and
4. Withholding exemptions allowable.

Based on information provided by the employee on Form W-4, the employer may use the income tax withholding tables provided in Publication 15, Circular E, Employer's Tax Guide, to determine how much to withhold from the employee's wages each pay period. If an employee fails to furnish a W-4, the employer must withhold taxes as if the employee were single and had no withholding exemptions.

Filing Requirements and Depositing of Withholding Taxes

An employer required to withhold income or social security taxes must file a quarterly return reporting the amounts withheld. Form 941, Employer's Quarterly Federal Tax Return, is normally used for this purpose. **Form 941** is due on or before the last day of the month following the close of each quarter.

Quarters	Due Date
1st - January, February, March	April 30
2nd - April, May, June	July 31
3rd - July, August, September	October 31
4th - October, November, December	January 31

By January 31, employees must be given three copies of Form W-2. By February 28, a copy must be sent to the Social Security Administration (SSA) Office along with Form W-3—Reconciliation of Income Tax Withheld From Wages. The mailing address is printed on the back of Form W-3. Employers filing 250 or more W-2 forms must file them with the Social Security Administration on magnetic tape. Contact the SSA for information.

Form: W-2 – Wage and Tax Statement with Form W-3—Reconciliation of Income Tax Withheld From Wages.

Filing deadline: January 31 following calendar year to employees; and February 28 to the Social Security Administration.

The tax withheld must be deposited with an authorized commercial bank, domestic savings and loan association, credit union or a federal reserve bank.

A Federal Tax Deposit-Form 8109 must accompany each deposit of withheld income and Social Security taxes, unless you are making electronic deposits. After applying for an Employer's Identification Number, the deposit forms are automatically mailed to each employer. If none are received, Form 8109 can be obtained at your local IRS office. Some taxpayers are required to deposit by electronic funds transfer. Contact the IRS for information about the Electronic Federal Tax Payment System (EFTPS) or request Publication 966, EFTPS.

Form: 8109-Federal Tax Deposit Coupon - File with each withholding deposit. Criminal and civil penalties are provided for the willful failure to file returns and pay the tax, or for willfully filing false or fraudulent returns.

Federal Unemployment Tax

An employer liable for withholding taxes is usually liable for Federal Unemployment taxes as well. The Federal Unemployment Tax Act (FUTA) provides for cooperation between the state and federal government in establishing and administering the unemployment insurance program.

If an employer paid cash of \$1,500 or more in any calendar (not necessarily consecutive weeks), the employer usually must file Form 940. Deposits may be required depending upon amounts due.

Form: 940 — Unemployment Insurance

Filing Deadline: January 31 of the following calendar year.

Federal Estimated Income Tax

Generally, sole proprietors, partners, and shareholders of an S Corporation pay tax on income by making regular payments of estimated tax during the year. If you expect to owe taxes, including self-employment tax of \$1,000 or more when you file your return, you generally have to make estimated tax payments.

Form 1040-ES has instructions, an estimated tax worksheet and four declaration vouchers. Use the worksheet to figure your estimated tax and keep it for your records. Estimated tax is due any quarter having a tax liability not covered by withholding.

Form: Federal — Form 1040-ES

Filing deadlines: April 15, June 15, September 15, January 15.

Corporations use Form 1120-W to compute estimated tax.

Filing on Magnetic Media

In general, filers of at least 250 information returns, including Forms W-2 and W-2P, must use magnetic media to report payee income to Internal Revenue Service or Social Security Administration.

For further information, including approval procedures (Form W-2 and W-2P filers must get magnetic media approval from SSA) for use of your particular magnetic medium, write or call:

Magnetic Media Reporting, IRS

Martinsburg Computing Center

P.O. Box 1359

Martinsburg, WV 25402-1359

Phone: (304) 263-8700

Federal Excise Taxes

Various excise taxes apply to motor fuel vendors, over-the-road truckers, and certain other business operators. For guidance in determining if your business has a federal excise tax liability, call (800) 829-1040, weekdays during business hours.

State and Federal Employer Posting Requirements

The following is a list of posters available through various agencies that should be posted at the work site. Specific questions should be directed to the agency listed with poster title:

State

- Notice: Your Employer is subject to the Kansas Workers Compensation Law that provides compensation for job-related injuries (K-WC 40);
- Child Labor - Notice of hours (K-ESLR 100) for employers who employ youth under 16; and
- Notice to workers about Unemployment Insurance (K-CNS 405) for employers covered by Kansas Unemployment Insurance statutes.

Source:

Kansas Department of Human Resources

Employment Standards
401 S.W. Topeka Boulevard
Topeka, KS 66603-3182
Phone: (785) 296-4062

Kansas Law provides Equal Opportunity Employment (available in English and Spanish).

Source:

Kansas Human Rights Commission

Landon State Office Building
900 S.W. Jackson Street, Suite 851-S
Topeka, KS 66612-1258
Phone: (785) 296-3206
Fax: (785) 296-0589
TTY (Hearing Impaired): (785) 296-0245
web site: www.ink.org/public/khrc

Federal

Required for all employers (with few exceptions for EEOC poster):

- Minimum Wage Poster (WH-1088);
- Employee Polygraph Protection Notice (WH-1462);
- EEOC Equal Employment Opportunity is the Law;
- Family Medical Leave Act Required as stipulated;
- Government Contractors Bulletin (WH-1313); and
- Government Construction Contractors Bulletin (WH-1321).

Source:

U.S. Department of Labor Wage and Hour Division

200 Constitution Ave. N.W., Room S-3502
Washington, D.C. 20210
Phone: (202) 551-5721

Required for All Employers

Job Safety and Health Protection (OSHA 2203).

Required as Stipulated

Log and Summary of Occupational Injuries (OSHA 200) OSHA Citation - refers to companies who have been cited.

Source:

U.S. Department of Labor OSHA Publications

200 Constitution Avenue N.W.
Washington, D.C. 20210
Phone: (202) 219-4667

Employer Postings

- Pension Application - Notice of Application (direct question to the IRS office); and
- Affirmative Action Policy.

Chapter 9: Special Employer Issues

Equal Employment Opportunity Commission

Kansas City Area Office
400 State Avenue, Suite 905
Kansas City, KS 66101
Phone: (913) 551-5655
Fax: (913) 551-6956
TDD: (913) 551-5657
web site: www.eeoc.gov

Public Accommodations Requirements

U.S. Department of Justice, Civil Rights Division

Disability Rights Section

P.O. Box 66118
Washington, D.C. 20035-6118
Toll Free: (800) 514-0301
Phone: (202) 514-0301
TDD: (202) 514-0381

The Americans with Disabilities Act prohibits discrimination on the basis of disability, providing coverage for employment, public services, government, telecommunications, and transportation. Reasonable accommodations are required to be provided for known disabilities of applicants for employment and employees. Employers with 14 or fewer employees are exempt from compliance with the employment section of the ADA, but may be required to comply with the section that requires public businesses to provide accommodations to the general public with disabilities.

Kansas Human Rights Commission

Landon State Office Building, Suite 851-S
900 Jackson Street
Topeka, KS 66612
Phone: (785) 296-3206
Fax: (785) 296-0589
web site: www.ink.org/public/khrc

Wichita Office:

130 S. Market, Suite 7050
Wichita, KS 67202-3802
Phone: (316) 337-6270
Fax: (316) 337-7376

The Kansas Act Against Discrimination prohibits discriminatory acts based on race, religion, color, sex, disability, national origin, or ancestry in employment and public accommodations. This also includes protection against discriminatory housing practices. The Kansas Age Discrimination in Employment Act prohibits discrimination in employment against persons age 18 or older.

Kansas Commission on Disability Concerns

1430 S.W. Topeka Boulevard
Topeka, KS 66612
Toll free: (800) 295-5232 or
Phone: (785) 296-1722
Toll Free TTY: (877) 340-5874 or
Phone: (785) 296-5044
e-mail: mkgabeha@hr.state.ks.us
web site: www.hr.state.ks.us/dc

The Kansas Commission on Disability Concerns provides information and referral on disability issues, employment incentives, and civil rights requirements. Architectural accessibility surveys and training on civil rights and attitudes are available to employers. The Commission presents workshops and seminars on the American's with Disability Act (ADA).

OSHA Requirements

Kansas Department of Human Resources

Industrial Safety and Health Section

512 S.W. 6th Avenue
Topeka, KS 66603-3174
Phone: (785) 296-4386
Fax: (785) 296-1775

SECTION 5(a)(1) of the Occupational Safety and Health Act (OSHA) sets forth an employer's obligation to provide, so far as possible, every working man and woman in the nation a safe and healthy work place. The Industrial Safety and Health Section of the Kansas Department of Human Resources (KDHR) offers on-site safety and health consultation services, partially funded by the federal government. This helps employers meet safety obligations voluntarily by the recognition, evaluation, and control of work place hazards, without citations or penalties. The consultant will review an employer's safety and health program, point out hazards that are present, and make recommendations for improvements. Hazards identified will be classified as serious or non-serious, depending on the severity of the potential injury that may occur as a result of the hazard. Technical assistance may be offered by the consultant to assist the employer in correction of the hazards observed.

Training may be provided to assist employers with their safety and health programs and to train employees in safe and healthy work practices. Industrial hygiene services are available to assist employers with air monitoring, noise, heat stress, ventilation, and other surveys in the work environment. Recommendations for corrective action are made through engineering, administrative or personal protective equipment control measures. All reports and other information on the consultation will be kept confidential. Requests for this service may be made by phone or by mail. A state consultant will contact you to set up an appointment for a personal visit.

SECTION TWO:
BUSINESS REGULATIONS
AND LICENSING

Chapter 1:

Specific Industry Registration

Registering for a Kansas Retailers Sales Tax Certificate

Every person, partnership, corporation, association, or organization that is regularly engaged in the business of selling tangible personal property at retail; furnishing electrical energy, gas or water; furnishing installation and repair services; or furnishing certain other enumerated services must apply for a Sales Tax Certificate of Registration. A retailer's registration under the State Retailers' Sales Tax Act is sufficient for the purposes of the local Retailers' Sales Tax. Special registration for collection of local sales tax is not necessary. Refer to K.S.A. 79-3601 et seq., Retailer's Sales Tax and K.S.A. 12-187 et seq., and Local Retailers' Sales Tax.

To apply for a Kansas sales tax registration number, obtain a Kansas Business Tax Application Booklet, and complete the application form BT/rg-16. This booklet and form are available from the Kansas Department of Commerce & Housing (KDOC&H) First Stop Clearinghouse, the Kansas Department of Revenue Office (KDOR), or may be downloaded from the KDOR home page on the internet at: <http://www.ink.org/public/kdor>. There are no fees or charges for a sales tax number; however, a bond equal to six months average tax liability may be required. The Kansas Department of Revenue will notify you if a bond is required.

After completing the registration process, you will automatically receive a registration certificate and sales tax returns for each period. How often you report and pay sales tax depends on the volume of your business. A chart of filing frequencies and due dates is below. The majority of returns are filed on a monthly basis; the sales tax return is due the 25th of the month, following the end of the reporting period. A return must be filed for each reporting period or fraction thereof, even if no sales were made and no tax is due.

<u>Annual Amounts Withheld</u>	<u>Filing Status</u>	<u>Due Date</u>
\$0.00 to \$80.00	Annual	January 25th of the following year.
\$80.01 to \$1,600.00	Quarterly	On or before the 25th of the month following the end of the calendar quarter.
\$1,600.01 to \$32,000.00	Monthly	On or before the 25th day of the following month.
\$32,000.01 and above	Semimonthly	First 15 days liability is due on or before the 25th of the month.

Registering for a Kansas Consumers Compensating (USE) Tax Certificate Number

Compensating Use Tax applies to property purchased in or from another state for use, storage, or consumption in Kansas on which a state sales tax of at least 4.9 percent has not been paid. The purpose of this tax is to protect Kansas businesses from unfair competition from out-of-state companies selling to Kansas consumers without tax. The use tax is due whether the item is delivered into Kansas, or picked up in the other state and brought back to Kansas.

The Compensating Use Tax rate is 4.9 percent, the same as the state sales tax rate. There are no local compensating taxes, unless the item purchased or leased is a motor vehicle, trailer, or vessel that is required to be registered. There are two types of use tax:

Consumers Compensating Use Tax- Paid by Kansas consumers directly to the KDOR on the total cost of goods purchased from out-of-state retailers. For Kansas businesses, use tax is due when equipment, fixtures, and supplies are purchased from another state without tax. Individual Kansans will owe use tax on items ordered from catalogs, radio, and TV, on which the retailer did not collect a sales tax of at least 4.9 percent.

Retailers Compensating Use Tax- Collected by out-of-state retailers registered with the KDOR on merchandise they deliver or ship to Kansas. Retailers in other states are required to register and collect use tax from their Kansas customers if they have a physical presence in Kansas, such as maintaining a Kansas sales office, or employing an agent or solicitor that operates in Kansas.

Nonresident Contractor/Subcontractor

Registration: \$10 per contract

Kansas Department of Revenue

Tax Registration Section

915 S.W. Harrison,

Topeka, KS 66625-0001

Phone: (785) 296-4458

Fax: (785) 296-2073

web site: www.ink.org/public/kdor

A nonresident contractor, or a nonresident subcontractor, intending to engage in the business of contracting must register with the Department of Revenue for each contract where the total contract price, or amount received, is more than ten thousand dollars (\$10,000); refer to K.S.A. 79-1008 through 79-1015.

In addition, every contractor, or subcontractor, must file a bond before beginning performance of any contract. The amount of bond required from nonresident contractors is eight percent of the contract. In those instances where the contract is on a sales tax-exempt project, the amount of bond must be four percent. In either case, the minimum amount for a nonresident contractor bond is \$1,000.

The general contractor should make sure subcontractors subject to the provisions of the Nonresident Contractors Tax Act are also duly registered and bonded in order to protect the contractor from possible liability for the subcontractor's tax liability.

A foreign corporation, authorized to do business in this state by the Kansas Secretary of State, is not required to register the contract with the KDOR; see K.S.A. 17-7301 regarding Foreign Corporation Application for Authority to Engage in Business in Kansas.

The Nonresident Contractors Information Form, Instruction, and the Nonresident Contractors Bond form are included in the publication "Sales and Use Tax for Contractors, Subcontractors, and Repairmen" available from the KDOR office, or may be downloaded from the KDOR web site.

Kansas Secretary of State

First Floor, Memorial Hall

120 S.W. 10th Avenue

Topeka, KS 66612

Phone: (785) 296-6187

Fax: (785) 296-4570

web site: www.kssos.org

Labor Organization-A business agent who acts on behalf of a labor organization must certify annually with the Secretary of State.

Retail Establishments Selling Alcohol

Kansas Department of Revenue
Division of Alcohol Beverage Control
Docking State Office Building
915 S.W. Harrison Street, Room 214 North
Topeka, KS 66625-3512
Phone: (785) 296-7015
Fax: (785) 296-7185
web site: www.ink.org/public/kdor/abc

Kansas Department of Revenue
Tax Registration Section
P.O. Box 12001
Topeka, KS 66612-2001
Phone: (785) 296-2871
web site: www.ink.org/public/kdor

On-Premise Establishments

Entities licensed to sell liquor by the drink for consumption on the premises to the general public are called drinking establishments (DE). DEs licenses are issued only in “wet counties,” in Kansas 65 of the 105 counties are wet. At least 30 percent of a DEs total food and beverage sales must be comprised of food.

Exceptions to this law would be those drinking establishments in Sedgwick, Wyandotte, Saline, Brown, Shawnee, Cowley, Graham, Geary, Douglas, Lyon, Crawford, and Ellis counties, where the voters opted to eliminate the food requirement. DEs are permitted to serve alcohol between the hours of 9:00 a.m. and 2:00 a.m. every day of the week. The annual license fee is \$1,000.

Caterer licenses and temporary permits can be obtained for the sale of liquor by the drink on unlicensed premises in “wet counties.” The food requirement for a caterer is 30 percent of gross sales at each catered event. A caterer may serve liquor between the hours of 6:00 a.m. and 2:00 a.m. The annual license fee is \$500; however, a temporary permit may be obtained for up to three consecutive days at \$25 per day. There is no requirement to sell food at temporary permit events. Operating hours for such events are the same as those for drinking establishments.

A private club license allows a business to sell liquor to club members, and their guests, for consumption on the premises. There are no minimum food requirements for private clubs. Clubs that maintain 50 percent of total sales in food may enter into reciprocal agreements with other clubs. This license is available in both “wet,” and “dry” counties. The license fee for a for-profit private club is \$1,000. The license fee for nonprofit clubs varies from \$250 to \$1,000, depending on composition and size of membership. Alcohol may be served at private clubs between the hours of 9 a.m. and 2 a.m. Licenses for on-premise cereal malt beverage (beer containing 3.2 percent alcohol or less) may be obtained from the local unit of government. There are no food requirements for CMB licenses. CMB may be served between the hours of 6:00 a.m. and 12 midnight, Monday through Saturday. Sales on Sunday are allowed only if the establishment meets a 30 percent food requirement identical to drinking establishments. CMB license fees vary between \$25 and \$200.

In addition to the license or permit required by the Division of Alcoholic Beverage Control, drinking establishments, clubs and caterers must obtain a retail liquor excise tax registration number to collect the ten percent tax imposed on the gross receipts from the sale of alcoholic drinks. Although no fee is required for the application, a bond in the amount of three months average tax liability or \$1,000, whichever is greater, is required. Apply for a liquor excise tax registration using the Kansas Business Tax application booklet form BT/rg-16, available from the Kansas Department of Revenue office or the KDOC&H First Stop Clearinghouse.

Off-Premise Establishments

Retail liquor licenses may be obtained to sell liquor (spirits, wine, and beer containing more than 3.2 percent alcohol) by the package for consumption away from the premises to the general public. Liquor retailers may sell liquor, and Kansas Lottery tickets only. Retail liquor licenses are issued only to individuals and partnerships (no corporations). Liquor retailers may operate between the hours of 9:00 a.m. and 11:00 p.m., Monday through Saturday; Sunday sales are prohibited. The retail liquor license fee is \$250.

Kansas imposes an eight percent liquor enforcement tax on alcoholic liquor and cereal malt beverages sold by a retail liquor store, microbrewery or farm winery to Kansas consumers, or sold by a distributor to Kansas clubs, drinking establishments, or caterers. Registration for this tax must be made in addition to the licenses required by the Division of Alcoholic Beverage Control. To apply for a liquor enforcement tax registration, complete the Kansas Business Tax Application form BT/rg-16, available from the Kansas Department of Revenue offices or the KDOC&H First Stop Clearinghouse.

Off-premise cereal malt beverage licenses may be obtained from the local unit of government. CMB may be sold by the package between the hours of 6:00 a.m. and 12 midnight, Monday through Saturday; Sunday sales are prohibited. CMB license fees vary between \$25 and \$200. Any license type may sell nonalcoholic malt beverages containing less than .05 percent alcohol by volume without additional license requirements.

Vehicle Dealers, Tire Retailers, and Tire Excise Tax Registration

Registration: Complete the Kansas Business Tax Application

Kansas imposes a tire excise tax of .50 cents per tire on new tires for vehicles authorized or allowed to operate on public streets and highways. New tires for cars, trucks, motorcycles, construction equipment, and agricultural implements are among the tire sales subject to this tax. Also taxed are the tires on a new vehicle sold for the first time. Used, recapped, and retreaded tires are not subject to the tire excise tax. Tire retailers and new vehicle dealers must register to collect this tax from their customers.

Vehicle Rental Excise Tax

Registration: Complete the Kansas Business Tax Application

Kansas imposes a 3.5 percent tax on the rental or lease of motor vehicles for 28 consecutive days or less. This tax is in addition to the sales tax due on these transactions.

Laundry and Dry Cleaning Establishments/ Dry Cleaning Environmental Surcharge

Registration: Complete the Kansas Business Tax Application

Kansas imposes a two percent surcharge on the gross receipts from dry cleaning or laundering service. This environmental surcharge is in addition to the State and local retailer's sales tax due on these services. A fee is also imposed on the purchase of dry cleaning solvents.

Chapter 2:

Businesses Impacting Health and Environment

Department of Health and Environment Division of Environment

State Environmental Regulations, administered by Kansas Department of Health and Environment (KDHE), pertain to air and water pollution control, solid and hazardous waste management, reporting of spills, hazardous chemicals, toxic emissions, and many other types of operation or construction. State Health Regulations pertain to the operation of adult and childcare facilities, food service establishments, food manufacturing, and food processing facilities (except for meat, poultry, eggs, or dairy products which are regulated by the Kansas Department of Agriculture).

The business owner should find out if a permit, license, or other approval is needed from KDHE before the business owner builds or starts the business. By becoming acquainted with these health and environmental requirements ahead of time, the business owner can avoid costly modifications during or after construction, thereby protecting public health and the environment, as well as the business investment. The business owner should also check with KDHE to see if the business needs to notify the department prior to buying an existing business, business facility, or structure. Permits, licenses, and approvals do not automatically transfer from one property owner to the next. The business owner may need to reapply.

KDHE is authorized by the U.S. Environmental Protection Agency (EPA) to carry out many federal environmental programs. KDHE is responsible for various environmental permits and approvals, the first step for most businesses is to contact the appropriate KDHE bureau as listed below.

The Division of Environment is organized into six bureaus that address different environmental programs, they are as follows:

Air and Radiation

Phone: (785) 296-1593

Air Quality, Open Burning, Asbestos, X-ray Inspection and Licensing, Radon, Right-to-Know Reporting, Low Level Radioactive Waste, Radiation Emitting Equipment, and Toxic Emissions.

Environmental Remediation

Phone: (785) 296-1660

Spill Reporting, Contaminated Sites, Underground Storage Tanks, Site Clean Up, Abandoned Mined Lands, Surface Mining Regulations, and State and Federal Superfund Activities.

Environmental Field Services

Phone: (785) 296-6603

Coordination of district environmental activities, Water Quality Investigations, Fishkills, and Department Scientific Support.

Waste Management Bureau

Phone: (785) 296-1600

Solid Waste, Municipal Solid waste Landfills, Construction & Demolition Landfills, Hazardous Waste, Recycling, Composting, Household Hazard Waste, Public Education Grants, Generators, and Treatment, Storage & Disposal Facilities.

Bureau of Water

Phone: (785) 296-5500

Public Water Supply, Drilling for Water Supply Wells, NPDES, Injection Wells, Pretreatment Regulations, Municipal, Industrial, and Agricultural Wastewater; Feedlot Wastewater Permits, Non-point Source Pollution Control, Water and Wastewater Treatment Plant Operator Training; Environmental Health Sanitarians, Single-Family Lagoons, Septic Tanks, and Reservoir Sanitation Zones.

Right-to-Know Requirements

Phone: (785) 296-1690

Fax: (785) 296-1545

When a permit or approval is needed from the KDHE Division of Environment, the business owner must request an application by calling the appropriate bureau. An application will be mailed to the business owner, along with all other requirements. The business owner must supply enough information on the application for the department to determine the proposed activity, or if the business will comply with the law. In some instances, a registered professional engineer licensed to practice in Kansas must prepare the information needed to support the application. Department personnel will be glad to assist the person making application or the engineer hired with information about Kansas environmental laws, and how they apply to each particular project or business activity.

Division of Health

The Bureau of Consumer and Local Health, located within the Division of Health, addresses environmental health and child care issues.

Consumer Health Services

Phone: (785) 296-0189

This division is responsible for the regulation of Lodging Inspection and Licensing; Pharmacy Inspection; Food Service Inspection and Licensing; Food Manufacturing Inspection; Retail Store Inspection; Consumer Protection Investigation; Licensing and Inspection of Day Care, Child Care, and Preschool Facilities; and Licensing of Foster Care Facilities.

Food, Drug, and Lodging Requirements

Phone: (785) 296-5600

Businesses that will engage in food preparation, food manufacturing, food processing, lodging, or sale of over-the-counter or prescription drugs must meet a variety of requirements designed to protect the public. Some businesses need a KDHE license to operate; others are subject to inspection by the department.

Persons interested in establishing a food service, food processing, or food-manufacturing facility should first contact a field inspector for information, and set up an appointment for an inspection. KDHE contracts with ten county health departments for inspection, the remaining counties are served by KDHE field inspectors based out of department district offices.

KDHE charges no fee for the inspection; however, there is an application fee for all new food service establishments and lodging facilities. The department also charges an annual license fee. Any change in ownership or location of a business requires another application, inspection, and license. Contact Food Protection and Consumer Safety for fee information. At the successful completion of the inspection, the inspector will provide the operator of the food service establishment, or lodging facility an application for a license. The completed application must be forwarded to the Food Protection and Consumer Safety program in the Bureau of Consumer Health.

Health Facilities

Phone: (785) 296-1240

Licensing of Hospitals; Foster Care Facilities; Section Licensing and Inspection of Day Care, Child Care, and Preschool Facilities.

Bureau of Health Facility Regulations

The KDHE administers the program for licensing and registration of childcare in the state. It is a preventive program to assure that out-of-home care for children will not be exploitative, unsafe, or unhealthy.

License or registration of a childcare facility is required when a child or children receive care away from their own homes. Exceptions include: when care is provided for no more than two children and for no more than 20 hours per week; when irregular child care is arranged between friends and neighbors on an exchange basis; when care is provided in the child's own home; and when child care is provided in the home of the child's relative. The staff of the Child Care Licensing Section can help determine whether the proposed business would have to be licensed or registered.

There are a number of categories of child care facilities, and the requirements for each vary. However, all of the requirements must be met, and an inspection must be done before an application can be approved, and a license to operate can be issued. Completed applications must be submitted to KDHE at least 90 days before opening of the facility in order to be evaluated.

The Bureau of Health Facility Regulation also licenses adult care facilities in the state. This program is dedicated to protecting the interests of elderly residents through licensing requirements, inspections, and ensuring a continuum of safe and healthy care. There are a number of different types of facilities, and requirements vary for each. Contact should be made with the bureau for information on licensing prior to starting, or purchasing any adult care business at (785) 296-1240.

KDHE District Offices

North Central District Office
2501 Market Place, Suite D
Salina, KS 67401
Phone: (785) 827-9639

Northeast District Office
800 W. 24th Street
Lawrence, KS 66046
Phone: (785) 842-4600

Northwest District Office
2301 E. 13th Street
Hays, KS 67601

South Central District Office
130 S. Market, Suite 6050
Wichita, KS 67202
Phone: (316) 337-6020

Southeast District Office
1500 W. 7th
Chanute, KS 66720
Phone: (620) 431-2390

Southwest District Office
302 W. McArtor Road
Dodge City, KS 67801
Phone: (620) 225-0596

Surface Mining Section
4033 N. Parkview Drive
Frontenac, KS 66763
Phone: (620) 231-8540

Animal Health Department

708 S. Jackson
Topeka, KS 66603-1714
Phone: (785) 296-2326
Fax: (785) 296-1765
web site: www.ink.org/public/kahd

The Animal Health Department's primary functions are regulatory programs relating to animal disease control and disease eradication. The ultimate aim and goal of the agency is to protect and serve the Kansas Livestock Industry, the Kansas Companion Animal Industry, and to ensure public health, safety, and welfare of its citizens. Kansas laws require the agency to license and regulate different businesses pertaining to the Animal Industry (K.S.A. Ch. 7). The following businesses are licensed or registered through this office.

Animal Facility Inspection Program

Animal Dealers (not USDA licensed): \$300
Animal Dealers (with USDA license): \$150
Research Facilities: \$150
Pet Shops: \$300
Pounds and Shelters: \$200
Boarding Kennels (registered, not licensed): \$75
Hobby Kennel Operators (registered, not licensed): \$75 (minimum of three-five litters sold annually)

Licensed facilities listed above are inspected twice annually, except those licensed with the United States Department of Agriculture, those registrants are inspected upon complaint only.

Livestock Programs

Feedlots (depending on maximum capacity): \$75-750
Livestock Auction Markets (annual renewal only): \$40
Applications for Livestock Auction (new market): \$325
Animal Dealers: \$75
Rendering Trucks: \$75
Places of Transfer for Rendered Animals: \$150
Disposal Plants for Rendered Animals: \$525
Garbage Cooking Facilities: \$15

Kansas Department of Agriculture

Jamie Clover Adams, Secretary

109 S.W. 9th Street

Topeka, KS 66612-1280

Phone: (785) 296-3558

e-mail: webmaster@kda.state.ks.us

web site: www.ink.org/public/kda

The Kansas Department of Agriculture is, first and foremost, a regulatory agency. It is charged by law with ensuring the safety of the meat, milk, and egg supply; ensuring the responsible and judicious use of pesticides and nutrients; ensuring the integrity of weighing and measuring devices in commerce; and ensuring that the waters of the state are put to beneficial use. The Secretary of Agriculture also has a role in education and advocacy for agriculture.

Administrative Services provide policy, coordination, and management functions for the department. These include fiscal, personnel, legal research, and computer and information functions within the office of the Secretary.

Statistical Services collect, analyze, and disseminate information about Kansas agriculture, which is used by other arms of government, producers, agribusiness, consumers, and the general public.

Food Safety and Consumer Protection Programs provide food safety and consumer protection functions through regulation of the products and sale of meat, poultry, dairy products, eggs, agricultural seeds, and feeding stuffs. Through these activities, the department seeks to protect the consumer; at the same time, these activities benefit the agricultural industry by maintaining a climate of consistency and confidence in the marketplace. These programs include:

- Dairy Inspection Program

- Meat & Poultry Inspection Program

- Agricultural Commodities Assurance Program (ACAP)

- Grain Warehouse Program

- Weights and Measures Program

The **Water Resources Program** provides both natural resource protection, and a public safety function through the management of the quality of the state's water resources, and the inspection of water structures. These include:

- Water Appropriations Program

- The Water Structures Program

Other water resource programs include managing compacts with neighboring states in order to protect the interest of Kansas as river waters are shared, and basin management activities.

Environmental Protection Programs work to ensure the protection and health of the state's natural and cultivated plant resources, and the environment through preventative activities and actions designed to ensure the safe and proper use of pesticides. They include:

- The Plant Protection Program

- The Fertilizer and Pesticide Program

- The Laboratory Program

Chapter 3: Motor Carrier Licensing

Truck and Trailer License

If you are a Kansas resident, vehicles are licensed at your county courthouse, or contact the Motor Carrier Services Bureau, if you intend to apportion. If you are a non-resident and your vehicles move intrastate, you must obtain a Kansas 30 Day registration, unless you are apportioned. This can be purchased at a Motor Carrier Inspection Station along the Kansas border, or contact the Central Permit Office at (785) 296- 2356, or fax (785) 296-7872.

Interstate Vehicles License

Kansas has three types of license agreements with other states:

- **International Registration Plan (IRP) Apportioned Registration:**
All 48 states within the United States and the District of Columbia are members. Carriers from these jurisdictions that enter Kansas with vehicles that gross over 26,000 pounds, or have three axles on the power unit need to apportion their vehicles. Vehicles less than 26,000 pounds that haul intrastate within Kansas need to apportion, or purchase 30 Day temporary registration. Kansas carriers must contact the Motor Carrier Services Bureau. Carriers from other states should contact their appropriate state offices.
- **Reciprocity:**
Manitoba, Quebec and Ontario are the only Canadian provinces that have a reciprocity agreement with Kansas. Alberta, British Columbia, and Saskatchewan are members of the IRP. Motor vehicles based or registered in any other province cannot be extended reciprocity.
- **Temporary Permit/Alternatives to Apportioning:**
If traveling infrequently in Kansas, you may purchase a trip permit that costs \$26 for each power unit; this permit is valid for 72 hours.

Once a vehicle is licensed for use in Kansas, it must also comply with weight, measurement, fuel tax, and possibly other Kansas Corporation Commission (KCC) requirements.

Kansas Corporation Commission (KCC) Authority

1500 S.W. Arrowhead Road

Topeka, KS 66604-4027

Phone: (785) 271-3100

Fax: (785) 271-3283

e-mail: k.swank@kcc.state.ks.us

web site: www.kcc.state.ks.us

KCC authority indicates what you haul, where you can pick up and deliver, and the route you may travel. Any commercial vehicle that hauls for hire or compensation needs authority, or a permit. These permits can be obtained at any open Motor Carrier Inspection Station along the Kansas borders, or from the Central Permit Office by calling (785) 296-2356. Permits must be obtained before entering or traveling through Kansas, which is noted in Kansas Statute K.S.A. 66-1324. If operating only in Kansas, you must have authority to operate for hire in Kansas.

Certified Carrier (Common)

If you wish to operate over regular routes between fixed terminals, you must:

- Be able to, and agree to, serve the general public;
- File an application plus a hearing fee; the hearing will establish fitness;
- Pay equipment fees annually;
- Have your insurance company's home office file proof of insurance (minimum \$100,000/\$300,000/\$50,000);
- Combined single unit of \$350,000 liability, and \$3,000 cargo insurance per vehicle;
- File a financial statement; and
- Carry your authority cards (ICC-regulated carriers do not have to carry authority cards).

Contract Carrier

If you wish to haul only for selected shippers, and not for the general public, you must:

- Apply to the Kansas Corporation Commission;
- Pay equipment fees annually;
- Have your insurance company's home office file proof of insurance (maximum \$100,000/\$300,000/\$50,000);
- Carry your cab cards or letter of authority, except ICC-regulated carriers do not have to carry authority cards; and
- A hearing is required.

Private Carrier

If you wish to haul commodities sold or to be sold, or for the furtherance of any commercial enterprise, or transport property for someone else, not necessarily for hire, you must:

- Apply to the Kansas Corporation Commission;
- Pay equipment fees annually;
- Provide a financial statement to the Kansas Corporation Commission;
- If a partnership is involved, provide a copy of the agreement showing each partner's interest in the partnership and each partner's signature;
- If a corporation is applying, Articles of Incorporation must be included in the application;
- Have your insurance company's home office file proof of insurance (maximum \$100,000/\$300,000/\$50,000); and
- Carry your cab cards in vehicles.

Interstate Freight Transport

Surface Transportation Board (STB)

1925 K Street, N.W.

Washington, D.C. 20423-0001

Phone: (202) 565-1674

web site: www.stb.dot.gov

The ICC will determine your eligibility for interstate operations, and will classify you as exempt or non-exempt from federal regulations.

ICC-regulated Motor Carrier

Submit all requested material to the Kansas Corporation Commission. If your principal place of business is in Kansas, you must:

- File a Single State Registration application to operate as an STB carrier in the state where you maintain your principal place of business;

- File proof of insurance, process agent, and a copy of the STB order;
- Pay by cashier's check, money order, cash, or electronic transfer after receiving invoice; and
- Mark your equipment with your STB authority number.

Interstate Exempt Carrier

Submit the following requested material to the Kansas Corporation Commission:

- An application to operate as a carrier or exempt commodities;
- Pay a one-time filing fee and annual fees on each power unit; and
- Have your insurance company's home office file proof of insurance.

Motor Fuel Tax-IFTA

International Fuel Tax Agreement (IFTA)

Applies if you own a truck that:

- Has two axles and a gross vehicle weight, or registered gross vehicle weight exceeding 26,000 pounds;
- Has three or more axles regardless of weight;
- Is used in combination with another vehicle and the combined weight exceeds 26,000 pounds gross vehicle weight; and
- Travels from Kansas into or through any jurisdiction within the United States and most Canadian Provinces.

You must be licensed with the Kansas Department of Revenue for IFTA, or you must purchase fuel trip permits each time you enter one of the IFTA states, and when you return to Kansas. Carriers based in Kansas should contact:

Registration Section

Business Tax Bureau

Kansas Department of Revenue

Topeka, Kansas 66625-0001

Phone: (785) 296-4458

If based in another IFTA jurisdiction, please contact the IFTA license authority in that state. If you are operating a qualified vehicle interstate, you may, in lieu of obtaining an IFTA license, purchase a Temporary Fuel Permit at any Motor Carrier Inspection Station along the Kansas border, or through the Central Permit Office (785) 296-2356.

IFTA licenses are renewed annually, a renewal application will be sent prior to the expiration of your current credentials. This application must be completed and returned in order to receive the next year's IFTA credentials.

Chapter 4:

Natural Resources and Utility Licensing

Oil and Gas Drilling Permit

An Oil and Gas Drilling Application Packet may be obtained by contacting:

Kansas Corporation Commission

Topeka Office:

1500 S.W. Arrowhead Road

Topeka, KS 66604

Phone: (785) 271-3100

Fax: (785) 271-3354

web site: www.kcc.state.ks.us

Wichita Office:

Wichita State Office Building

130 S. Market, Suite 2078

Wichita, KS 67202-3802

Phone: (316) 337-6200

Public Utilities Permit

The Kansas Corporation Commission issues the certificate required for transaction of business by public utilities. The Utilities Division, within the Corporation Commission, can provide specific information about certification requirements. Regarding compensation and levies by cities for granting of franchises, refer to K.S.A. 12-2001 and 12-2010.

Surface Mining Registration

KDHE Division of Environment

Bureau of Environmental Remediation

4033 Parkview Drive

Frontenac, KS 66763

Phone: (620) 231-8540

Fax: (620) 231-0753

Contact this department for information pertaining to the regulation of coal mining permits, answering subsidence emergency calls, and reclaiming abandoned coal-mining hazards.

Chapter 5: Other Regulated Industry Licensing

Securities Registration

Securities Commissioner of Kansas

618 S. Kansas Avenue, 2nd Floor

Topeka, KS 66603-3804

Phone: (785) 296-3307

Fax: (785) 296-6872

web site: www.ink.org/public/ksecom

A “security” can be conceptually viewed as an interest in, or a debt obligation of, the business entity that issues the security. “Securities” are broadly defined by Kansas law to include stocks and bonds, certain notes or evidences of indebtedness, debentures, pre-organization certificates or subscriptions, thrift certificates, investment certificates, certificates of interest in oil and gas royalties, leases, and mineral deeds. Securities also include “investment contracts” which involve profit-sharing arrangements, or agreements between one or more investors, and one or more promoters in which money or other assets are pooled into a common enterprise.

Securities must be registered under state or federal law before they legally can be sold to investors, unless the security or transaction qualifies for an exemption under state or federal law. A security or transaction may qualify for a federal exemption, but not a state exemption, and vice-versa.

The basic purpose of both state and federal securities laws is to protect the investor. Therefore, sales in violation of these laws, even if done through inadvertence or in good faith reliance, can create civil and criminal penalties on both the state and federal level. If interstate sales are involved, civil and criminal penalties in multiple states may apply. The antifraud provisions of these laws apply even if the securities or the transactions are exempt from registrations.

Securities registration is a sophisticated area requiring the services of experienced professionals. In some cases these professionals may be able to assist in structuring the offering and sale to qualify for an exemption. In other cases, their services may be necessary to register and to sell the securities. In all cases involving the issuance or sale of securities, discussing the matter with legal counsel is the best starting point.

Note: Small Company Offering Registration (SCOR) by Qualification (Form U-7), Kansas Corporations, and Limited Liability Companies, wishing to raise up to \$5 million dollars by public offering, should call the Securities Commissioner’s Office for more information. The SCOR program and Form U-7 are designed to make registration of small public offerings less costly and somewhat simpler to prepare.

The Office of the State Bank Commissioner

700 Jackson Street, Suite 300

Topeka, KS 66603

Phone: (785) 296-2266

Fax: (785) 296-0168

web site: www.osbckansas.org

In July of 1999, the Consumer Credit Commissioner’s Office merged with the Office of the State Bank Commissioner, thereby creating two divisions within the Bank Commissioner’s Office: the Banking and Trust Division, and the Consumer and Mortgage Lending Division. The Banking and Trust Division charters and regulates state banks, savings and loans, trust companies, and money transmitters. The Consumer and Mortgage Lending Division is in

charge of regulating entities that fall under the Kansas Uniform Consumer Credit Code (UCCC), a comprehensive statute that encompasses all credit granted for personal, family, and household purposes. This division also administers the Kansas Mortgage Business Act, which governs residential mortgage brokers and lenders. Those who wish to engage in any of the above-described activities in Kansas may make application with the Bank Commissioner.

Kansas Insurance Commissioner

420 S.W. 9th Street
Topeka, KS 66612-1678
Phone: (785) 296-3071
Fax: (785) 296-2283
web site: www.ink.org/public/kid

The Kansas Insurance Department is responsible for the licensing and regulation of virtually all of the insurance companies, health maintenance organizations, automobile clubs, and premium finance companies that operate in Kansas. The Department's authority to license and regulate these companies can be found in Chapter 40 of the Kansas Statutes Annotated and in the Regulations of the Kansas Insurance Department.

Unless specifically exempt by statute, all insurance companies must be licensed prior to transacting any business in this state. To become licensed, an insurance company must first submit an application for admission along with a \$500 non-refundable fee to the Kansas Insurance Department. A detailed review to determine if the company meets all the statutory requirements for admission is made by the department. If the company is in compliance with all of the applicable Kansas Statutes and Regulations, an additional \$110 fee is required, and a certificate of authority is issued.

Health Maintenance Organizations (HMOs) also must obtain a certificate of authority prior to transacting business in this state. Required materials are outlined in K.S.A. 40-3203, or can be obtained from the Insurance Department's office. The application must be accompanied with a \$150 filing fee. Once the application has been reviewed and found acceptable, a certificate of authority is issued, and the HMO may commence operation. We do permit HMOs to contract with providers prior to receiving their certificate of authority.

Automobile clubs must obtain a certificate of authority from the Insurance Department prior to transacting any business in the state. The admission process of an automobile club is similar to that of an insurance company. If the automobile club meets all the statutory requirements for admission, a licensing fee of \$165 is collected, and a certificate of authority is issued.

Premium finance companies must obtain a license from the Kansas Insurance Department prior to transacting business in this state. However, a premium finance company may be exempt from licensing if it meets certain criteria as set forth in K.S.A. 40-2603. A \$100 non-refundable license fee must accompany an application for admission.

Bonded Warehouse Registration

If you intend to advertise as a bonded warehouseman (K.S.A. 82- 161), you are required to be licensed by the State. The license to advertise and conduct business as a "Licensed Bonded Warehouse" is issued by the Kansas Secretary of State. The amount of the bond must be at least one-fourth of the maximum value of the goods owned by others, and stored by the applicant. If the applicant stores only his/her own goods, a minimum \$5,000 bond should be submitted. The maximum bond is \$50,000.

Boiler/Commercial Water Heater Licensing
KDHR Industrial Safety and Health Section

512 S.W. 6th Avenue
Topeka, KS 66603-3174
Phone: (785) 296-4379
Fax: (785) 296-1775

The Boiler Section implements the requirements of the State of Kansas Boiler Safety Act. The statute provides for inspection of boilers located in areas primarily where the public congregates. Private residences and small apartment buildings are exempt from the statute.

The Kansas Department of Human Resources (KDHR) is responsible for overseeing boiler inspections, and the licensing of insurance company boiler inspectors in Kansas. Certificates are issued when the boilers are found to be safe. The Kansas Boiler Safety Act requires all boilers or commercial-sized water heaters to be constructed and installed in accordance with the American Society of Mechanical Engineers Boiler and Pressure Vessel Code. Repair to boilers and water heaters are subject to national board inspection code requirements. Before operations begin, businesses must report to the KDHR Industrial Safety Section.

A boiler owner, or user, can expect to pay a fee for the required inspection. The inspection fee will range from \$50 to a maximum of \$150. An annual renewal inspection fee for most boilers would not exceed \$75. The Kansas Boiler Safety Act requires water heaters to be inspected every three years. All other boiler types are to be inspected annually. An owner/user may insure the boiler, have it inspected by an insurance company inspector, and pay to the Department of Human Resources the single object certificate fee of \$25. A Kansas Boiler Safety Act, Rules and Regulations booklet, is available for \$5.

Note: There may be local regulations or ordinances that apply to the use of various unfired pressure vessels (e.g., air tanks and water storage vessels, their construction, installation and repair). Contact City or County Building Inspectors for information.

Chapter 6: Common Business Licenses

The following is a partial list of common businesses or areas that require registration/licensing with specific agencies/commissions:

Adult Care Homes	Department of Health & Environment	(785) 296-1240
Agricultural Products	Department of Agriculture	(785) 296-5253
Aircraft Mechanics	Federal Aviation Administration	(785) 862-1180
Alcoholic Beverage Control	Department of Revenue	(785) 296-3946
Ambulances	Board of Pharmacy	(785) 296-4056
Analytical Laboratory	Board of Pharmacy	(785) 296-4056
Animal Dealers/Breeders	Animal Health Department	(785) 296-2326
Appraiser	Real Estate Appraisal Board	(785) 296-0706
Architects	Board of Technical Professions	(785) 296-3053
Aviation Occupations	Federal Aviation Administration	(785) 954-4151
Auctioneers	City or County Clerk	
Audiologist	Board of Hearing Aid Examiners	(316) 263-0774
Auto Repair	Department of Health & Environment	
	Oil disposal	(785) 296-6370
	Air	(785) 296-1593
Automobile Service Clubs	Insurance Commissioner	(785) 296-3071
Bait & Tackle Shops	Wildlife & Parks Department	(316) 672-5911
Banks	Banking Commission	(785) 296-2266
Barbers	Board of Barber Examiners	(785) 296-2211
Bed & Breakfasts	Department of Health & Environment	(785) 296-0189
Bees	Department of Agriculture	(785) 296-2263
Billboards	Department of Transportation	(785) 296-3501
Billiard Halls	City or County Clerk	
Bingo Parlor	Department of Revenue	
	Bingo Registration/Enforcement	(785) 296-6127
Body Piercing	Department of Cosmetology	(785) 296-3155
Bonded Warehouse	Secretary of State	(785) 296-4564
Bounty Hunting	Kansas Bureau of Investigations	(785) 296-8200
Bowling Alleys	City or County Clerk	
Broker/Dealer	Securities Commission	(785) 296-3307
Car Dealer Licensing	Department of Revenue	(785) 296-3626
Car Rental Agencies	Department of Revenue	(785) 296-3626
Car Repossession	Banking Commissioner	(785) 296-2266
Check Cashing Service	Banking Commissioner	(785) 296-2266
Child Care	Department of Health & Environment	(785) 296-1270
Child Care Referral Agency	Local County Health Department	
Child Placement Agency	SRS Youth Services	(785) 296-4661
Cigarette Dealer	Department of Revenue	(785) 296-2461
Collection Agency	Banking Commissioner	(785) 296-2266
Construction or Zoning	Local City or County Clerk	
Consumer Protection Division	Attorney General Office	(785) 296-3751

SECTION TWO: BUSINESS REGULATIONS AND LICENSING

Contractors	Local City or County Clerk	
Corporate Information	Secretary of State	(785) 296-4564
Cosmetologists	Board of Cosmetology	(785) 296-3155
Courier Service	Corporation Commission	(785) 271-3100
Credit Restorers	Consumer Credit	(785) 296-3151
Dairy Products	Department of Agriculture	(785) 296-3786
Day Care Facilities	Department of Health & Environment	(785) 296-1240
Delivery Service	Kansas Corporation Commission	(785) 271-3151
Dentists	Dental Board	(785) 296-0780
Detectives	Kansas Bureau of Investigation	(785) 296-8200
	Attorney General	(785) 296-2215
Doctors	Board of Healing Arts	(785) 296-7413
Driver Training Instructors	State Board of Education	(785) 296-4961
Drugs	Board of Pharmacy	(785) 296-4056
Dry Cleaners/Laundry	Department of Health & Environment	(785) 296-1570
	Department of Revenue	(785) 368-8222
Education State	Board of Education	(785) 296-3201
Electrical Contracting	Local City or County Clerk	
Employment Agencies	Department of Human Resources	(785) 296-4062
Engineers	Board of Technical Professions	(785) 296-3053
Fire Alarms	State Fire Marshall	(785) 296-3401
Fire Work Stand/Display	State Fire Marshall and City/County Clerk	(785) 296-3401
Floral Shops	Department of Agriculture	(785) 296-2263
Food	Department of Health & Environment	(785) 296-0189
Funeral Directors	Board of Mortuary Arts	(785) 296-3980
Garbage Collectors	Local City or County Clerk	
Gas Stations	Department of Revenue	(785) 296-2411
	Department of Agriculture	(785) 862-2415
	Department of Health	(785) 296-7005
Greenhouse Operator	Department of Agriculture	(785) 296-2263
Hair/Salons	Board of Cosmetology	(785) 296-3155
Health Facilities	Department of Health & Environment	(785) 296-1240
Home-Based	Local City or County Clerk	
Home Health Care	Department of Health & Environment	(785) 296-3362
Hospitals	Department of Health & Environment	(785) 296-1240
Hotel/Motel	Department of Health & Environment	(785) 296-5600
Insurance	Insurance Commissioner	(785) 296-3071
Interior Designer	Local City or County Clerk	
Investment Adviser	Securities Commissioner	(785) 296-3307
Jail Bondsman	Department of Insurance	(785) 296-7869
	Attorney General	(785) 296-2215
Janitorial	Local City or County Clerk	
Land Surveyors	Board of Technical Professions	(785) 296-3053
Lenders, Consumer Loans	Banking Commission	(785) 296-2266
Limousine Service	Kansas Corporation Commission	(785) 271-3151
Livestock Dealer	Department of Animal Health	(785) 296-2326
Mail Order	No State License	
Make-over	Board of Cosmetology	(785) 296-3155

Massage Therapy	Local City or County Clerk	
Meat Processing	Department of Agriculture	(785) 296-3558
Medical Care Facilities	Department of Health & Environment	(785) 296-1240
Mental Health Clinics	Social & Rehabilitation Services	(785) 296-3773
Mobile Home Dealer	Department of Revenue	(785) 296-3626
Mortgage Lenders	Banking Commission	(785) 296-2266
Motor Carrier Services	Kansas Corporation Commission	(785) 271-3145
Moving Service	Kansas Corporation Commission	(785) 271-3100
Non-Resident Contractor	Department of Revenue	(785) 368-8222
	Secretary of State	(785) 296-4564
Nuclear Energy	Department of Health & Environment	(785) 296-1570
Nursery Stock Dealers	Department of Agriculture	(785) 296-2263
Nurses	Board of Nursing	(785) 296-3068
Nursing Employment Agency	Department of Health & Environment	(785) 296-1259
Oil Field Service Companies	Kansas Corporation Commission	(316) 263-3238
Optometrists	Board of Optometry Examiners	(785) 296-0824
Paralegal	Local City or County Clerk	
Pari-Mutuel Racing	Racing Commission	(785) 296-5800
Pawnbrokers	Local City or County Clerk	
Pay Day Loan Service	Banking Commissioner	(785) 296-2266
Peddlers	Local City or County Clerk	
Pesticide Business	Department of Agriculture	(785) 296-2263
Pet Shops	Department of Animal Health	(785) 296-2326
Pharmacists	Board of Pharmacy	(785) 296-4056
Pilots	FAA Airman Certification	(405) 954-3261
Pool Halls	Local City or County Clerk	
Private Investigator/Detective	Kansas Bureau of Investigation	(785) 296-8200
Psychologist	Behavioral Sciences Regulatory Board	(785) 296-3240
Public Health Facilities	Department of Health & Environment	(785) 296-1240
Real Estate Brokers	Real Estate Commission	(785) 296-3411
Real Estate Finance	Real Estate Commission	(785) 296-3411
Refuse Collection	Local City or County Clerk	
Roller Skating Rinks	Local City or County Clerk	
Salvage Yard	Department of Transportation	(785) 296-4053
Security Police	Local City or County Clerk	
Self-Storage Facilities	Local City or County Clerk	
Septic Tank Cleaning/Hauling	Local City or County Clerk	
Social Security	Internal Revenue Service	(800) 829-3676
Solid Waste Processing/Disposal	Department of Health & Environment	(785) 296-1593
Sports Agent	Secretary of State	(785) 296-7456
Tanning Beds	Board of Cosmetology	(785) 296-3155
Tattoo	Board of Cosmetology	(785) 296-3155
Tax Related Questions	Department of Revenue	(785) 368-8222
Taxicab Operators	Department of Revenue	(785) 296-3963
	Kansas Corporation Commission	(785) 271-3151
Tire Retailers	Department of Revenue	(785) 368-8222
Tobacco Products Distributors	Department of Revenue	(785) 296-4460
Trapping	Department of Wildlife	(316) 672-5911

SECTION TWO: BUSINESS REGULATIONS AND LICENSING

Unemployment Insurance	Department of Human Resources	(785) 296-5027
Utility Companies	Kansas Corporation Commission	(785) 271-3100
Vehicle Dealer	Department of Revenue	(785) 296-3626
Veterinarians	Veterinarian Board	(785) 456-8781
Waste Tire Collector Permit	Department of Health & Environment	(785) 296-1600
Water Well Contractors	Department of Health & Environment	(785) 296-5522
Welders	Terra Con Consulting	(785) 267-3310
Workers Compensation	Department of Human Resources	(785) 296-3441
Wrecker Services	Kansas Corporation Commission	(785) 271-3100

Chapter 7: County Courthouse Contacts

Allen County	Iola, KS	(620) 365-1407
Anderson County	Garnett, KS	(785) 448-6841
Atchison County	Atchison, KS	(913) 367-1653
Barber County	Medicine Lodge, KS	(620) 886-3962
Barton County	Great Bend, KS	(620) 793-1835
Bourbon County	Fort Scott, KS	(620) 223-3800
Brown County	Hiawatha, KS	(785) 742-2581
Butler County	El Dorado, KS	(316) 322-4239
Chase County	Cottonwood Falls, KS	(620) 273-6423
Chautauqua County	Sedan, KS	(620) 725-5800
Cherokee County	Columbus, KS	(620) 429-2042
Cheyenne County	St. Francis, KS	(785) 332-8800
Clark County	Ashland, KS	(620) 635-2813
Clay County	Clay Center, KS	(785) 632-2552
Cloud County	Concordia, KS	(785) 243-8110
Coffey County	Burlington, KS	(620) 364-2191
Comanche County	Coldwater, KS	(620) 582-2361
Cowley County	Winfield, KS	(620) 221-5400
Crawford County	Girard, KS	(620) 724-6115
Decatur County	Oberlin, KS	(785) 475-8102
Dickinson County	Abilene, KS	(785) 263-3774
Doniphan County	Troy, KS	(785) 985-3513
Douglas County	Lawrence, KS	(785) 841-7700
Edwards County	Kinsley, KS	(620) 659-3000
Elk County	Howard, KS	(620) 374-2490
Ellis County	Hays, KS	(785) 628-9410
Ellsworth County	Ellsworth, KS	(785) 472-3052
Finney County	Garden City, KS	(620) 272-3522
Ford County	Dodge City, KS	(620) 227-4550
Franklin County	Ottawa, KS	(785) 229-3410
Geary County	Junction City, KS	(785) 238-3912
Gove County	Gove, KS	(785) 938-2300
Graham County	Hill City, KS	(785) 421-3453
Grant County	Ulysses, KS	(620) 356-1335
Gray County	Cimarron, KS	(620) 855-3618
Greeley County	Tribune, KS	(620) 376-4256
Greenwood County	Eureka, KS	(620) 583-8121
Hamilton County	Syracuse, KS	(620) 384-5629
Harper County	Anthony, KS	(620) 842-5555
Harvey County	Newton, KS	(316) 284-6806
Haskell County	Sublette, KS	(620) 675-2263
Hodgeman County	Jetmore, KS	(620) 357-6421
Jackson County	Holton, KS	(785) 364-2891
Jefferson County	Oskaloosa, KS	(785) 863-2272

SECTION TWO: BUSINESS REGULATIONS AND LICENSING

Jewell County	Mankato, KS	(785) 378-4020
Johnson County	Olathe, KS	(913) 715-0430
Kearny County	Lakin, KS	(620) 355-6422
Kingman County	Kingman, KS	(620) 532-2521
Kiowa County	Greensburg, KS	(620) 723-3366
Labette County	Oswego, KS	(620) 795-2138
Lane County	Dighton, KS	(620) 397-5356
Leavenworth County	Leavenworth, KS	(913) 684-0404
Lincoln County	Lincoln, KS	(785) 524-4757
Linn County	Mound City, KS	(913) 795-2668
Logan County	Oakley, KS	(785) 672-4244
Lyon County	Emporia, KS	(620) 342-4950
Marion County	Marion, KS	(620) 382-2185
Marshall County	Marysville, KS	(785) 562-5361
McPherson County	McPherson, KS	(620) 241-8149
Meade County	Meade, KS	(620) 873-8713
Miami County	Paola, KS	(913) 294-3976
Mitchell County	Beloit, KS	(785) 738-3652
Montgomery County	Independence, KS	(620) 330-1200
Morris County	Council Grove, KS	(620) 767-5518
Morton County	Elkhart, KS	(620) 697-2157
Nemaha County	Seneca, KS	(785) 336-3570
Neosho County	Erie, KS	(620) 244-3811
Ness County	Ness City, KS	(785) 798-2401
Norton County	Norton, KS	(785) 877-5710
Osage County	Lyndon, KS	(785) 828-4812
Osborne County	Osborne, KS	(620) 346-2431
Ottawa County	Minneapolis, KS	(785) 392-2279
Pawnee County	Larned, KS	(620) 285-3721
Phillips County	Phillipsburg, KS	(785) 543-6825
Pottawatomie County	Westmoreland, KS	(785) 457-3314
Pratt County	Pratt, KS	(620) 672-4110
Rawlins County	Atwood, KS	(785) 626-3351
Reno County	Hutchinson, KS	(620) 694-2934
Republic County	Belleville, KS	(785) 527-5691
Rice County	Lyons, KS	(620) 257-2232
Riley County	Manhattan, KS	(785) 537-6300
Rooks County	Stockton, KS	(785) 425-6391
Rush County	LaCrosse, KS	(785) 222-2731
Russell County	Russell, KS	(785) 483-4641
Saline County	Salina, KS	(785) 826-5550
Scott County	Scott City, KS	(620) 872-2420
Sedgwick County	Wichita, KS	(316) 383-7011
Seward County	Liberal, KS	(785) 738-3201
Shawnee County	Topeka, KS	(785) 233-8200
Sheridan County	Hoxie, KS	(785) 675-3361
Sherman County	Goodland, KS	(785) 899-4800
Smith County	Smith Center, KS	(785) 282-5110

Stafford County	St. John, KS	(620) 549-3509
Stanton County	Johnson City, KS	(620) 492-2140
Stevens County	Hugoton, KS	(620) 544-2541
Sumner County	Wellington, KS	(620) 326-3395
Thomas County	Colby, KS	(785) 462-4500
Trego County	WaKeeney, KS	(785) 743-5773
Wabaunsee County	Alma, KS	(785) 765-3414
Wallace County	Sharon Springs, KS	(785) 852-4282
Washington County	Washington, KS	(785) 325-2974
Wichita County	Leoti, KS	(620) 375-2731
Wilson County	Fredonia, KS	(620) 378-2186
Woodson County	Yates Center, KS	(620) 625-8605
Wyandotte County	Kansas City, KS	(913) 573-5000

SECTION THREE: BUSINESS DEVELOPMENT ASSISTANCE

There are a number of public and private organizations that have been organized to provide assistance with a variety of business needs. This chapter will identify organizations that can provide programs and services to meet the needs of your business.

Chapter 1:

State Agencies and Organizations

Kansas Department of Commerce & Housing

1000 S.W. Jackson Street, Suite 100

Topeka, KS 66612-1321

Phone: (785) 296-3481

Fax: (785) 296-5055

web site: www.kansascommerce.com

The Kansas Department of Commerce & Housing (KDOC&H) is the lead agency for economic development in Kansas. Through its seven divisions, the department's responsibilities are to foster economic development through the promotion of business, commerce, and industry.

Agriculture Products Development Division

Phone: (785) 296-3736

Fax: (785) 296-3776

e-mail: agprod@kdoch.state.ks.us

The Agriculture Products Development Division is charged with promoting Kansas agriculture products. Programs within the Division include: the Agricultural Value Added Center, Market Development, Business Enhancement, International Marketing, and *From the Land of Kansas*. This Division also maintains a field office in Hays.

The **Agricultural Value Added Center** assists Kansans in the development and commercialization of agriculture value-added products and agriculture technology. Assistance is offered in the areas of business planning, product development, nutrition labeling, product sourcing, pilot plant utilization, commercialization, and marketing. The components of the Center are the Cooperative Development program, Foods and Feeds program and the Industrial Agriculture program. The Center also administers a pool of funds that are awarded on a competitive basis, for development of value-added businesses.

Market Development program services include facilitating research with cooperators regarding market development, and identifying merchandising opportunities for agricultural producers. This program also seeks to market Kansas agricultural products domestically, and to enhance economic growth.

The **Business Enhancement program** offers grants to members who are expanding their markets/businesses.

The **International Marketing program** works to promote Kansas livestock, foods, and feeds to international markets.

The ***From the Land of Kansas* trademark program** seeks to assist businesses in marketing Kansas-produced products. The program provides companies with increased exposure of their products through publications, trade shows, and seminars. Trade Show Assistance encourages Kansas businesses to use appropriate trade shows, and track sales resulting from shows as a component of their marketing plan.

Business Development Division

Phone: (785) 296-5298

Fax: (785) 296-3490

e-mail: busdev@kdoch.state.ks.us

As well as promoting the growth, diversification, and retention of existing business and industry in Kansas, the Division is also responsible for the recruitment of new business to the state, and the creation of new job opportunities for Kansans. The Division is comprised of five different sections: Business Assistance, Business Finance, Business Recruitment, Workforce Training, and the Office of Minority and Women Business Development.

Regional and Out-of-State Field Offices

The efforts of the professionals staffing the six regional field offices bring the department's programs and activities to communities and businesses throughout the state. The field staff work with both communities and private businesses, acting as a conduit to identify and provide assistance that benefits, and promotes the growth of all Kansas regions. Offices are located in, and serve the regions surrounding, the following cities: Garden City, Wichita, Hays, Pittsburg, Topeka, and Manhattan. Out-of-state field offices perform prospect-marketing activities. For information on how to contact the field office in your area, please call the Business Development's main office.

Community Development Division

Phone: (785) 296-3485

Fax: (785) 296-0186

e-mail: comdev@kdoch.state.ks.us

The mission of the Community Development Division is to preserve and enhance the livability of Kansas communities by increasing the communities' capacity to meet their needs. The programs of the Division, working in concert with one another, move toward the goal of increasing local capacity. The communities of Kansas must plan for the future, assess their strengths, and correct their weaknesses. These actions, when coupled with the financial and technical assistance available through the Division, allow communities to achieve their objectives. This Division is responsible for Community Assistance Services, including Main Street, PRIDE, Strategic Planning, Community Service Tax Credit programs, and the U.S. Small Cities Community Development Block Grant (CDBG) program.

Housing Development Division

Phone: (785) 296-5865

Fax: (785) 296-8985

Housing Hotline: (800) 752-4422

e-mail: housing@kdoch.state.ks.us

The Housing Development Division addresses four primary markets: Homeownership, Rental Housing, Housing with Supportive Services, and Asset Management.

Homeownership works with lenders, realtors, homeowners and homebuyers, cities, and counties to ensure that homeownership opportunities are available and affordable.

Rental Housing promotes the development of single and multi-family housing by securing private equity capital to develop and maintain affordable rental accommodations.

Housing with Supportive Services enables local agencies to provide a range of services and activities that impact poverty and homelessness.

Asset Management assists in maintaining the financial and physical integrity of housing properties. The division offers information and referral services through the Kansas Housing Partners Program and the Kansas Housing Hotline.

Trade Development Division

Phone: (785) 296-4027

Fax: (785) 296-5263

e-mail: ksintl@kdoch.state.ks.us

The Trade Development Division serves the people of Kansas in two ways. First, it provides assistance to Kansas companies wishing to begin or expand their international marketing efforts. Second, the Division works with Kansas communities to create jobs and economic development by bringing foreign investment into the state. The Trade Development Division is also responsible for bringing foreign investment into the state. Foreign investment is a vital part of the Kansas economy. There are almost 80 foreign-owned facilities in Kansas. According to the Organization for International Investment, U.S. subsidiaries of foreign parent companies employ over 20,000 Kansas workers.

Travel & Tourism Division

Phone: (785) 296-2009

Fax: (785) 296-6988

e-mail: travtour@kdoch.state.ks.us

The Travel and Tourism Development Division is charged with encouraging the traveling public to visit the state by promoting the recreational, historic, and natural advantages of the state and its facilities. The Division's efforts include promotion to travel writers, motor coach tour operators, individual travelers, and the international travel community. The Division also develops strategies and methods of promoting Kansas as a location for film production.

Administration Division

Phone: (785) 296-3481

Fax: (785) 296-5055

TTY (Hearing Impaired): (785) 296-3487

e-mail: admin@kdoch.state.ks.us

The Administration Division provides support services for all programs within the department including policy analysis, economic research, fiscal accounting, personnel services, marketing and public relations, database management, public information, and education.

Kansas Department of Administration**Division of Purchases**

Landon State Office Building

Room 102N, 900 S.W. Jackson

Topeka, KS 66612-1286

Phone: (785) 296-2376

Fax: (785) 296-7240

web site: www.da.state.ks.us/purch

The Division of Purchases is the central purchasing office for all agencies of the State of Kansas. A complete file of all businesses that desire to do business with the State is maintained, based upon the products each prospective bidder may wish to sell. By law, and consistent with almost all other states, Kansas does not give preference to Kansas bidders, but the Division of Purchases encourages Kansas bidders to participate in the bidding process, and is committed to provide bid documents to any vendor who requests them.

Chapter 2: Specialized Business Assistance

—STATE PROGRAMS—

Kansas Technology Enterprise Corporation (KTEC)

214 S.W. 6th, First Floor
Topeka, KS 66603-3719
Phone: (785) 296-5272
Fax: (785) 296-1160
e-mail: ktec@ktec.com
web site: www.ktec.com

KTEC is a quasi-public Enterprise Corporation established by the State of Kansas to promote advanced technology economic development. KTEC strives to meet the needs of Kansas technology companies by providing access to individuals and resources. To stimulate innovation and its commercialization, KTEC provides:

- Collaborative research and technology transfer between academic institutions and industry;
- Centers of Excellence for basic and applied research and technology transfer;
- Seed Capital Financing for new and emerging technology-based Kansas industry;
- Matching grants for the federal SBIR program;
- Technical information and referral services to new, emerging or mature businesses; and,
- Works to attract research and development facilities and programs to Kansas.

KTEC funds three commercialization corporations and five affiliate commercialization corporations in the state of Kansas to promote the swift movement of new products into the marketplace. KTEC is funded by proceeds from the Economic Development Initiatives Fund, which consists of revenues from the Kansas Lottery and Racing Commission.

—CENTERS OF EXCELLENCE—

Advanced Manufacturing Institute (AMI)

The Advanced Manufacturing Institute at Kansas State University was established to enhance the economic development of the State through the advancement and utilization of manufacturing technologies. The AMI achieves its mission by helping Kansas manufacturers with their research and development efforts, and technical problems. AMI also operates the Manufacturing Learning Center (MLC), a product and manufacturing systems design and prototyping center, established to assist manufacturers in developing new products, and upgrading production systems for existing products.

Information and Telecommunication Technology Center (ITTC)

The Information and Telecommunication Technology Center is a University of Kansas based research center that performs advanced research, development, and transfer of new technologies in the areas of transmission systems, including fiber-optic and wireless communications; digital signal processing; communications networking; intelligent systems; distributed systems; and information management.

Higuchi Biosciences Center (HBC)

The goal of the Higuchi Biosciences Center is to establish a world-renowned pharmaceutical research hub in Kansas. Currently there are three research centers: the Center for Bio-Analytical Research develops methods to detect, identify

and analyze trace amounts of biologically active compounds in living systems and environmental contaminants; the Center for Drug Delivery Research develops chemically-driven drug delivery systems such as prodrugs and focuses on the efficient delivery of proteins, and complex carbohydrates throughout the body; and the Center for Neurobiology and Immunology Research focuses on exploring research in neurological and immunological diseases. New therapeutic approaches and screening methods for drug testing are targeted in their research.

National Institute for Aviation Research (NIAR)

National Institute for Aviation Research was created in response to the advanced technology requirements of the aviation industry, a multi-billion dollar component of the Kansas economy. NIAR conducts research, and is involved in technology transfer through service programs designed to meet industry needs.

Kansas Polymer Research Center (KPRC)

The mission of the Kansas Polymer Research Center is to render technical assistance and conduct research and development for manufacturers of Kansas for the purpose of contributing to economic development. The Center exists to transfer knowledge, conduct research, and provide assistance from the Center, the School of Technology and Applied Science, and the university to industry. In providing technical assistance, its coverage is broad, often drawing from all departments and program areas of Pittsburg State University, and from the private sector as needed by client companies.

—ADDITIONAL KTEC BUSINESS ASSISTANCE RESOURCE ORGANIZATIONS—

Mid-America Manufacturing Technology Center (MAMTC)

The Mid-American Manufacturing Technology Center helps medium-sized manufacturers improve their competitiveness by assisting them in modernizing their operations and adopting appropriate technologies, as well as management, marketing, and business practices. MAMTC provides three types of services:

- One-on-one client consultations, assessments, and information searches;
- Programs for groups of manufacturers, seminars/workshops, round table discussions groups, and cooperative networks; and
- Equipment and software for demonstration, testing, and developing product prototypes.

All services are provided in eight core areas: quality, manufacturing processes, business systems, marketing, information systems, human resources, product development and testing, and company assessment.

MAMTC has established ten regional offices, with a total of 26 locations in Kansas, Missouri, Colorado, and Wyoming, to provide technical assistance to 21,000 small manufacturers in the four-states area.

Most of MAMTC's services are provided by field engineers based in nine Kansas locations including: Garden City, Great Bend, Hays, Lawrence, Manhattan, Overland Park, Pittsburg, Salina, and Wichita.

Regional Commercialization Offices

Kansas has two Regional Commercialization Offices located in Lenexa and Great Bend, and provides services to entrepreneurs and early-stage companies, as well as established companies. Typical services include assistance in developing new products, new technologies, and new processes through hands-on consulting utilizing both internal and public/private sector resources.

Commercialization Corporations

These entities seek to accelerate the process of turning technologies into viable products in the marketplace. By capitalizing on the infrastructure that has already been built in Kansas and infusing it with new partnerships and resources, this creative environment can assist numerous entrepreneurs and start-up companies with the innovation

process. The established sites are: the Kansas Innovation Corporation, Lawrence; the Mid-America Commercialization Corporation, Manhattan; and the Wichita Technology Corporation, Wichita.

Affiliate Innovation and Commercialization Corporation (AICC)

In 1996, five Affiliate Innovation and Commercialization Corporations were established to provide services similar to the ICCs and receive KTEC support; they are: University of Kansas Medical Center Research Institute, Inc., Kansas City; Johnson County Business Tech Center, Lenexa; Quest Business Center for Entrepreneurs, Hutchinson; and the Southeast Kansas Innovation and Commercialization Corporation (SEKICC), Pittsburg.

—**OTHER TECHNOLOGY ASSISTANCE**—

**Business and Industry Institute
Johnson County Community College**
12345 College At Quivira Road
Overland Park, KS 66210
Phone: (913) 469-3845

Offers consulting services and specialized educational and training programs.

Center for Economic Development and Business Research
1845 Fairmount
Wichita State University
Wichita, KS 67260-0121
Phone: (316) 978-3225

Designated State Data Center that maintains resources from the U.S. Bureau of the Census. The Center also collects, analyzes, and disseminates information to support the activities of state and local government, education, business, and economic development organizations, primarily in Wichita and South Central Kansas.

Center for Entrepreneurship
1845 Fairmount
Wichita State University
Wichita, KS 67260-0147
Phone: (316) 978-3000
Fax: (316) 978-3687

In addition to formal classroom instruction at the under-graduate and graduate levels, the Center for Entrepreneurship, located at Wichita State University, develops and conducts seminars for special interest groups, practicing entrepreneurs, and small business managers.

Direct Resource Referral Service
10E Umberger Hall
Kansas State University
Manhattan, KS 66506-3415
Phone: (785) 532-7987
Fax: (785) 532-3093
web site: www.oznet.ksu.edu

The Direct Resource Referral Services, administered by Kansas State Research and Extension provides information and assistance in areas related to business, community, and economic development. In response to your request, a referral specialist will direct you to relevant resources. Workshops and analysis are also available.

Business and Technology Institute

Pittsburg State University
1501 S. Joplin
Pittsburg, KS 66762
Phone: (620) 235-4920
Fax: (620) 235-4919

A regional economic development outreach assistance center providing managerial, financial, and technology assistance to new and expanding small-to medium-sized companies in Kansas. Services include small business counseling, business plan development, financial packaging, research on business operations and markets, business and community planning, grant proposal writing and administration, engineering, technical assistance, product testing, contract services, and customized training.

Policy Research Institute

607 Blake Hall
University of Kansas
1541 Lilac Lane
Lawrence, KS 66044-3177
Phone: (785) 864-9105
Fax: (785) 864-3683
e-mail: thelyar@ukans.edu
web site: www.ukans.edu/cwis/units/pri

The Policy Research Institute at the University of Kansas carries out applied Kansas-oriented research for state and local government, and the state business community.

—STATE DATA CENTERS—

In Kansas, there are four State Data Centers established to provide access to census data to units of government, businesses, and the public. Available information includes population, housing, economic, and agricultural data. Some of the State Data Centers also offer limited survey and analysis service for data users.

State Library

Statehouse
300 S.W. Tenth Street, Room 343-N
Topeka, KS 66612-1593
Phone: (785) 296-3296 or (800) 432-3919
Fax: (785) 296-6650
web site: <http://skyways.lib.ks.us/KSL>

Center for Economic Development & Business Research

2nd Floor, Devlin Hall
1845 Fairmount
Wichita State University
Wichita, KS 67260-0121
Phone: (316) 978-3225
Fax: (316) 978-3950
web site: www.twsu.edu/~cedbrwww/

Population Research Lab

Kansas State University
Waters Hall, Room 255
Manhattan, KS 66506
Phone: (785) 532-4962

Policy Research Institute

607 Blake Hall
University of Kansas
1541 Lilac Lane
Lawrence, KS 66044-3177
Phone: (785) 864-9105
Fax: (785) 864-3683
web site: www.ukan.edu/cwis/units/pri

—NON-GOVERNMENT FUNDED—

Kansas Chamber of Commerce and Industry

835 S. W. Topeka Boulevard
Topeka, KS 66612-1671
Phone: (785) 357-6321
Fax: (785) 357-4732
e-mail: kcci@kansaschamber.org
web site: www.kansaschamber.org

The Kansas Chamber of Commerce and Industry (KCCI) is a nonprofit, nonpartisan organization committed to strengthening the Kansas economy through research and proactive policy formation. The membership of KCCI is composed of businesses, trade associations, and local chambers of commerce statewide. The services of KCCI include seminars, publications, Leadership Kansas, employee benefit program, unemployment compensation cost control program, and a collection service for delinquent retail accounts.

Chapter 3:

Small Disadvantaged Business Programs

—STATE—

Kansas Department of Commerce & Housing
Office of Minority & Women Business Development
1000 S.W. Jackson Street, Suite 100
Topeka, KS 66612-1321
Phone: (785) 296-5298
Fax: (785) 296-3490
web site: www.kansascommerce.com/bizdev/mb.html

The Kansas Department of Commerce & Housing created the Office of Minority & Women Business Development to assist business owners. The program provides information to individuals and entrepreneurs about technical, financial, business management, and procurement opportunities. The office has a strong history working with state and federal agencies and organizations that assist with fostering the entrepreneurial spirit.

A minority-owned or woman-owned business (M&WOB) is defined as: A sole proprietorship, partnership, corporation, or LLC that is operated, owned and controlled by a racial or ethnic minority person(s). Ownership must be 51 percent or more and includes the following ethnic groups: African-Americans, Hispanics, Asians, Native-Americans, Asian Pacifics, or Subcontinent Asians. To be a woman-owned business, 51 percent of the business must be owned by a woman or women.

These services are available to assist in business development:

Certification

The certification is useful for small businesses (non-highway related) that need verification of their disadvantage status for those companies or agencies utilizing women, minorities, and disadvantaged businesses in their procurement or contract processes. Additional information can be found in this section under the Single Source Certification Program.

Business Education

Seminars and workshops on business education are promoted through the office. Business management, financing, procurement, and other pertinent topics are also offered in seminar and workshop form. The success of these workshops and seminars is enhanced by the cooperation of both public and private economic development agencies.

Procurement

Governmental agencies, large private corporations, and prime contractors are encouraged to seek the services, supplies, and products of minority and women-owned firms.

Advocacy

To work as an advocate, the office must assist federal and state agencies by making recommendations concerning policies and activities affecting M&WOB. The office acts as a clearinghouse for information, policies, and other issues important to M&WOB.

Financing

Information is provided about financing alternatives that fit the needs and resources of a specific business.

General

Technical assistance in starting and expanding a business.

Kansas Minority-Owned and Women-Owned Business Directory

The Minority-Owned and Women-Owned Business Directory has been prepared to serve as a resource guide for purchasing agents and other persons involved in the procurement of goods and services. The intent is to encourage, and foster economic linkages between public/private sector entities and minority-owned and women-owned businesses.

A business can be listed for free in the directory if they meet the following criteria:

- The business must meet small business standards as defined by the Small Business Administration 13CFR 123.106; and
- The business must be owned and controlled by a minority or woman who holds at least 51 percent of the business interest.

Minority-Owned and Women-Owned Businesses can submit their business information on-line or by contacting the Office of Minority & Women Business Development, the web site address and phone number is listed above.

The Single Source Certification Program

The Single Source Certification program is a joint effort between the Department of Transportation; Office of Engineering Support, and the Department of Commerce & Housing; Office of Minority and Women Business Development. Many governmental and private entities are committed to the inclusion of disadvantaged, minority-owned and women-owned businesses in their procurement processes, and utilize the Single Source program for locating vendors. Certifications are valid for three years, and a business must complete a re-certification application to stay certified under this program. A certification letter will be issued to the business owner, and may be utilized in the procurement process with other entities within the state of Kansas. The program is administered under the requirements of Code 49 of Federal Regulations, Part 26 and 13CFR 124.106.

Eligibility

- Must meet small business size standards, as defined by the Small Business Administration;
- Must be an independent, viable, and for-profit business;
- Must be in operation for at least six months prior to application; and
- Must be at least 51 percent owned and controlled by a socially and economically disadvantaged person.

Program Benefits

- Increased opportunities to bid on contracts and subcontracts;
- Listing in a directory of certified Disadvantaged Business Enterprise (DBE). The directory is mailed to state, federal, and local governments, as well as private sector corporations committed to utilizing DBEs in the procurement process; and
- Resources and programs are available to assist DBEs. Some programs are operated by the state, and others are by various agencies, both public and private.

Kansas Department of Transportation

Office of Engineering Support

915 S.W. Harrison, Room 761S

Topeka, KS 66612

Phone: (785) 296-7940

Fax: (785) 296-0723

web site: www.ink.org/public/kdot/business

The Kansas Department of Transportation (KDOT) has also established a Disadvantaged Business Enterprise Program in accordance with Code 49 of Federal Regulations (CFR) Part 26. The Department of Transportation receives federal financial assistance from the U.S. Department of Transportation. Thus, it is the policy and commitment of KDOT that disadvantaged businesses shall have a level playing field to participate in the performance of contracts financed in whole, or in part, with federal funds. Businesses who are disadvantaged, and whose primary business activity includes highway construction, must apply for certification through this Department.

The Kansas Department of Transportation publishes a directory identifying certified DBEs willing to perform as subcontractors on their federally aided projects. Copies of the directory are available at the address listed above, or can be downloaded from KDOT's web site. Upon request, a copy can be sent by mail.

Kansas Women's Business Center

Enterprise Center of Johnson County

9875 Widmer Road

Lenexa, KS 66215

Phone: (913) 492-5922

Fax: (913) 888-6928

e-mail: slicata@kansasWBC.com

web site: www.KansasWBC.com

The Kansas Women's Business Center focuses on services and education to give current and aspiring business owners the skills to improve their businesses for a lifetime. The center works with women-owned businesses at every stage of development and offers the following services:

- Business counseling to provide start-up, emerging, or mature business owners with specific management skills and guidance necessary for their success;
- Seminars, classes, and workshops designed to give the entrepreneur new ideas, new skills, fresh perspectives, and valuable information;
- Networking opportunities for current and aspiring women business owners with a strong desire to promote their business;
- Mentoring;
- Funding resources and information; and
- Resources and referrals to assist in forwarding the growth of women-owned businesses.

—FEDERAL—

Minority Business Development Agency
U.S. Department of Commerce Minority
Business Development Agency
55 East Monroe Street, Suite 1406
Chicago, IL 60603
Phone: (312) 353-0182
Fax: (312) 353-0191
e-mail: cro-info@mbda.gov
web site: www.mbda.gov

This agency was created to assist minority businesses in their efforts to overcome social and economic disadvantages that have limited their effectiveness and achievement in the marketplace. Management and technical assistance is provided to these businesses upon request, primarily through a network of local business development organizations.

SBA Small Disadvantaged Business
U.S. Small Business Administration

Minority Enterprise Development
Kansas City District Office
U.S. Small Business Administration
Lucas Place, 323 W. 8th, Suite 501
Kansas City, MO 64105
Phone: (816) 374-6729
Fax: (816) 374-6759
web site: www.sba.gov

Wichita District Office
U.S. Small Business Administration
271 W. 3rd Street N., Suite 2500
Wichita, KS 67202
Phone: (316) 269-6631
Fax: (316) 269-6618

The 8(a) Business Development (BD) program is managed by the SBA and is designed to promote the business development of firms owned and controlled by socially and economically disadvantaged individuals. Section 8(a) of the Small Business Act authorizes SBA to enter into contracts with other federal agencies to supply goods and services. SBA then subcontracts the actual performance of the work to approved 8(a) firms that act as the prime contractor, and are paid directly by the buying federal agency. Participants in the program also are eligible to receive technical and management assistance.

Persons eligible to participate in the 8(a) BD Program include named minority group members, as well as others who can show, under a preponderance of the evidence, that they have been subjected to discrimination which has had a negative impact on entry into, or advancement in the business world.

SBA also certifies firms as Small Disadvantaged Businesses (SDB). SDBs are eligible for subcontracting opportunities under federal prime contracts and for price differential advantages on federal prime contracts. Applications for certification as an SDB can be obtained from the local SBA Offices.

SBA manages the Historically Underutilized Business Zone (HUBZone) Empowerment Contracting Program which is an initiative designed to stimulate economic development by providing federal contracting opportunities to small businesses located in eligible areas. The program is a “place-based” federal contracting program serving new market communities with low income or high unemployment. It provides both federal prime contract and subcontract opportunities.

Women’s Business Ownership

The SBA’s Office of Women’s Business Ownership (OWBO) offers current and potential women business owners access to a variety of services and resources, including pre-business workshops, technical, financial, and management information, training conferences on exporting, access to capital, and selling to the federal government.

The OWBO is also a primary advocate for the interests of women business owners, coordinating interest groups and associations, and serving as a spokesperson to government and the private sector on women’s business ownership issues.

U.S. Small Business Administration

Kansas City District Office
323 W. 8th, Suite 501
Kansas City, MO 64105
Phone: (816) 374-6762, Ext, 223
Fax: (816) 374-6759

The Small Business Administration has the responsibility of making certain that small businesses obtain a fair share of federal government contracts and subcontracts. Working closely with other federal agencies and prime contractors, the SBA carries out its procurement assistance responsibilities through a number of programs and activities, including prime contracting assistance, subcontracting assistance, Pro-Net (a small business search engine), certificates of competency, and the Small Business Innovation Research Program.

Chapter 4: International Trade Assistance Program

—State Programs—

Kansas Department of Commerce & Housing

Trade Development Division

1000 S.W. Jackson Street, Suite 100

Topeka, KS 66612-1321

Phone: (785) 296-4027

Fax: (785) 296-5263

Wichita Office:

Phone: (316) 264-6787

e-mail: kdoch.state.ks.us

The Trade Development Division provides assistance to Kansas companies wishing to begin or expand their international marketing efforts. Division staff works to increase the awareness of, and develop a demand for, Kansas products in foreign markets. They take an active role in working with U.S. and foreign government trade organizations to plan, promote, and participate in trade activities for the benefit of Kansas companies.

Division staff welcomes the opportunity to facilitate your company's international marketing efforts. Services available from the Division include:

- Counseling individual Kansas firms regarding international marketing;
- Providing market research;
- Helping to identify agents and distributors overseas;
- Distributing foreign trade leads to appropriate Kansas companies;
- Coordinating with state, federal, and foreign agencies in marketing promotions;
- Conducting export seminars;
- Recruiting and assisting company participation in international trade shows;
- Organizing and leading overseas trade missions; and
- Hosting foreign delegations.

In addition to the services listed above, staff members use the resources of the State's overseas contract offices in Europe, Australia/Southeast Asia, and Japan to help Kansas companies in their respective regions. Examples of assistance through our overseas offices include:

- Researching local rules, regulations and certification requirements;
- Performing local market research;
- Providing names and addresses of potential purchasers and distributors; and
- Assisting Kansas executives when they visit these regions.

Kansas Trade Show Assistance Program (KTSAP)

Experience shows that one of the most effective ways to sell your products or services overseas is to exhibit at foreign and domestic trade shows with a substantial international impact. To encourage companies to take this step, the KTSAP will reimburse successful applicants up to half of their direct exhibition related expenses, not to exceed \$3500 per foreign show or \$1500 per domestic show. During a state fiscal year (July 1-June 30), a company can receive total reimbursements of \$3000 for domestic shows or \$7000 in total combined financial assistance. Examples of reimbursable expenses include: booth space, booth utility costs, transportation of equipment or materials (to foreign shows only), booth furniture and/or equipment rental, booth assembly/disassembly, interpreter fees at the show, and translation fees for exhibition materials.

Division Publications

The Kansas Agribusiness Directory, Kansas Aerospace Directory, and International Trade Resource Directory are available from the KDOC&H Trade Development Division to assist international trade clients.

—FEDERAL PROGRAMS—

U.S. Department of Commerce

14th and Constitution Avenue, N.W.
The Herbert C. Hoover Building
Washington, D.C. 20230
Phone: (202) 482-2000
web site: www.doc.gov

The U.S. Department of Commerce encourages, serves and promotes the nation's international and domestic interest in commerce. With the exception of the SBA, the range of programs and information available to the business community through the U.S. Department of Commerce is unmatched elsewhere in the federal government.

International Trade Administration

Kansas City Export Assistance Center

U.S. Department of Commerce
U.S. and Foreign Commercial Service/ITA
601 East 12th, Room 635
Kansas City, MO 64106
Phone: (816) 426-3141
Fax: (816) 426-3140

This agency promotes the export of Kansas non-agricultural products and services worldwide.

Bureau of Export Administration (BXA)

U.S. Department of Commerce
Export Counseling Division
14th Street & Pennsylvania Avenue N.W.
Washington, DC 20230
Phone: (202) 482-4811
Fax: (202) 482-3617
web site: www.bxa.doc.gov

The Bureau of Export Administration (BXA) is responsible for protecting U.S. national security interests by administering U.S. Export Control Policy. BXA licenses exports and re-exports of “dual-use” commodities and technical data. BXA also maintains export controls for foreign policy and short supply reasons. Finally, BXA develops and implements programs and policies to ensure a strong U.S. defense industrial base.

U.S. Customs Service

2701 Rockcreek Parkway, #202
North Kansas City, MO 64116
Phone: (816) 374-6439
Fax: (816) 374-6422

For South Central Kansas Importers:

U.S. Customs Service

2227 Air Cargo Road
Wichita, KS 67209
Phone: (316) 269-6268
Fax: (316) 269-6268

The primary duties of the U.S. Customs Service include the assessment and collection of all duty taxes and fees on imported merchandise. It is charged with the enforcement of customs and related laws, and the administration of certain navigation laws and treaties. Customs also combats smuggling and fraud on the revenue, and enforces the regulations of numerous other federal agencies at ports of entry and along the land and sea borders of the United States.

SBA International Trade

Kansas City District Office
Lucas Place, 323 W. 8th, Suite 501
Kansas City, MO 64105
Phone: (816) 374-6674
Fax: (816) 374-6759

Because international trade is a national priority, the SBA works to encourage those businesses with the capacity to seek foreign markets. They also help to assess their capabilities, and find the appropriate resources to assist them.

—OTHER BUSINESS ASSISTANCE—

Economic Development Administration

Kansas Economic Development Administration

Denver Regional Office
1244 Speer Boulevard, Suite 670
Denver, CO 80204-3591
Phone: (303) 844-4715
Fax: (303) 844-3968
e-mail: apreite@doc.gov
web site: www.doc.gov/eda

The Economic Development Administration’s purpose is to generate new jobs to help protect existing jobs, and to stimulate commercial and industrial growth in economically distressed areas.

U.S. Small Business Administration Office of Advocacy

Kansas City District Office

323 W. 8th, Suite 501

Kansas City, MO 64105

Phone: (816) 426-2803

Fax: (816) 374-6759

The Office of Advocacy was created to:

- Represent small business interests before Congress and other federal agencies;
- Conduct research on the impact of legislative proposals and public policy issues on small business;
- Conduct economic studies, analysis, and statistical research related to small business;
- Work with the small business community and state legislators providing data on small business and information on issues and legislation; and
- Provide assistance to small businesses having problems related to federal law, regulations and assistance programs.

Small Business Environmental Assistance Program

Pollution Prevention Institute

Kansas State University

133 Ward Hall

Manhattan, KS 66506-2508

Toll Free: (800) 578-8898

The Pollution Prevention Institute provides free and confidential assistance to small businesses including on-site assessments, help with environmental permits, understanding industry regulations, and workshops.

SECTION FOUR: FINANCIAL ALTERNATIVES

The financing of a business venture can come from a variety of sources. It requires careful planning and research to determine which sources may be available and appropriate for the particular business. It is extremely difficult to start a business with 100 percent financing. Lending sources often require 20 to 50 percent equity participation by the business entity. This demonstrates that the business owner is willing to risk personal resources signifying a commitment to the project. Many factors influence financing sources and their willingness to participate in a particular project.

One of the keys to obtaining financing is to be prepared. Before discussing financing from a particular source, develop a thorough business plan. Also, prepare complete financial information, usually three to five years of historical financial statements, if applicable, and three to five years of projected financial information. When meeting with a lender or investor, have a specific reason for requesting the funds and demonstrate the ability to repay.

According to a recent survey by a major publication for entrepreneurs, 54 percent of the respondents indicated that personal savings was the most common source for start-up capital. Typically, a businessperson cannot totally rely on outside resources to finance their business entity. This section attempts to identify and summarize some of the possible public sector sources of financing to assist businesses and business projects in Kansas.

Chapter 1:

Kansas Programs

Kansas Department of Commerce & Housing (KDOC&H) Community Development Block Grant Program (Economic Development Set-Aside)

Phone: (785) 296-3485

Fax: (785) 296-0186

e-mail: comdev@kdoch.state.ks.us

The U.S. Small Cities Community Development Block Grant (CDBG) has established an Economic Development set-aside to assist cities with a population of under 50,000 (non-entitlement cities) and counties with populations under 200,000.

The CDBG Economic Development funds may be used by a local unit of government to provide infrastructure or business financing assistance for a new business locating in, or an existing business expanding in a community. The local government may choose to offer assistance to existing firms attempting to remain in business in its current location. This program provides supplemental funds, or gap financing for businesses that create or retain jobs for persons of low-and-moderate income. The eligible use of proceeds from this program includes: land and buildings, construction or renovation, infrastructure improvements, machinery and equipment and working capital.

Business Finance Funds are granted by the State to the local unit of government that, in turn, loans the CDBG monies to the business entity. The loan between the local government is individually structured to meet the company's needs and available cash flow. Infrastructure funding can be done on 50 percent loan/50 percent grant, or 100 percent loan with terms and interest differing for each.

There are five possible sources for funding economic development projects under the CDBG program: regular economic development assistance, interim financing loans, Section 108 loan guarantees, third party loan guarantees, and micro-loan grants. In a large capital-intensive project, it may be necessary to use more than one of these funding sources. However, only two of these sources will be allowed in any one project.

The **Economic Development Category** consists of grants, loans, and loan guaranties. In the regular economic development rounds, offered five times per year, the grant fund ceiling is \$750,000, or \$35,000 per job, whichever is less. A company may only receive \$750,000 per program year from this category, with a maximum total award to the company of \$1 million. The program has a leverage requirement of 1:2 ratio of non-CDBG funds to CDBG funds for grant requests of \$200,000 or less, and a 1:1 ratio for projects over \$200,000.

Under the **Section 108 Loan Guarantee Program**, the U.S. Department of Housing and Urban Development (HUD) provides a guarantee for notes or other obligations issued by public entities for activities eligible under the CDBG program. These guarantees are limited to economic development projects that cause the creation or retention of permanent full-time employment. They must involve a private for-profit organization that has a sufficient financial history to permit a comprehensive risk analysis and to demonstrate a high degree of financial feasibility for the proposed activities. The maximum amount of the Section 108 guarantee is \$7 million with a maximum term of ten years. The interest rate is determined in the open market with HUD not providing any interest subsidy. This guarantee can constitute no more than 75 percent of the total project, and must have at least 25 percent equity. If the Section 108 guarantee is 75 percent of the project, the KDOC&H must have first collateral position. A subordinate position will be considered when Section 108 represents less than 50 percent of the total project cost. All job creation and retention must be in place within three years of the contract with the maximum cost per job of \$35,000.

Interim Financing Loans are available for the acquisition of buildings, equipment, working capital, land, and other facilities or improvements that cause the creation or retention of full-time permanent employment. All job creation or retention must take place within 24 months of the contract and benefit low-and-moderate income persons. The term of a float loan will not exceed 24 months, and must be secured by acceptable collateral. There must be a commitment in place for permanent financing to replace the float loan at the end of its term. The maximum loan amount is \$1 million and cannot constitute more than 75 percent of the total project. The maximum cost per job will be \$35,000. An equity injection of 20 percent is required on loans of more than 70 percent of the project. Equity of ten percent is required, if the total project loan is less than 70 percent.

The Third Party Loan Guarantee is an economic development tool which allows the State to provide a guarantee to a third party (i.e. bank or other financial institution) that loans funds to an eligible for-profit economic development project which creates or retains permanent full time employment. The job creation or retention must be in place within three years of the execution of the contract. The maximum cost per job is \$35,000, with the maximum guarantee of \$1 million. The term of the guarantee cannot exceed five years on working capital, seven years on machinery and equipment, or ten years on land and buildings. The guarantee is capped at 75 percent or \$1 million whichever is less. Acceptable collateral must be provided in an amount equal to 100 percent of the loan guarantee.

The Micro-Loan Program is an annual competition for eligible counties to access a maximum of \$100,000 to establish a revolving loan account for micro-enterprise (five or fewer employees). The county must be capable of providing business training necessary to sub-recipients, either through its own personnel, or through a contracted grant administrator. The activity funded through this revolving program must meet a national objective, the most common one being the creation or retention of jobs.

KDOC&H Trade Development Division

Phone: (785) 296-4027

Fax: (785) 296-5263

e-mail: ksintl@kdoch.state.ks.us

Export Loan Guarantee Program

Kansas is one of the few states in the nation that has its own export loan guarantee program. The export guarantee program can help a small company obtain financing to pay for the costs associated with an export sale.

This guarantee can help a manufacturing company obtain a loan to pay for raw materials and components necessary to manufacture products for an export order. Also, this guarantee can help an export trading company obtain a loan to pay for products purchased for sale under an export transaction. Basic features of the program include:

- 90 percent guarantee to a Kansas financial institution;
- Maximum guarantee amount (supports a maximum loan of \$330,000);
- Maximum term of one year;
- Advances against letters of credit/foreign purchase orders; and
- Supports single/multiple export transactions.

Kansas Partnership Fund

The Kansas Partnership Fund is a program to provide low-interest rate loans to cities and counties for infrastructure improvements that support Kansas basic enterprises. The loans are designed to assist city and county governments in their efforts to attract new businesses and expand existing businesses.

Eligible projects include the construction, reconstruction, rehabilitation, alteration, expansion or improvement of

public facilities. Included are roads, streets, highways, storm drains, water supply treatment facilities, distribution lines, wastewater collection lines, and other related improvements. These improvements must directly lead to new job creation in basic enterprises. Eligible business projects include those that are, or propose to be, located in Kansas and primarily involved in manufacturing, mining, agriculture, and interstate transportation. Wholesale trade, financial services, business services, and tourism activities may also be considered eligible, as can the research and development of new products, processes, or technologies.

The Kansas Partnership Fund is a revolving loan fund, so that as loan principal and interest are received by the State, those funds may be used again for loans to other cities and counties. All cities and counties in Kansas, regardless of size, are eligible to apply for loans from this program.

Kansas Enterprise Zone ACT

The ACT establishes a non-metropolitan regional business program which will provide business expansion and development incentives on a statewide basis. Businesses across the state may be eligible for: a one-time job creation tax credit of \$1,500 per net new job; an investment tax credit of \$1,000 per \$100,000 qualified business facility investment, and sales tax exemptions on the purchase of personal property or services purchased for the purpose of constructing, reconstructing, enlarging, remodeling, or equipping a qualified business facility. Businesses in a designated non-metropolitan region may receive an enhanced job creation tax credit of \$2,500.

To qualify for these incentives, manufacturing businesses and retail businesses (eligible for the sales tax exemption only) must create two net new jobs. Non-manufacturing and non-retail businesses must create five net new jobs to qualify. Retail businesses are only eligible for the sales tax exemption if located in a city with a population of 2,500 or less or if located, prior to July 1, 2004, outside a city in a county having a population of 10,000 or less.

Workforce Training Programs

Kansas Industrial Training (KIT)

The Kansas Industrial Training program is a comprehensive and flexible workforce training program designed to respond to the specific needs of new and expanding companies. Eligible industries include basic enterprises that are creating at least five new jobs (excluding the jobs of recalled workers, replacement workers, or jobs that formerly existed). Basic industries include manufacturing, distribution, regional or national service facilities, and other businesses primarily engaged in the development or production of goods, or the provision of services for out-of-state sale.

The KIT program may be used to cover expenses related to pre-employment, classroom, and on-the-job training. Examples of typical training costs include: instructor salaries; travel, meals and lodging; videotapes, training manuals and textbooks; supplies and materials; minor equipment; temporary training facilities; and curriculum planning and development.

Instructors may come from the company's production supervisory staff, community colleges, area vocational-technical schools, consultants, vendors, or other sources. Assistance with the identification of qualified instructors will be provided upon request. Training may take place in area vocational technical schools, community colleges, temporary rental facilities, or the company's plant.

To apply for a grant, the client company must prepare a training proposal, based upon a proposal outline, which includes information the KDOC&H requires to make a funding decision. KDOC&H professional staff are available to assist, free of charge, with the development of a training proposal, or to consult with company officials concerning any aspect of the training process. Applications are accepted any time throughout the year.

Kansas Industrial Retraining (KIR)

The Kansas Industrial Retraining program assists employees of restructuring industries who are likely to be displaced because of obsolete or inadequate job skills and knowledge. KIR funds can be used to pay for the same training costs that are eligible under KIT. KIR guidelines, however, require dollar-for-dollar matching funds from the company. Eligible industries include basic enterprises that are restructuring their operations through incorporation of existing technology, development and incorporation of new technology, diversification of production, or the development and implementation of new production activities. In addition, at least five existing employees must be trained under the project to qualify for assistance. Projects are funded on a competitive basis in six rounds per year.

Investments in Major Projects and Comprehensive Training (IMPACT)

The IMPACT program is a funding mechanism designed to respond to the training and capital requirements of major business expansions and locations in the state. Individual businesses or consortiums of companies adding new jobs may utilize IMPACT. The program is typically reserved for those projects involving at least 100 new jobs at a higher than average wage level. Projects with less than 100 new jobs may be funded, but must involve wage levels significantly higher than average.

IMPACT has two major components: SKILL (State of Kansas Investments in Lifelong Learning) and MPI (Major Project Investments). SKILL funds may be used to pay for expenses related to training a new workforce. MPI funds may be used for other expenses related to projects, such as the purchase or relocation of equipment, labor recruitment, or builder costs. While there is no statutory limit on the percentage of an individual project's IMPACT funds that may be utilized for MPI, these investment funds are limited to 10 percent of the total funding available under the IMPACT program.

IMPACT costs are financed through tax-exempt, public purpose bonds issued by the Kansas Development Finance Authority. These bonds are retired through the revenue received from the Kansas employer paid by the new jobs. Individual award size may not exceed 90 percent of the withholding taxes received from the new jobs over a ten-year period.

After a project's funding level is determined by the KDOC&H, the company and a Kansas public educational institution develop a joint proposal for submission to the KDOC&H. These institutions include community colleges, technical schools, regents, universities, and a municipal university. Once a training proposal has been received, KDOC&H staff recommends an appropriate level of funding to the Governor's Council on Workforce Training & Investment. All proposed agreements are subject to the final approval of the Governor's Council on Workforce Training & Investment.

The maximum amount of assistance for which a company qualifies is directly tied to the number of new jobs created and the taxable wages of those jobs over ten years. If the company is unable to create jobs in sufficient numbers to generate withholding tax revenue according to its annual projections, the business may be required to repay a portion of the funds. If the company leaves the state before the bonds are retired, the full cost must be repaid, less any withholding tax contributions collected prior to the company's departure.

High Performance Incentive Program (HPIP)

Eligible companies may receive substantial tax and other incentives if they satisfy employee wage and training criteria. Those who are generally not eligible include certain industry classifications related to agriculture, and mining and construction, unless the facility is a headquarters, or a support operation for a national or multi-national company.

For companies that are otherwise eligible, but are not manufacturers, more than half of the revenues must be generated from sales to Kansas manufacturers and/or out-of-state commercial and governmental customers. Incentives potentially include a sales tax exemption and a generous income tax credit on capital investment in a qualified

business facility, an income tax credit when minimum required levels of employee training are exceeded, and priority consideration in accessing other business assistance programs offered through the Kansas Department of Commerce & Housing, the Kansas Technology Enterprise Corporation, and the Mid-American Manufacturing Technology Center.

Training Equipment Grants (TEG)

Training Equipment Grants provide area technical schools and community colleges an opportunity to acquire instructional equipment to train or retrain Kansas workers. The Kansas Department of Commerce & Housing distributes the grants on a competitive basis. Awards are based on the condition of existing equipment and the potential for stimulating economic growth and enhancing employment opportunities between the educational institutions and businesses throughout the state. The grants require a local match, and are designed to develop partnerships between the educational institutions and businesses throughout the state. The goal of the TEG program is to respond to changing technical skill needs of the Kansas workforce.

KDOC&H Travel & Tourism Development Division

Attraction Development Grant

Phone: (785) 296-6777

Fax: (785) 296-6988

e-mail: travtour@kdoch.state.ks.us

The Attraction Development Grant program is designed to assist in the development or enhancement of existing attractions, with emphasis on increasing jobs and/or revenue back to the community and state. Both nonprofit and for-profit entities are eligible with the recipient being responsible for funding at least 60 percent of the project. Funding levels depend upon funds budgeted by the legislature annually.

KDOC&H Agriculture Products Development Division

Industrial Agriculture

Phone: (785) 296-3736

Fax: (785) 296-3776

e-mail: agprod@kdoch.state.ks.us

The Kansas Department of Commerce & Housing manages the Industrial Agriculture program, which focuses on developing alternative uses for agricultural commodities. A research and commercialization grant and loan program exists to assist businesses involved in industrial agriculture. Examples of alternative uses are adhesives, construction materials, cosmetics, degradable polymers, fiberboard, fuel, and pharmaceuticals.

Revolving Loan Funds or Other Local Programs

Phone: (785) 296-5298

Fax: (785) 296-3490

e-mail: busdev@kdoch.state.ks.us

Several Kansas communities and regional development organizations have established revolving loan funds or other local financing programs to assist in business development. These programs have varying criteria and guidelines for their use. Interested individuals should contact their local economic development officials to determine whether this type of program is available.

In Kansas, the Department of Commerce & Housing provides financial assistance to Certified Development Companies (CDCs) and Associate Development Companies (ADCs) to structure and organize financing programs for businesses. All counties in Kansas are served by either a CDC or an ADC. These organizations are certified by the U.S. Small Business Administration to package 504 financing projects. However, most CDCs and ADCs are familiar with other available financing sources, and have experience utilizing a variety of financing tools.

Kansas Development Finance Authority

Beginning Farmer Loan Program

Jayhawk Tower, Suite 1000
700 S.W. Jackson Street
Topeka, KS 66603-3761
Phone: (785) 296-6747
Fax: (785) 296-6810
e-mail: cherik@kdfa.org

The Kansas Development Finance Authority (K DFA) administers a federal program for beginning farmers. This program allows Kansans who have agricultural experience, but have never owned significant amounts of farmland, to secure below-market interest rate financing on purchases of agricultural land, improvements, equipment, and breeding stock. Interest rates generally run from one to three percent below the market interest rate.

The program is funded through the issuance of tax-exempt bonds in the amount of the beginning farmer's loan. In most situations, the bond purchaser is the applicant's personal banker, who in turn, loans the proceeds to the applicant at a reduced rate. The loan limit is \$250,000.

Kansas Technology Enterprise Corporation (KTEC)

214 S.W. 6th, First Floor
Topeka, KS 66603-3719
Phone: (785) 296-5272
Fax: (785) 296-1160
e-mail: ktec@ktec.com
web site: www.ktec.com

The **Ad Astra Funds** provide seed capital monies for start-up or early stage companies that have an advanced technology base. The funds seek quality high-return investments in companies with technologies, having a broad market appeal, and a highly motivated management team capable and dedicated to the creation of a successful business. Ad Astra Funds I & II are private limited partnerships developed and funded in part by the State of Kansas through KTEC. Additional capitalization has been provided by accredited individual investors, as well as corporate and institutional investors. For more information contact:

Campbell-Becker, Inc.
1321 Wakarusa Drive, #2102
Lawrence, KS 66044
Phone: (785) 841-7120
Fax: (785) 841-7268
e-mail: jlovecbi@idir.net.

Pre-Seed Funds

The Innovation and Commercialization Corporations (ICCs) provide business development and pre-seed financing to start-up, technology-based businesses. Each ICC is structured as a tax-exempt 501(c)(3) company whose for-profit management company also manages a for-profit seed capital fund. The ICCs and their pre-seed capital funds were formed through partnerships between KTEC, local communities/government, and/or state universities. A board of directors comprised of university representatives, state officials, and private industry professionals governs each ICC.

Applied Research Matching Fund

The Kansas Technology Enterprise Corporation provides Applied Research Matching monies to Kansas companies for the purpose of stimulating technological innovation. The program builds on economic strengths of Kansas to develop market-driven new products and processes that lead to the creation of skilled job opportunities and long-term economic growth.

Projects must be market-driven, involving matching funds from, and a commercialization plan by, a new or established Kansas company. The fund stimulates companies to conduct applied research that leads to prototype commercial products. The company's financial commitment to the research must be at least 60 percent of the total project cost, with KTEC providing up to 40 percent. Many projects are conducted with research assistance from universities.

On commercially successful projects, KTEC receives a royalty from product sales. The fund is competitive, with only those projects demonstrating a sound commercialization plan, development plan and management plan being considered for funding.

Small Business Innovation Research (SBIR) and Small Technical Transfer Research (STTR)

Federal agencies award billions of dollars annually to innovative small business firms under the SBIR and STTR programs. Monies are awarded for innovative solutions to federally defined problems under a phase bidding system. STTR requires a nonprofit partnership, such as a university, while the SBIR encourages, but does not require, a partnership.

Phase I awards are normally \$100,000 for a six month period. Phase II awards are normally \$750,000 for two-year commercialization. In addition, KTEC assists in obtaining awards and may provide a grant of up to \$5,000 for preparing proposals.

State Small Business Innovation Research (SSBIR)

The State SBIR (SSBIR) program is a partnership between the federal government, state government, and private industry. The SSBIR program was created to facilitate cooperative funding between the federal agency sponsoring the SBIR topic, the state where the small business is located, the principal investigator performing the work, and a commercial partner. All parties focus on the end result of commercializing the technology as rapidly as possible, with the goal of creating high paying jobs in the state.

Invention Development Assistance Program (IDAP)

IDAP's dollar-for-dollar matching grants can be utilized to seek technical help, contract for marketing research, product evaluation, or testing. The grants may be used to purchase business plan preparation services. Funds also may be approved for education that applies directly to the commercialization of the invention, market survey, or prototype models. Patent file searches, patent-filing costs, direct compensation to the inventor, or any direct sales expenses may not be paid for with IDAP grant monies. KTEC's ultimate goal is to attract inventors who have ideas for market-driven new products and processes that can be commercialized in Kansas. Assistance is limited to \$1,000.

Information Research Corporation (IRC)

IRC provides crucial business information to enhance proposals, make companies more competitive for federal funding, facilitate decision-making, and assist in commercialization and market expansion. All the work performed by IRC is customized for the client, in order to gain information that is most beneficial to the customer. IRC provides crucial business information at affordable prices for small business.

Industrial Revenue/Development Bonds(IRB)

IRBs are security obligations issued by municipalities and counties on behalf of a particular business entity. IRB financing allows governmental units to serve as a financing conduit for business entities. IRBs are not backed by the “full faith and credit” of the issuing governmental unit, thus the ability of a company to use this type of financing is incumbent on its own financial strength and availability to repay the obligations.

In Kansas, businesses utilizing IRBs can realize certain tax exemptions. Property financed with the proceeds of an IRB can qualify for property tax exemption for a period of up to ten years. Individual jurisdictions vary in their approach to the use of tax exemptions for economic development purposes. Some locales require varying portions of the normal taxes to be paid during the ten-year period of exemption in the form of “payments in lieu of taxes.” Another benefit to this type of financing is the sales tax exemption, which applies to the cost of building materials and equipment installed at the site.

IRBs provide potential for long-term financing at reduced costs, when compared with traditional financing options. These lower financing costs are achieved because interest on IRBs issued under Kansas law is not considered as gross income for Kansas taxpayers. Additionally, certain qualifying projects may benefit from like treatment at the federal level, making interest received by bondholders from such issues exempt from federal income tax. These tax advantages afforded to bondholders can result in lowered costs of financing for the business. To qualify as federally tax-exempt, the bond issue must meet the guidelines and requirements of the Internal Revenue Code, Kansas statutes, and be supported by the local unit of government. The proceeds of such a federally, tax-exempt issue are restricted to financing the cost of land, building, equipment, and certain other developmental and financing costs.

Interested individuals are encouraged to contact their local community officials and consult with bond counsel to determine a project’s eligibility for IRBs.

Chapter 2:

Federal Loan Assistance Programs

U.S. Small Business Administration (SBA)

Wichita Office

271 W. 3rd Street North, Suite 2500
Wichita, KS 67202
Phone: (316) 269-6631
Fax: (316) 269-6618
web site: www.sba.gov/ks

Kansas City Missouri Office

Lucas Place
323 W. 8th, Suite 501
Kansas City, MO 64105
Phone: (816) 374-6762
Fax: (816) 374-6759

The U.S. Small Business Administration offers loan programs to eligible small businesses that are unable to borrow money on reasonable terms from conventional lenders without government assistance. Eligibility for loans varies by industry and by SBA program. Standards for eligibility are either employment standards or sales volume standards, depending on the industry. General ranges are as follows:

Manufacturing: Maximum number of employees may range from 500 to 1,500, depending on the type of product manufactured.

Wholesaling: Maximum number of employees may not exceed 100.

Services: Annual receipts may not exceed \$2.5 million to \$21.5 million, depending on the industry.

Retailing: Annual receipts may not exceed \$5.0 million to \$21.0 million, depending on the industry.

Construction: General construction annual receipts may not exceed \$13 million.

Special Trade Construction: Annual receipts may not exceed \$7 million.

Agriculture: Annual receipts may not exceed \$0.5 million to \$9.0 million, depending on the industry.

7(a) Loan Guarantee Program

The SBA loans are made by private lenders, usually banks, and guaranteed by the SBA. Most SBA financial participation is through the guarantee program.

The maximum guarantee percentage of loans of \$150,000 or less is 85 percent. The SBA can guarantee up to 75 percent of a loan from \$150,000 to \$700,000. The interest rate can be fixed or variable, generally not exceeding two percent over the prime rate.

Loan proceeds can be used for land, buildings, construction and renovation, machinery and equipment, working capital, and, in certain situations, refinancing. Length of term of loan is dependent on use of proceeds. Under this program, the private lender deals directly with the SBA. Once the lender approves the application for submission, it is forwarded to the SBA for review and analysis. If approved by the SBA, the lender closes the loan and disburses the funds. Some lenders designated as Preferred Lenders and Certified Lenders are allowed additional delegated partial or full authority to approve loans.

Development Company (504) Loan Program

The SBA 504 Loan Program links the SBA, a Certified Development Company (CDC), and private lenders in ten or twenty-year term financial packages. The loan proceeds are to be used to assist small businesses with plant acquisition, construction, conversion or expansion, including the acquisition of machinery and equipment. The 504 program cannot be used to provide working capital, or to refinance existing debt, only fixed asset financing.

The typical structure for the 504 program is for the financial institution to provide 50 percent of the project cost with a first mortgage on the assets. The 504 program (through SBA Guaranteed Debentures) would provide between 30 to 40 percent secured with a second mortgage on the assets, and the small business would provide at least ten percent (more for start-up businesses and special purpose projects). The 504 program is limited to a maximum participation of \$750,000 for its portion of the project, except in cases where the project meets a public policy goal, which can extend maximum participation to \$1,000,000.

Special Loan Programs

The SBA offers other types of financial assistance through special loan programs. These programs are subject to the availability of funds:

Low Doc is a new, quick, and easy lending program designed to simplify the loan application process. Low Doc is for small business loans of \$150,000 or less. SBA guarantees up to 80 percent of the loan.

Pollution Control Financing is to assist small businesses needing long-term financing assistance for planning, designing and installing pollution control facilities or equipment. This financing is available through the loan guarantee program, with a maximum of \$1,000,000 per business, with a guarantee of up to 80 percent by the SBA.

Export Working Capital Program Guarantees are available to provide short-term financing for exporting firms. The program provides for transaction financing and revolving lines of credit, and can guaranty up to 90 percent or \$750,000 (whichever is less) of the loan.

International Trade Loan Guarantees can be made for up to \$1,000,000 for the acquisition, construction, renovation, modernization, improvement or expansion of production facilities or equipment to be used in the United States in the production of goods and services involved in international trade; \$250,000 for working capital.

SBA Express (formerly known as Fastrak) provides up to 50 percent SBA guarantee on loans of up to \$150,000, without using the SBA paperwork and approval process. Lenders use their own procedures and documentation to approve and service the loan.

Pre-Qualification Loan Programs are pilot programs that use intermediaries to assist prospective minority and women borrowers in developing viable loan application packages and securing loans. The maximum amount for these loans is \$250,000. These programs are available in limited areas. To find out if these programs are available in your area, contact your local SBA district office.

Microloan Program provides small loans ranging from under \$100 to \$35,000 to finance machinery, equipment, fixtures, leasehold improvements, receivables and working capital. This is a pilot program available at a limited number of locations. Contact your local SBA district office.

Delta Program is a joint effort of the SBA and the Department of Defense that provides both financial and technical assistance to defense-dependent small firms adversely affected by defense cuts to help them diversify into

the commercial market. The firms must meet SBA size standards and have derived at least 25 percent of total revenues during the previous fiscal year from Department of Defense contracts, Department of Energy defense-related contracts, or subcontracts in support of defense prime contracts. The maximum amount guaranteed is \$1.25 million under the 7(a) program and \$1 million under the 504 program.

Capline Program is a revolving loan program intended to finance the cyclical, short-term revolving credit needs inherent in the manufacturing, wholesaling and contracting process; especially to bridge the payment cycle between production and payment for goods and services delivered. Borrowers may obtain funds as needed from a pre-approved credit account, with the inventory and accounts receivable pledged as collateral. The program allows continuous borrowing and repayment during the maximum five-year period. Proceeds can be used for operating capital, inventory, and the consolidation of short-term debt. SBA guarantees up to 80 percent or \$750,000 (whichever is less) of the loan. The **Capline Program** also incorporates the following:

Builders' Loans can be made to assist small construction firms with short-term financing. Loan proceeds can be used to finance residential or commercial construction, or rehabilitation of property for sale. Proceeds cannot be used for owning and operating real estate for investment purposes. Contractors must prove evidence of existing market to be eligible under this guaranteed loan program.

Seasonal Line of Credit Guarantees provide short-term financing for small firms that have been in business for at least one year, and have a seasonal loan requirement due to seasonal increase in business activity.

Standard Asset-Based Revolving Line of Credit is designed to assist businesses unable to meet credit standards associated with long-term credit. It provides financing for cyclical, growth, and recurring and/or short-term needs.

Small Asset-Based Revolving Line of Credit operates like a standard asset-based line except that some of the stricter servicing requirements are waived, providing the business can consistently show repayment ability from cash flow for the full amount. Maximum amount guaranteed is \$200,000.

Disaster Assistance can be made available when the President or the Administrator of SBA declares a specific area to be a disaster area. Two types of loan assistance are offered to victims of natural disasters.

Physical Disaster Loans are made to homeowners, renters, businesses (large and small) and nonprofit organizations for the purpose of repairing or replacing damaged or destroyed homes, personal property, and businesses.

Economic Injury Disaster Loans are made to small businesses that suffer substantial economic injury because of a disaster. Loan proceeds may be used for working capital, and to pay financial obligations, which the small business could have met, had the disaster not occurred.

Surety Bond Guarantee program

Small Business Administration

721 19th Street, Suite 426

Denver, CO 80102-0660

Phone: (303) 844-5231

Fax: (303) 844-6490

This program is available to assist small businesses in obtaining bid payment or performance bonds. Through this program, the SBA is authorized to guarantee up to 90 percent of the losses incurred under bid, payment, or performance bonds issued to contractors on contracts valued up to \$1.25 million. These contracts may be for construction, supplies, manufacturing, or services provided by either a prime or subcontractor for government or non-government work.

Business and Industrial Guaranteed Loan Program

U.S. Department of Agriculture Rural Development (USDA)

The U.S. Department of Agriculture, through its Business and Industrial Loan Program, guarantees loans from local lenders to businesses and industries to benefit rural areas. Rural areas in this program are defined as cities of 50,000 or less population, and areas outside the boundary of a city of 50,000 or more and its adjacent urbanized or urbanizing areas with population density of no more than 100 persons per square mile. A primary purpose of the program is to create and maintain employment and improve the economic and environmental climate in rural communities. Assistance is provided in the form of a loan guarantee to the lender of normally up to 80 percent. Lenders are responsible for making and servicing the loans. Applicants apply for loans through private lenders.

The loans guaranteed under this program are typically limited to a maximum of \$10 million. Historically, most loan guarantees requested have been in the \$250,000 to \$3 million range.

The proceeds of loans under this program may be used for financing construction, conversion, acquisition, machinery and equipment, supplies or materials and working capital. The applicant will be required to provide sufficient cash or other assets as reasonable assurance of a successful project.

U.S. Community and Business Programs

Rural Development Administration
P.O. Box 4653
Topeka, KS 66604
Phone: (785) 271-2730
Fax: (785) 271-2708

Intermediary Re-Lending Program

USDA Rural Business-Cooperative Service makes direct loans at one percent interest to establish revolving loan funds for businesses and community development projects by nonprofit corporations, public agencies, Indian tribes, and cooperatives in rural areas. Initial loans up to \$2 million, (the average loan amount approved is about \$700,000); subsequent loans of up to \$1 million per year.

Rural Business Enterprise Grants

USDA Rural Business-Cooperative Service makes grants to facilitate the development of small and emerging business enterprises in rural areas. Public bodies, private nonprofit corporations, and federally recognized Indian Tribal groups are eligible to use grant funds, and are based on need and available appropriated funds.

Rural Economic Development Loan and Grant Program

USDA Rural Business-Cooperative Service provides zero-interest loans and grants to Rural Utilities Service borrowers to promote rural economic development and job creation projects. Grants are also made for eligible projects.

Rural Cooperative Development Grant Program

USDA Rural Business-Cooperative Service provides grants to nonprofit institutions to establish and operate centers for rural cooperative development. The primary purpose of these grants is aimed at improving the economic condition of rural areas, by promoting the development or improvement of cooperative organizations.

Chapter 3: Venture Capital Sources

State

Kansas Venture Capital, Inc. (KVCI)

6700 Antioch Plaza, Suite 460

Overland Park, KS 66204

Phone: (913) 262-7117

Fax: (913) 262-3509

web site: www.kvci.com

Kansas Venture Capital, Inc. (KVCI) is a licensed Small Business Investment Company that provides equity and mezzanine capital to small and middle market companies who display a potential for substantial growth and long-term equity appreciation. KVCI's primary focus is well-managed, later stage companies located in Kansas or the Midwest with annual revenue of \$5 million to \$100 million. Manufacturing, distribution and service-based businesses are of particular interest. Investment size ranges from \$500 thousand to \$3 million with flexible investment structures. Funds are typically utilized for expansion, acquisition, ownership transitions or recapitalization purposes.

SECTION FIVE: TAXES, CREDITS & EXEMPTIONS

This summary is designed to acquaint taxpayers with some major provisions of Kansas tax law. It is not intended as a substitute for the law, but provides a basic outline of the Kansas tax structure, incentives and reductions available to businesses in Kansas. Unless otherwise noted, the Director of Taxation administers all state taxes.

Inquiries should be directed to the:

Taxpayer Assistance Center

Docking State Office Building
915 S.W. Harrison Street, 1st Floor
Topeka, KS 66625-0001
Phone: (785) 368-8222

Metropolitan Assistance Center

Mill Creek Shopping Center
Pflumm Road & Shawnee Mission Parkway
13420 W. 62nd Terrace
Shawnee, KS 66216-1782
Fax: (913) 631-6125

Wichita Assistance Center

Finney State Office Building
230 E. Williams, Room 7150
Wichita, KS 67202-4002
Fax: (316) 337-6162

Toll Free Number For All Locations:

(877) 526-7738

Chapter 1:

State and Local Taxes

Kansas State Board of Tax Appeals

915 S.W. Harrison Street, Suite 451
Docking State Office Building
Topeka, KS 66612
Phone: (785) 296-2388
Fax: (785) 296-6690
web site: www.ink.org/public/bota

The Board's primary jurisdiction is the hearing of appeals, protests, or complaints concerning the appraisal and assessment of properties for ad valorem tax purposes. A second area of substantial jurisdiction is the exemption of property from ad valorem taxation. The Board hears appeals from taxpayers who contend the Director of Taxation incorrectly computed or determined their taxes, such as the homestead property tax refund, sales tax assessments, inheritance taxes, or other taxes, administered by the Director of Taxation.

Property Taxes

Kansas Department of Revenue
Division of Property Valuation
915 S.W. Harrison Street, Room 400 N
Docking State Office Building
Topeka, KS 66612-1585
Phone: (785) 296-2365

The Director of Property Valuation has direct or indirect supervisory authority over the administration of property taxes. Inquiries should be directed to the Director of Property Valuation. Property taxes are levied locally on the assessed value of real and tangible personal property owned in the state (refer to Kansas Statutes Annotated, chapter 79, Taxation). The assessment of the property is done at the county level with State assistance. A mill is a tax of \$1 on each \$1,000 of assessed valuation of property. Rates vary markedly among the numerous local taxing jurisdictions (counties, cities, townships, school districts, special purpose districts), in accordance with their locally adopted budgets and the property tax base, but within rate limits established by the state legislature. Under certain conditions, local tax levies may be increase above prescribed limits upon approval of the voters or by the State Board of Tax Appeals.

Real Property Transfer Tax

There is no tax on the transfer of real property in Kansas. A certificate of value stating the amount for which the property was sold must be filed with the Register of Deeds. A filing fee is charged. Forms may be obtained at the County Register of Deeds office. While there is no tax on the transfer of real property there is a mortgage registration tax amounting to \$0.0026 for each dollar of the mortgage (K.S.A. 79-3102).

Real Estate

All real property in Kansas is appraised at its current market value each year as of January 1, and will be assessed and taxed according to one of six subclasses: residential, including apartments and condominiums (11.5 percent of market value); vacant lots (12 percent of market value); agricultural land (30 percent of productive use value); improvements

on land devoted to agricultural use (25 percent of market value); nonprofit organizations (12 percent of market value); commercial (25 percent of market value); all other real property (30 percent of market value); and public utilities except railroads (33 percent). Refer to Kansas Constitutional Amendment, Article 11, Section 1.

Public Utility

The Bureau of State Appraisals, within the Division of Property Valuation, is responsible for all property appraisals of public utilities operating in Kansas. Kansas statutes define public utilities as companies involved in the operation of railroads, transmission of telegraphic and telephone messages, transportation, distribution or gathering of oil, gas, or other commodities (except oil and gas gathering line located in only one county), generating or distribution of electric power, transmission of water by companies organized for profit or rate regulated, and transportation of passengers or cargo by vessel or boat on waterways bordering the State.

The market value of utility properties is determined using unit valuation techniques, and accepted appraisal procedures to determine the value of the utility business as a going concern. Final valuations are certified to each county clerk in the state based on the location of the utility property. The clerk determines the tax liability of each utility using local tax levies, and the assessed value distributed to the county by the State. The county treasurer collects and distributes the tax to the appropriate taxing authority in the county and state.

Motor Carrier

The Bureau of State Appraisals, within the division of Property Valuation, is responsible for annually identifying the carriers that operate in or through the state and appraise the true value of the “over-the-road vehicles,” and “rolling equipment” of those carriers (K.S.A. article 6a). The state assesses, bills, and collects the tax from each carrier.

Personal Property

Any business owning property, whether as an individual, corporation, or merchant, must file a commercial Personal Property Statement with the county appraiser by March 15. The County Appraiser’s office is usually located in the courthouse of each county. Some counties mail the statements in January, or may be obtained at the county appraiser’s office.

Commercial and industrial machinery and equipment is valued using economic lives with a maximum of a seven-year economic life, straight-line depreciation from retail cost when new, with a 20 percent residual, and assessed at 25 percent thereof.

Exemptions and Exclusions

Note- There is an income tax credit/refund based on 15 percent of the property tax, timely paid, on commercial personal property (L. 1998, 675 ch. 130, & 23).

Some municipalities require varying percentages of normal taxes to be paid during the ten years in the form of “payments in lieu of taxes” for police and fire protection.

Aircraft used in Business and Industry-Aircraft used exclusively in business and industry may be exempted. (K.S.A. 79-220).

Antique Aircraft-Antique aircraft used exclusively for recreational or display purposes, or any combination thereof may be exempted. The term “Antique Aircraft” means all aircraft 30 years or older, as is determined by the date of manufacture (K.S.A. 79-220).

Property Bought, Built, or Improved with Bond Monies-Property (land, building, and equipment) purchased, constructed, reconstructed, or otherwise improved with the proceeds of economic development revenue bonds, improvement district bonds, industrial district bonds, or certain other types of revenue bonds including tax-exempt private activity bonds, issued before July 1, 1963, are exempt from this tax for as long as any of the bonds are

outstanding. If these bonds were issued on or after July 1, 1963, then the property is exempt from this tax for a period of ten years from the time the bonds are issued (K.S.A. 79-201(a)).

Farm Machinery and Equipment-Machinery and equipment used regularly in farming and ranching operations, or feed lots, except for passenger vehicles, trucks, truck tractors, trailers, semi-trailers, or pole trailers.

Aquaculture Machinery and Equipment-The term “Aquaculture Machinery and Equipment,” means that personal property used exclusively in any aquaculture operation, and excludes passenger vehicles, trucks, truck tractors, trailers, semi-trailer, or pole trailers.

Christmas Tree Machinery and Equipment-The term “Christmas Tree Machinery and Equipment,” means that personal property used exclusively in any Christmas tree operation and excludes passenger vehicles, trucks, truck tractors, trailers, semi-trailer or pole trailers (K.S.A. 79- 201(j)).

Grain- (K.S.A. 79-201(n))

Graveyards- (K.S.A. 79-201(c))

Hand Tools-All hand tools used by a mechanic in the construction, or repair of machinery and equipment, including motor vehicles, are exempt from property and ad valorem taxes (K.S.A. 79-219), including hand tools, and toolboxes used exclusively by a mechanic, or tradesperson in the construction industry (K.S.A. 79-201(o)).

Hay and Silage, Farm Storage, and Drying Equipment- (K.S.A. 79-201(d)).

Leased Real and Personal Property of Certain Economic Development Corporations-Certain leased property integrally associated with other property exempt under Section 13 of Article 11, of the Kansas Constitution (K.S.A. 79-221).

Livestock- (Kansas Constitution, Article 11, Section 1).

Merchants’ and Manufacturers’ Inventories-Inventories held by merchants and manufacturers are exempt from property taxation (K.S.A. 79-201(m)).

Motor Vehicle Dealers’ Inventory- (K.S.A. 79-201(p)).

Nonprofit Hospitals, Adult Care Homes, Private Children’s Homes, Group Housing of Elderly, Handicapped, Mentally Ill or Retarded Persons-All real and tangible personal property used for the above purposes, and operated by a nonprofit corporation is exempt from all property, or ad valorem taxes (K.S.A. 79-201(b)).

Personal Property Moving in Interstate Commerce-Personal property that is moving in interstate commerce, or stored in warehouses, or storage areas prior to shipment out-of-state. (K.S.A. 79-201f).

Personal Property Held for Sale or Display at Certain Functions. Personal property held for sale or display at, and in connection with, a fair, exposition, trade show, auction, bazaar, flea market, or convention (K.S.A. 79-215).

Reclaimed Surface Mine Property- (K.S.A. 79-201e).

Small Item Exemption-There is an exemption from property taxation for personal property items with a retail cost, when new, of \$250 dollars or less (K.S.A. 79-201W).

Initial Request for Exemption

Any property owner requesting an exemption from the payment of ad valorem property taxes assessed, or to be assessed, against their property, shall be required to file an initial request for exemption on forms approved by the Board of Tax Appeals, and provided by the county appraiser (K.S.A. 79-213).

Annual Claim for Exemption

The owner, or owners of all property which is exempt from the payment of property taxes for a specified period of years shall, in each year after approval by the Board of Tax Appeals, claim such exemption on or before March 1 of each year (K.S.A. 79-210a).

Tax Abatement

Cities and counties may exempt property from ad valorem taxes for up to ten years for economic development purposes (Kansas Constitution, Article 11, Section 13). The Board of County Commissioners, or the governing body of a city may exempt from ad valorem taxation all, or any portion of the appraised valuation of all buildings, or added improvements, together with the land upon which such buildings are located, and all associated tangible personal property used exclusively by a business for the purpose of manufacturing articles of commerce; conducting research and development, or storing goods or commodities which are sold or traded in interstate commerce.

Additions to, or expansions of, existing businesses qualify for the property tax exemptions if, as a result of such expansion, new employment is created.

Any ad valorem tax exemption or partial exemption, granted for economic development reasons, shall be in effect for not more than ten years after the calendar year in which the business commences its operations, or in which an expansion is completed (Kansas Constitution, Article 11, Section 13).

Kansas Retailers' Sales Tax

Kansas Department of Revenue

The sales tax is levied under Chapter 79, Article 36 of the Kansas Statutes Annotated. The sales tax is levied on the gross receipts from admissions, the retail sale of tangible personal property (goods and merchandise), and certain services.

Rate Structure

Kansas sales tax is a combination of a 4.9 percent state rate and a local rate (levied by individual counties and cities). Each is a percentage added to the retail price of taxable items and services.

The Local Rate

Each county and city in Kansas may impose a local sales tax. A county may levy an additional .25 percent, .50 percent, .75 percent, or one percent (some counties levy two percent), and a city may levy from .25 percent to two percent in quarter-cent increments (Johnson County has .975). The local rate is added to the state rate to arrive at the total sales tax percentage collected by the retailer from the consumer.

Specific types of taxable services performed by contractors, subcontractors, and repairmen are taxable. Other service businesses should consult the Department of Revenue and receive a written opinion on sales tax liability from the Director of Taxation. The written request must include a complete description of the activities and services performed by the business. For more information, contact the Taxpayer Assistance Center.

Exemptions and Exclusions

All retail sales of goods and taxable services are presumed to be taxable unless specifically exempted by law. Each retailer is obligated to determine the validity of a purchaser's claim for exemption, and obtain a duly executed

exemption certificate on all exempt purchases. Following is an alphabetical listing by subject of the goods and services exempt from sales tax, and the statute reference of each exemption.

Admissions (Annual Event)- Sales of tangible property, which will admit the purchaser to any annual event, sponsored by a 501(c)(3) nonprofit organization (K.S.A. 79-3606rr).

Advertising and Broadcasting-Services provided by an advertising agency, or licensed broadcast station (K.S.A. 79-3606nn).

Aircraft, Parts and Services Sold to Licensed Carriers-Sales of aircraft, including replacement parts and service, to licensed interstate carriers in the United States or a foreign country (K.S.A. 79- 3606g).

Animals for Agricultural Use-Sales of animals, fowl, or fish for agricultural purposes (K.S.A. 79-3606o).

Broadcasting Equipment-Sales of equipment that is used directly, and primarily to generate broadcast signals for over-the-air free access radio and television stations, and the electricity used to power the equipment that generates its signal (K.S.A. 79-3606zz).

Coin-Operated Laundry-Coin-operated laundry service, whether automatic, or manual (K.S.A. 79-3603 f).

Components of Products Manufactured for Retail Sale-Sales of property used as ingredients, or component parts of products manufactured for ultimate sale at retail (K.S.A. 79-3606m).

Churches and Religious Organizations-Sales of tangible personal property, and services purchased by nonprofit religious organizations are exempt from sales tax if the property, or services are used exclusively for religious purposes. This exemption does not apply to sales made to contractors who purchase materials to perform work on property owned by these organizations. However, any sale of materials will be exempt if made directly to the exempt church, or other religious organizations (K.S.A. 79-3606aaa).

Construction Services-Charges for installation, or application labor services when such services are performed in connection with “the original construction, re-construction, restoration, remodeling, renovation, repair, or replacement of a residence” (K.S.A. 79-3603p).

Drugs and Insulin-All sales of drugs and insulin by a prescription order from a licensed practitioner (K.S.A. 79-3606p) and (K.S.A. 79-3606q).

Educational Institutions-Any purchases, rentals, or leasing of tangible personal property or services, made by public or private nonprofit educational institutions and used primarily for nonsectarian programs, and activities and not for human habitation purposes (K.S.A. 79-3606c). Educational institutions are eligible to obtain a project exemption when constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling buildings other than dormitories, and when they make other improvements (K.S.A. 79-3602 s).

Employees’ Meals-Free meals furnished to employees of public eating places, (if the employees’ work is related to the furnishing or sale of such meals) (K.S.A. 79-3606j).

Enterprise Zone Business or Retail Business-Sales of materials, tangible personal property, or services purchased in conjunction with constructing, reconstructing, enlarging, remodeling, or installing machinery or equipment for a qualified business, or retail business are exempt from sales tax upon proper claim. The entity must qualify under the Kansas Enterprise Zone Act (K.S.A. 79-3606cc).

Farm Machinery and Equipment-Sales of farm machinery and equipment, repair and replacement parts, and maintenance services performed on them to persons engaged in farming or ranching (including operation of a feedlot, farm and ranch work for hire, Christmas tree farming and the operation of a nursery) (K.S.A. 79-3606t).

Farm Wineries’ Retail Sales-Retail sales of liquor, beer, and sales of wine to consumers by farm wineries, are not

subject to sales tax (but are subject to the State gallonage tax and the liquor enforcement tax) (K.S.A. 41-501g, and K.S.A. 79-4101).

Films, Records, and Tapes-Receipts from the lease, or rental of films, records, tapes, or any kind of sound or picture transcription used by motion picture exhibitors (K.S.A. 79-3606i).

Food Programs-Property purchased with federal vouchers from the supplemental food program for women, infants and children (WIC) (K.S.A. 79-3606gg).

Food Stamp Purchases-Tangible personal property purchased with USDA food stamps (K.S.A. 79-3606dd).

Groundwater Management-Tangible personal property and services purchased by a groundwater management district (K.S.A. 79-3606s).

Industrial Revenue Bond (IRB) Purchases-Excludes gross receipts from the renting or leasing of city owned machinery, equipment or other personal property purchased from proceeds of IRBs issued before July 1, 1973 (K.S.A. 79-3603h).

Isolated or Occasional Sales-All isolated or occasional sales of tangible personal property, services, substances, or things, except sales of motor vehicles. An isolated or occasional sale is a non-recurring sale, or a sale once a year by a person not in the business of selling that type of property. Examples of isolated or occasional sales would be church bake sale, garage sale, estate auction, or a sale between individuals (except motor vehicles) that is not in the normal course of a trade or business (K.S.A. 79-3606(l)).

Isolated/Occasional Sales; Property or Services-Isolated or occasional sales of property or services, except for motor vehicles or trailers to a corporation solely in exchange for stock or securities in that corporation (K.S.A. 79-3603o).

Isolated/Occasional Sales; Repossessed Property Sold by Financial Institution. -The term "Isolated or Occasional Sale," is defined so that financial institutions are exempt from collecting sales tax when selling repossessed property (K.S.A. 79-3602j).

Lottery Tickets-Sales of lottery tickets (K.S.A. 79-3606ee).

Low Income Repair or Weatherizing-Tangible personal property purchased by community action groups to repair, or weatherize housing occupied by low-income individuals (K.S.A. 79-3606oo).

Manufacturing Machinery and Equipment-All sales of machinery and equipment used to directly manufacture, assemble, process, finish, store, warehouse, repair, replace parts and accessories, or distribute tangible personal property in Kansas (K.S.A. 79-3606kk).

Meals for Homebound Elderly, Homebound Disabled, Indigent or Homeless-Food products purchased for use in preparation of meals served to the home-bound over age 60, home-bound disabled, or in a group setting, or to indigent or homeless, whether or not the meals are consumed at a designated place (K.S.A. 79-3606v).

Medical Supplies-Direct purchases by nonprofit nursing homes and nonprofit intermediate care homes of medical supplies and equipment not used for human habitation purposes (K.S.A. 79-3606hh).

Mental Health and Mental Retardation Center Purchases-Certain property not used for human habitation purposes purchased by qualifying mental health and mental retardation centers (K.S.A. 79-3606jj).

Mobile or Manufactured Homes (used)-Sales of used mobile or manufactured homes (K.S.A. 79-3606bb).

Mobile or Manufactured Homes (new)-Forty percent of total selling price of new mobile or manufactured homes (K.S.A. 79-3606ff).

Motor Vehicle Fuel, etc. -Sales of motor-vehicle fuel or other articles upon which a sales or excise tax has

already been paid (except cigarettes, cereal malt beverages, malt products and motor vehicles) (K.S.A. 79-3606a).

Museums-Sales of personal property and services bought by nonprofit museums and/or historical societies and the Kansas Cosmosphere and Space Center at Hutchinson (K.S.A. 79-3606qq).

Oil and Gas Exploration-Sales of drill bits and explosives actually used in oil and gas exploration and production (K.S.A. 79-3606pp).

Port authority-Sales of personal property or services to a port authority or to a contractor on behalf of a port authority, are exempt from sales tax (K.S.A. 79-3606z).

Property Consumed in Production-Sales of property consumed in the production, processing, mining, drilling or refining of other property (K.S.A. 79-3606n).

Prosthetic and Orthopedic Appliances-Prosthetic and orthopedic appliances, prescribed by a person licensed to practice the healing arts, dentistry, or optometry. These appliances include such things as eyeglasses, hearing aids, orthopedic appliances, artificial limbs, crutches, wheelchairs, etc. (K.S.A. 79-3606r).

Public Health-Sales of educational materials purchased by a nonprofit corporation for free distribution to the public to improve public health (K.S.A. 79-3606ll).

Railroad or Public Utility Property-Sales of tangible personal property to a railroad or public utility for consumption or movement directly into interstate commerce (K.S.A. 79-3606f).

Railroad Rolling Stock-Sales of materials and services used in the repairing, servicing, altering, maintaining, manufacturing, re-manufacturing or modification of railroad rolling stock used in interstate or foreign commerce (K.S.A. 79-3606y).

Residential Labor Services-Labor services performed to remodel, reconstruct, restore, renovate, repair, or replace a residence (K.S.A. 79-3606p). Sales of materials and supplies for use in residential or commercial construction projects remain taxable.

School Textbooks-Rentals of nonsectarian textbooks by elementary and secondary schools, both public and private (K.S.A. 79-3606h).

Soil Erosion Prevention-Sales of seeds, tree seedlings, fertilizers, and other chemicals used to grow plants to prevent soil erosion on land for agricultural use (K.S.A. 79-3606oo).

Sports and Recreation Participation Fees-No sales tax shall be imposed upon the gross receipts from fees and charges by any Kansas political subdivision, or nonprofit 501(c)(3) youth recreation organization, exclusively providing services to persons 18 years of age or younger. No sales tax shall be imposed upon the gross receipts from entry fees and charges for participation in a special event or tournament, sanctioned by a national sporting association, to which spectators are charged an admission, which is subject to sales tax (K.S.A. 79-3603m).

State, Political Subdivisions, Hospitals, and Blood Banks-All sales of tangible personal property, or service purchased directly by the State of Kansas, a political subdivision thereof (excluding educational institutions), public or private nonprofit hospitals and blood banks are exempt from sales tax, unless they are engaged in a business specifically taxable under the sales tax act, or engaged in furnishing gas, water, electricity or heat (K.S.A. 79-3606b).

State, Political Subdivisions, Hospitals, and Educational Institutions-Sales of tangible personal property or services purchased by a contractor for the erection, repair, or enlargement of buildings, or other projects for any public or private nonprofit hospitals or educational institutions, or for any political subdivision of the State. A Kansas Department of Revenue approved project exemption certificate is required (K.S.A. 79-3606d).

Telephone and Telegraph Services-Interstate telephone and telegraph services for WATTS lines, dedicated

service and computer access service (K.S.A. 79- 3603b).

Transmission of Natural Gas-Sales of materials and services used to repair, service, maintain, or modify equipment used outside the state for transmission of natural gas or liquids by pipeline (K.S.A. 79-3606aa).

Utilities for Agricultural Use-Sales of natural gas, electricity, heat, and water delivered through mains, lines or pipes for agricultural use. Sales of propane for agricultural use are exempt from local sales taxes as well (K.S.A. 79-3606w).

Utilities for Residential Use-Sales of natural gas, electricity, heat and water delivered through main line or pipes, propane gas, LP-gas, coal, wood, and other fuel sources, for use in residential premises (K.S.A. 79-3606w and K.S.A. 79-3606x).

Vehicle and Aircraft Sales to Non-residents-Sales of motor vehicles, semi-trailers, pole trailers, or aircraft to residents of another state, provided the item is not kept in Kansas and is taken out-of-state within ten days (K.S.A. 79-3606k).

Youth Development Program Purchases-Property not used for human habitation purposes purchased by non-profit organizations for nonsectarian comprehensive, multi-discipline youth development organizations (K.S.A. 79-3606ii).

Consumers' Compensating Use Tax

Compensating Use Tax is levied under Chapter 79, Article 37 of the Kansas Statutes Annotated; registration and administration is by the Kansas Department of Revenue. The use tax rate is 4.9 percent.

Consumer's Use Tax applies to all purchases of tangible personal property from outside Kansas for use, storage, or consumption in Kansas on which a sales tax of at least 4.9 percent has not been paid. This includes purchases from catalogs, television, and other states or countries. The tax applies whether the item is shipped into Kansas, or purchased outside of Kansas and brought back to Kansas.

The use tax is designed to protect Kansas businesses from unfair competition from out-of-state businesses that may sell goods tax-free, it also assures fairness to Kansas residents who have purchased similar items in Kansas and paid Kansas sales tax on them.

Individuals and businesses who purchase merchandise, equipment, fixtures, and supplies for their own use, and not for resale from outside Kansas, and are not charged a sales tax of at least 4.9 percent, must report and pay the Consumers' Use Tax on these purchases. To obtain a use rate return, or to register on a permanent basis, contact Kansas Department of Revenue.

Chapter 2

State Taxes

Corporate Income Tax

Kansas Department of Revenue

The Kansas Corporate Income Tax is levied on the corporation's federal taxable income, with modifications (additions and subtractions) provided by Kansas law (K.S.A. 79-32,138). The normal corporation income tax rate is four percent of all Kansas taxable income plus a surtax of 3.35 percent of taxable income in excess of \$50,000 (K.S.A. 79-32, 110).

A Kansas corporation return (Kansas K-120 or K-120S) must be filed by all corporations doing business within, or deriving income from, sources within Kansas (K.S.A. 79-32,110).

For corporations with facilities both inside and outside Kansas, the net income attributable to Kansas is a proportion, based on the percentage of the corporation's business that is located in Kansas. Computation is based on a three-factor, simple-average formula of the proportion of sales, property, and payroll attributed to the State (K.S.A. 79-3271 et seq.). The normal and surtax rates apply.

Exemptions and Exclusions

- Persons, or organizations exempt from federal income taxation are exempt from Kansas income tax (K.S.A. 79-32,113a).
- Electric cooperatives exclusively engaged in the manufacture or distribution of electric power for their members are not required to file a return (K.S.A. 79-3220b).

Modifications to Federal Taxable Income

To arrive at the Kansas taxable income, certain additions and subtractions are made to federal taxable income: Additions include (K.S.A. 79-32,138):

- Total State and municipal interest less any related expenses claimed as exempt on the federal return;
- Taxes on or measured by income, or fees on payments in lieu of income taxes deducted from the federal return;
- Federal net operating loss deducted from federal return;
- Disabled access deduction in the federal return for which the taxpayer is claiming tax credit; and
- Any charitable contribution for which the taxpayer is claiming a community service contribution tax credit.

Subtractions include, to the extent that they are included in federal taxable income (K.S.A. 79-32,138):

- Interest income from U.S. obligations less expenses;
- 80 percent of foreign dividends, and all gross-up arising from section 78 of IRS Code (K.S.A. 79-32,138);
- Refund, or credit for overpayment of taxes or payments in lieu of State income taxes;
- Amount of exempt State, and municipal interest;
- Amount of federal targeted jobs tax, and WIN credit;
- Dividend income received from stock issued by Kansas Venture Capital, Inc. (K.S.A. 79-32,117c(xi); and
- Net operating losses carried forward and back in the same manner as under IRS Code. The amount of NOL is that portion of the total loss that is allocated to Kansas. Net operating losses incurred in tax years after December 31, 1987 must be carried forward for ten years (K.S.A. 79-32, 143).

Corporate Estimated Income Tax

Kansas Department of Revenue

A corporation must declare and make estimated income tax payments if its yearly Kansas income tax liability can reasonably be expected to exceed \$500 (K.S.A. 79-32,101). Corporations beginning business during a tax year are not required to file a declaration for that tax year, and no underpayment penalty will be imposed. Estimated payments are filed using Kansas form K-120ES.

Subchapter S Corporation

Kansas Department of Revenue

Corporations that elect, under Subchapter S of the Internal Revenue Code, not to be taxed as a corporation, are not subject to the Kansas income tax on corporations (K.S.A. 79-32,139), but must file a Kansas Small Business Corporation return (Kansas form K-120S). The shareholders of such corporations shall include in their individual taxable income the proportionate part of such corporation's federal taxable income, subject to the modifications of Kansas law, in the same manner and to the same extent as required by the Internal Revenue Code.

Kansas Corporate Franchise Tax

Secretary of State

Domestic and foreign corporations pay at the time of filing the annual report. Every corporation must pay to the Secretary of State an annual fee of \$1 for each \$1,000 of the corporation's shareholders' equity attributable to Kansas (K.S.A. 17-7505). To receive an extension of time to file the annual report, contact the Secretary of State prior to the due date.

A copy of the annual report form is sent to domestic and foreign corporations by the Secretary of State's Office. Similar reports are sent to limited partnerships, and limited liability companies. Failure to file an annual report results in forfeiture of authority, and monetary penalties. Annual reports are public records; however, a qualifying corporation may request an application to keep the financial information confidential.

Shareholder's equity attributable to Kansas corporations in Kansas are assessed an annual franchise tax at the rate of \$1 per \$1,000 of the shareholder's equity attributable to Kansas. Shareholder's equity equals the sum of paid-in capital less treasury stock, capital paid in, in excess of par, and retained earnings. No tax shall be less than \$20, or more than \$2,500. To compute that portion of the shareholder's equity attributable to Kansas, a "three-factor formula" is used. This formula excludes sales, property, and payroll attributable to other states.

Privilege Tax on Financial Institutions

Kansas Department of Revenue

The privilege tax is levied on the net income of financial institutions for the next preceding taxable year, including banks, trusts, and savings and loan associations. For banks, the normal tax rate is 4.25 percent of net income, and the surtax is 2.125 percent of net income in excess of \$25,000 for a combined 6.375 percent of net income over \$25,000 (K.S.A. 79-1107). For trusts, and savings and loan associations, the normal tax rate is 4.5 percent of net income and the surtax is 2.25 percent of net income over \$25,000, for a combined rate of 6.75 percent of net income over \$25,000 (K.S.A. 79-1108). Kansas form K-130 is filed.

Exemptions and Exclusions

Banks are exempt (K.S.A. 79-1113) from the Intangibles Tax (K.S.A. 79-3109).

Modifications to Federal Income

To arrive at the Kansas taxable income, certain additions and subtractions are made to the federal taxable income. Additions include:

- Total state and municipal interest less any related expenses claimed as exempt on the federal return;
- Federal net operating loss less education claimed on federal return;
- Savings and loan bad debt deduction allowable for federal income tax purposes; and
- Disabled access deduction in the federal return for which the taxpayer is claiming tax credit.

Subtractions include (K.S.A. 79-1109 and K.S.A. 79-32,138):

- Amount of federal targeted jobs tax and WIN credit;
- Dividend income received from stock issued by Kansas Venture Capital, Inc;
- Kansas net operating loss carry forward; and
- Savings and loan association bad debt deduction of five percent from net income to establish a reserve for meeting or absorbing losses.

General Partnership

For income tax purposes, a general partnership functions as a conduit, and not as a separate taxable entity; therefore, no tax is imposed on the partnership itself (K.S.A. 79-32,129 et seq.). Those carrying on business as partners are liable for tax only in their separate or individual capacities, and file an Individual Income Tax Return (form K-40) (K.S.A. 79-3220). Each individual partner is subject to the same reporting requirements and tax rates as a sole proprietor or individual. Nevertheless, the partnership must file a Kansas Partnership Return (K-65) each year to enable the State to determine liability.

Limited Partnership

In a limited partnership, each partner is responsible for filing an Individual Income Tax Return (K-40), just as a General Partnership. A Kansas Partnership Return (K-65) must also be filed.

Individual Income Tax

Kansas Department of Revenue

The tax rate for individuals is based on taxable income. Refer to the Kansas Individual Income Tax Booklet for additional information. For taxpayer assistance on the Kansas Individual Income Tax, call the Kansas Department of Revenue Taxpayer Assistance at (785) 368-8222.

Individuals file a quarterly estimated income tax payment if their liability after withholding, and credits is estimated to be at least \$200 (K.S.A. 79-32,101).

Insurance Premiums Tax

Insurance premium taxes are levied according to Chapter 40, Articles 2 and 17, and Chapter 75, Article 15 of the Kansas Statutes, and are administered by the Insurance Commissioner.

- **Foreign Corporation**-Based on gross premiums collected in Kansas, the rate is two percent, less any Kansas Guaranty Association offset, and authorized credits for investments in Kansas Certified Venture Capital Companies, and local seed capital pools.
- **Domestic**-Based on gross premiums collected in Kansas, the rate is one percent, less any Kansas Guaranty Association offset, Firefighters Relief Fund Tax Credit, Fire Marshal Tax Credit, 25 percent investment credit

if at least 30 percent of the companies' assets are invested in Kansas securities, and authorized credits for investments in Kansas Certified Venture Capital Companies, and local seed capital pools.

- **Firefighters Relief**-Based on amount of fire, or lightning insurance written covering risks located within the State of Kansas during the preceding calendar year, the rate is two percent (\$2 per \$100) of such insurance premiums.
- **Fire Marshal**-Based on gross premiums collected by fire insurance companies from all fire insurance businesses transacted in Kansas during the preceding year, the levy is determined by the Fire Marshal, and may not exceed 1.25 percent. Present rate is one percent.
- **Retaliatory Taxes and Fees**- Imposed when the laws of another state require Kansas insurance companies to pay taxes and fees in excess of the taxes and fees assessed by the State of Kansas on companies domiciled in such state. The amount varies from company to company.
- **Insurance Privilege Tax**-Based on domestic companies' net adjusted income allocated to Kansas business, the rate is five percent, less authorized credits for investments in Kansas Certified Venture Capital Companies.
- **Estimated Taxes**-Annually, or before June 15 and December 15, insurance companies are required to pay 50 percent of the total premium, retaliatory and Fire Marshal taxes reported as being due for the preceding calendar year.

Exemptions and Exclusions

K.S.A. 40-202 exempts the following from the insurance premiums tax:

- **Fraternal Lodges or Societies**-Grand or subordinate lodges of fraternal benefit societies that only admit members engaged in one or more hazardous occupations in the same or similar line of business, or any fraternal benefit society as defined by Chapter 40, Article 7, of the Kansas Statutes.
- **Mercantile Associations**-Mercantile associations that simply guarantee insurance to each other in the same lines of trade and do not solicit insurance from the general public.
- **Exempt Premiums**- Premiums received in connection with the funding of qualified pension, annuity, or profit-sharing plans are exempt from the tax (K.S.A. 1985 Supp.40-252).
- **Returned Premiums and Dividends**-Includes premiums returned due to cancellations, premiums received for reinsurance from any other company authorized to do business in Kansas, and dividends returned to policyholders.

Privilege Income Tax for Insurance Companies

Commissioner of Insurance

The privilege tax on domestic insurance companies is levied in accordance with Chapter 40, Article 28 of the Kansas Statutes. The tax is based on net income for the preceding calendar year, and is in lieu of intangibles tax and certain local taxes. The current tax rate is five percent, less interest income.

Exemption and Exclusions

K.S.A. 40-2811 exempts the following from the Privilege Tax:

- **Fraternal Lodges or Societies**-Grand or subordinate lodges of fraternal benefit societies that only admit members engaged in one or more hazardous occupations in the same or similar line of business, or any fraternal benefit society as defined by Chapter 40, Article 7, of the Kansas Statutes.
- **Specific Individual Insurance Companies/Associations**-Contact the Insurance Commissioner for more information.
- **Mercantile Associations**-Mercantile associations that simply guarantee insurance to each other, and do not solicit insurance from the general public.

Retail Liquor Sales Tax

Kansas Department of Revenue

- **Liquor Excise Tax**-The liquor excise tax is imposed at a rate of ten percent on the gross receipts from the sale of alcoholic and cereal malt beverages by licensed drinking establishments, private clubs, and caterers. The state retailers' sales tax is not applied to alcohol sold at these outlets.
- **Liquor Enforcement Tax**-The liquor enforcement tax is levied on the gross receipts from the sale of liquor by the package at retail. It is imposed at a rate of eight percent and applies only to spirits, wine, and beer that are more than 3.2 percent alcohol by weight. The sales tax is not applicable to sales of liquor at retail liquor stores.

Tax Deductions Include:

- Dividends from Kansas Venture Capital, Inc. (K.S.A 40-2803 and 40-2804);
- Cereal Malt Beverage and Malt Products Tax; and
- Alcohol Gallonage Tax- These taxes are levied at the wholesale level and are based on the quantity (gallons) of alcoholic beverages manufactured, used, sold, stored, or purchased in Kansas. The tax is paid only once by the first receiver of the product in Kansas. The gallonage tax rates are as follows:

Spirits	\$2.50
Fortified Wine (more than 14 percent alcohol)	\$0.75
Light Wine (14 percent alcohol or less)	\$0.30
Beer (more than 3.2 percent alcohol)	\$0.18
Cereal Malt Beverage (3.2 percent alcohol or less)	\$0.18

Motor Carrier Property Tax

Kansas Department of Revenue

Division of Property Valuation
Docking State Office Building, 4th Floor
Topeka, KS 66612-1585
Phone: (785) 296-2365

This tax is levied under Chapter 79, Article 6a of the Kansas Statutes. It is based on the assessed value of over-the-road motor vehicles and rolling equipment owned, used, leased, or operated by persons engaged in non-local intrastate, and interstate business. For interstate operators, the tax is prorated based on the number of miles traveled in Kansas. The assessment and resulting tax for motor carriers is calculated by the Division of Property Valuation, Kansas Department of Revenue, in the following manner:

What is assessed?

- a. The motor vehicles and rolling equipment under the control of a motor carrier, on January 1 of the taxing year, which entered Kansas during the preceding calendar year.
- b. The motor carrier rendition filed on or before March 20 of each year provides the listing of the equipment to be assessed.

What is the basis of assessment?

The assessment is in two parts, powered equipment, and non-powered equipment. The assessment for powered equipment (motor vehicle) is 30 percent of the allocated market value (usually the average retail value) of the equipment on January 1 of the taxing year. The Division uses the National Market Reports, Inc., "The Truck Blue Book," Maclear Hunter Bldg., 29 N. Wacker Drive, Chicago, Illinois 60606-9979, as a source in calculating the market value.

For non-powered equipment (e.g. trailers, truck bodies), the assessment is 25 percent of the retail cost when new, less seven-year straight-line depreciation, except that as long as the property is in use, the base value will not be less than 20 percent of the retail cost when new.

How is the value allocated to Kansas?

- a. The assessed value of all the equipment value is allocated to Kansas in proportion to its use within the state. The amount of use within the state is determined by the “mileage ratio.”
- b. The “mileage ratio” is computed by dividing the total miles traveled by the powered vehicles that entered Kansas under the control of the motor carrier anytime during the preceding year, into the total miles those vehicles traveled within Kansas.

How is the amount of tax determined?

The assessed value thus allocated is multiplied by the motor carrier mill levy to obtain the dollar amount of tax.

How is the mill levy determined for Motor Carrier Tax?

The mill levy is obtained by dividing the total of all general ad valorem taxes levied statewide in the previous year by the total assessed valuation state wide for all taxable property other than motor carrier properties assessed and taxed under this law.

Exemptions and Exclusions

Excluded from this tax are motor vehicles and rolling equipment used solely or mainly for local transportation in a particular community or local area, and local pickup and delivery, or passenger automobiles used for purposes other than transportation of persons or property for hire (K.S.A. 79-6a01).

Motor Fuel Taxes

Kansas Department of Revenue

Taxes are collected on all motor fuels that include, but are not limited to: Regular (gasoline and gasohol), diesel, LP-gas and CNG (K.S.A. 79-3401 et seq.). The tax rates per gallon are:

Regular Motor Fuels	\$0.18
Diesel	\$0.20
LP-Gas	\$0.17
Trip Permits (each)	\$10.00

Regular Motor Vehicle Fuel Tax

The tax is imposed on fuel received by each distributor, manufacturer, or importer in the state (K.S.A. 1990 Supp. 79-3408). An inventory tax is payable for fuel owned on the date of increase in tax rate, and a refund is payable on the date of a decrease in the tax rate (K.S.A. 79-3408c).

Exemptions and Exclusions

Motor vehicle fuel is exempted from other taxes imposed either by the State or any political subdivision (K.S.A. 79-3424). K.S.A 1990 Supp. 79-3408d exempts the following transactions from this tax:

- **Sales for Export-** The sale or delivery of motor vehicle fuel for sale or export to another state, territory, or foreign country.
- **Sales to the Federal Government or to Contractors Working for the Federal Government-** The sale or delivery of motor vehicle fuel to the federal government, or a contractor doing work for the federal government, or one of its agencies if that contractor has a cost-plus-a-fixed-fee contract covering the work.

- **Sales of Aviation Fuel-** The sale or delivery of aviation fuel.
- **Fuels, or Solvents Not Considered to be Motor Fuels-** Stove and lamp fuel, commercial and industrial solvents, benzyl, benzene, cleaners' paint, naphtha, or liquefied gases which exist in the gaseous state at a temperature of 60 degrees Fahrenheit and at a pressure of 14.7 pounds per square inch absolute are excluded from the definition of motor fuels and are therefore not subject to this tax (K.S.A. 79-3401(e)).
- **Sales of Dyed Diesel Fuel-** Diesel fuel dyed according to federal regulations is exempt when used for a nontaxable purpose.
- **Sales Between Distributors-** The first sale or delivery to a licensed distributor who in turn resells to another licensed distributor.

Tax Deductions

Each distributor, manufacturer, or importer of motor vehicle fuels is not taxed on 2.5 percent of the gallons received during each calendar year, to account for ordinary losses in the handling of such motor fuels (K.S.A. 1990 Supp. 79-3408(c)).

Tax Refund or Reduction

Motor fuel for vehicles not operated on the highway. Persons using motor fuel in vehicles that are not operated on the highways can claim a refund of the tax paid on such motor fuel provided claim exceeds \$25 (K.S.A. 79-3453). If the motor fuel tax is refunded, sales tax may be applicable.

Interstate Motor Fuel User's Tax

Kansas is a member of the International Fuel Tax Agreement (IFTA), a base-rate method for the collection of Interstate Motor Fuel. Under this agreement, Kansas receives tax payments from interstate motor carriers located in the state and disburses taxes due to other states (K.S.A. 1990 Supp. 79-34,165).

Exemptions and Exclusions

Exempt from the requirements under the Interstate Motor Fuel Use Tax Act are vehicles operated for and by the State, any agencies or subdivisions, the United States or any of its agencies, and any agency of one or more states and the United States (K.S.A. 79-34,120), with the following exceptions:

- **Commercial Zones Between Two Contiguous Localities-** The act does not apply to vehicles used exclusively within an area composed of two contiguous cities or municipalities that has been designated as a commercial zone by the Interstate Commerce Commission.
- **Farm Vehicles-** The act does not apply to registered farm vehicles.

Liquefied Petroleum Motor Fuel Tax Alternative Tax Computation

Tax paid either on vehicle weight and miles, or on gallons used. Liquefied petroleum users operating motor vehicles on Kansas public highways may elect to pay the tax in advance based on vehicle weight and the number of miles it was operated on public highways rather than on a per-gallon basis (K.S.A. 1990 Supp. 79-3492b).

Private Car Companies Tax

Kansas Department of Revenue and the Income and Inheritance Tax Bureau

P.O. Box 12001

Topeka, KS 66612-2001

Phone: (785) 296-2488

The private car companies' tax is levied in lieu of property tax against railroad companies using or leasing private cars (K.S.A. 79-906 et seq.). The rate is 2.5 percent of the gross earnings from the operation of private cars in Kansas. Tax is in lieu of property taxes.

Exemptions and Exclusions

Railroad companies operating their own or leased lines are not subject to this tax (K.S.A. 79-906).

Severance (Minerals) Tax

Kansas Department of Revenue

The severance tax is levied under Chapter 79, Article 42 of the Kansas Statutes. The tax is based on the gross value of oil and gas and the volume of coal produced in Kansas. The current tax rates are eight percent on oil and gas (less property tax credits of 3.67 percent for oil and 3.67 percent effective July, 1996, production for gas), and \$1 per ton on coal. Mineral-related questions should be referred to the Mineral Tax Section, (785) 296-7713.

Exemptions and Exclusions

Coal Production-The first 350,000 tons of coal produced, as certified by the State Geological Survey, is exempt from severance tax (K.S.A. 79-4217b6).

Gas Production- The production of gas in the following categories is exempt from severance tax:

- Gas that is injected for the purpose of lifting oil, recycling, or repressurizing (K.S.A. 79-4217b1a);
- Gas which is used for fuel in connection with the production of oil or gas on the production unit where it was produced (K.S.A. 79-4217b1b);
- Gas that is lawfully vented or flared (K.S.A. 79-4217b1c);
- Gas that is from a well with a daily production value of \$81 or less (K.S.A. 79-4217b1d);
- Gas that is inadvertently lost due to leaks, blowouts, or other accidental causes (K.S.A. 79-4217b1e); and
- Gas that is used for domestic or agricultural purposes on the production unit from which it was produced (K.S.A. 79-4217b1f).

Oil Production-The production of oil in the following categories is exempt from severance tax:

- Units producing two barrels per day, or less (K.S.A. 79-4217b2a);
- Units with a depth of 2,000 feet or more, and producing three barrels per day, or less; exemptions on leases with wells in excess of 2,000 feet deep are based on a value, volume combination (K.S.A. 79-4217b2b);
- Units using a tertiary recovery process (K.S.A. 79-4217b2c);
- Units with a depth of 2,000 feet or less, using a water flood process, and producing three barrels per day, or less (K.S.A. 79-4217b2d); and
- Units with a depth of 2,000 feet or more, using a water flood process, and producing four barrels per day, or less (K.S.A. 79-4217b2e).

Oil Losses-Oil that is inadvertently lost due to leaks or other accidental means is exempt from severance tax (K.S.A. 79-4217b2g)

Oil Sold or Exchanged-Test, frac and swab oil that is sold or exchanged for value is exempt from severance tax (K.S.A. 79-4217b2f).

New Discoveries. The production of oil or gas from a pool from which oil or gas was first produced on or after April 1, 1983, and continuing for a period of 24 months is exempt from severance tax (K.S.A. 79-4217b4).

Tax Credits

Alternative-Fueled Motor Vehicle Property Credit

Beginning with tax year 1996, a credit is allowed for taxpayers making expenditures for alternative-fueled motor vehicle property (K.S.A. 79-32,201 et seq.) Schedule K-62, Alternative-Fueled Motor Vehicle Property Credit, must be filed.

Business and Job Development Credit

For establishment of, or for investment in, a qualified business facility in which two or five new employees were added, or maintained for the taxable year as a direct result of the investment, depending upon the type of new facility. Schedules K-34, Business and Job Development Credit must be filed.

Child Day Care Assistance Credit

Beginning with tax year 1992, a credit is allowed if a taxpayer pays for, or provides child day care services, including the provision of the service of locating such services to its employees, or provides facilities and necessary equipment for child day care services (K.S.A. 79-32,190). Schedule K-56, Child Day Care Assistance Credit must be filed.

Community Service Contribution Credit

Beginning with tax year 1994, any business which contributes to a community service organization or government entity which engages in the activities of providing community services will be allowed a tax credit (K.S.A. 79-32,194 et seq). Schedule K-60, Community Service Contribution Credit must be filed.

Disabled Access Credit

Equal to 50 percent of expenditures for making facilities accessible to the disabled, or usable for the employment of the disabled is allowed. Credit is limited to \$10,000 (K.S.A. 79-32,175 et seq.). Schedule K-37, Kansas Disabled Access Credit must be filed.

Under IRS Code section 190, employers may claim a tax deduction of up to \$15,000 for making business buildings accessible to the disabled. Call the IRS for details at (800) 829-1040.

The Disabled Access Credit (Section 44 of the IRS Code) is available to eligible small businesses, and is equal to 50 percent of the eligible access expenditures which are not less than \$250, and not more than \$10,250 for a maximum credit of \$5,000. An eligible small business is any person whose gross receipts did not exceed \$1,000,000 for the preceding taxable year, or who employed not more than 30 full-time employees during the preceding year.

Section 51 of the IRS Code is the Targeted Jobs Tax Credit (TJTC). TJTC offers employers a credit against their tax liability if they hire individuals from targeted groups, which include people with disabilities using Vocational Rehabilitation services. The credit is equal to 40 percent of the first year wages up to \$6,000 per employee, for a maximum credit of \$2,444 per employee for the first year of employment.

Contact the Internal Revenue Service for more information on the Section 190, Section 44 or Section 51 tax credits.

Domestic Companies with 30 Percent or More of Their Assets Invested in Kansas

Companies with at least 30 percent of their assets invested in Kansas are entitled to a credit of 25 percent of the amount of premium taxes imposed by Kansas Law (K.S.A. 40-252c).

Investments in Certified Venture Capital Companies, Including Kansas Venture Capital, Inc.

Every insurance company authorized to do business in Kansas that invests in a certified venture capital company may take as a credit against either their premium or privilege tax liability an amount equal to 25 percent of the investment in the taxable year such investment is made. The credit may be carried forward until fully used.

Investments in Local Seed Capital Pools

Every insurance company authorized to do business in Kansas that invests in a certified local seed capital pool may take as a credit against their premium tax liability an amount equal to 25 percent of the investment in the taxable year such investment is made. The credit may be carried forward until fully used.

Local Seed Capital Credit

For a portion of the investment in certified local seed capital pool (K.S.A. 1990 Supp. 74-8401 et seq.). Schedule K-55, Venture and Local Seed Capital Credit must be filed.

Oil and Gas Property Taxes

Taxpayers liable for ad valorem property taxes on oil or gas property are entitled to these credits against the severance tax (K.S.A. 79-4219): 3.67 percent of the gross value of oil produced and taxable, and 3.67 percent effective July, 1996, production of the gross value of gas produced and taxable.

Research and Development Credit

For increasing expenditures of research and development activity in the state. The credit is 6.5 percent of the amount by which research and development expenditure for the current tax year exceeds the average expenditure of the prior two tax years (K.S.A. 79-32,182 and 182a). Schedule K-53, Research and Development Credit must be filed.

Small Business Health Care Benefit Credit

Beginning tax year 1992, a credit for any two or more employers who establish a small employer health benefit plan for qualified employees and their families. The credit is allowed on a gradually diminishing scale (1990 Supp. 40-2239 et seq.).

Workforce Training Credit

Beginning with tax year 1992, a credit is allowed for a cash investment in the training and education of a firm's employees that exceed two percent of the firm's total payroll costs (K.S.A. 74-50,132). Schedule K-59 (Workforce Training Credit) is filed.

Venture Capital Credit

For a portion of the investment in Kansas Venture Capital, Inc. stock (K.S.A. 1990 Supp. 74-8205). Schedule K-55 (Venture and Local Seed Capital Credit) is filed.

Chapter 3

Local Taxes

Taxes included under this heading are the grain bushel tax, gross earnings tax on intangibles, local license and occupation taxes, mortgage registration tax, and the transient guest tax. For additional information, contact the Kansas Department of Revenue.

Grain Bushel

The grain bushel tax is levied under Chapter 79, Article 39 of the Kansas Statutes, and is in lieu of a general property tax on grain. The tax is on grain producers/dealers and is levied on a per-bushel basis. The current tax rates are one-half mill for each bushel of grain received by a dealer, and \$.50, plus one-half mill per bushel on all grain in excess of the first 1,000 bushels produced. Contact your local county clerks or tax assessors office for more information.

Exemptions and Exclusions

- **Grain Up to 1,000 Bushels**-The first 1,000 bushels of grain harvested by producers in Kansas is not subject to the grain bushel tax (K.S.A. 79-3902b).
- **Gross Earnings**-Notes secured by real estate mortgages, and gross earnings from notes secured by real estate mortgages that have been registered in the State and for which the registration fee or tax has been paid are exempt from this tax.
- **Other Gross Earnings**: Notes whose earnings are a reimbursement of other interest paid, gross earnings from notes to the extent that such earnings are a reimbursement of interest paid on another note, or the proceeds of which were the source of funds for the first note are exempt.

Intangibles Tax

The intangibles tax is a local tax levied by counties, cities, or townships on the gross earnings received from intangible property such as savings accounts, stocks, bonds, accounts receivable, and mortgages. The tax rate varies from jurisdiction to jurisdiction. Cities and townships may impose the intangible tax at any rate up to 2.25 percent and counties may impose the tax rate up to 0.75 percent in increments of 1/8 of one percentage point.

All Kansas residents and corporations owning taxable intangible property, and every nonresident owning accounts receivable, or other intangible property with a Kansas business must file an intangibles tax return, Form 200, if the tax on earnings from the property is \$5.00 or more. Returns are submitted to the Kansas Department of Revenue with the state income tax return and are due April 15. See K.S.A. 12-1, 101 through 12-1,110 and amendments; K.S.A. 79-3108 through 79-3120 and amendments.

The Kansas Department of Revenue assesses the intangibles of public service companies whose tangible properties are assessed by the Division of Property Valuation. The county assesses finance companies.

Exemptions and Exclusions

Intangibles tax does not apply to the following:

- Interest on notes secured by Kansas real estate mortgages on which a registration fee has been paid;
- Earnings on individual retirement and Keogh accounts, and other qualified retirement plans;
- Bonds and other evidences of indebtedness issued by the federal government, the State of Kansas, or any of its municipal or taxing subdivisions;
- Certain distributions of Subchapter S Corporations;

- Certain reimbursements of interest paid on notes, the proceeds of which were the source of funds for another note;
- Dividends from stock of a bank, savings and loan association, or regulated investment company located in Kansas or doing business in Kansas;
- National bank associations, state banks, federal and state chartered savings and loan associations, trust companies, and credit unions; and
- Certain nonprofit corporations operating or providing hospitals, psychiatric hospitals, adult care homes, private children's homes, and housing for the elderly.

Local License and Occupations Tax

Chapter 12, Article 1, of the Kansas Statutes allows localities to impose license or occupation taxes for the privilege of engaging in any business trade, occupation, or profession. The rates of such taxes are locally determined by home rule ordinance. Because each city has its own regulations, permits, and taxes, contact the appropriate city hall for such information.

Exemptions and Exclusions

Cities may not impose a license or occupation tax on producers or growers of farm or garden products grown within the state (K.S.A. 12-1617).

Mortgage Registration Tax

The mortgage registration tax is levied according to Chapter 79, Article 31 of Kansas Statutes. The tax is based on principal amounts of mortgages registered, renewed, or extended in Kansas. The rate is currently \$.25 per \$100 of the amount of the mortgage, and is collected by the county register of deeds. The tax is retained locally and is in lieu of other taxes.

Exemptions and Exclusions

No registration fee is collected for liens, indentures, mortgages or bonds continued, transferred, reissued, or otherwise changed due to corporate mergers or consolidations, or by other means where the original transaction from which a fee has been paid is continued or validated (K.S.A. 79-3101).

Transient Guest Tax

To provide cities and counties with revenue to promote tourism and conventions, a transient guest tax may be levied on the gross receipts received from rental of rooms, lodgings, or other sleeping accommodations. Law sets the maximum rate at two percent, but under home rule authority, some cities and counties have adopted higher rates. Contact your city or county clerk for the rate in your area (K.S.A. 12-1692 et seq.).

Exemptions and Exclusions

- **Hotels/Motels With No More Than Two Bedrooms**-The terms "hotel, motel, and tourist court" are defined to include facilities with more than two bedrooms furnished for guests. Facilities with two or fewer rooms are exempt from collecting this tax from their customers.
- **Transient Guests**-A "transient guest" is one who occupies a room for no more than 28 consecutive days. A guest occupying a room for more than 28 days is exempt from the tax.

Cigarette and Tobacco Products

Cigarette Tax

The cigarette stamp tax is collected on the first sale, distribution, or conveyance of the product (K.S.A. 79-3310).

Tobacco Products Tax

The tobacco product tax is levied at the distributor level and is ten percent of the wholesale sales price (K.S.A. 79-3371). For more information on the Cigarette and Tobacco Products Taxes, contact the Kansas Department of Revenue at (785) 296-5329.

Liquor Sales Enforcement Tax

Kansas imposes an eight percent liquor enforcement tax on liquor, and cereal malt beverages sold by a:

- Retail liquor store, microbrewery or farm winery to Kansas consumers, and
- Distributor to Kansas clubs, drinking establishments, or caterers.

The purchaser pays the tax to the retailer or distributor. A separate license from the Division of Alcoholic Beverage Control is also required (K.S.A. 79-4701 et seq.).

Bingo Taxes

Two types of bingo games are authorized by Kansas law—call bingo, and instant bingo. Kansas imposes a three percent tax on the gross receipts received from charges for admission to, or participation in, call bingo games operated by licensed non-profit organizations. A one percent tax is levied on the sale of instant bingo tickets (pull tabs) to licensed nonprofit organizations by a bingo card distributor. The gross receipts from the sale of pull-tabs and call bingo is included in the total gross receipts or sales for the month and reported on the retail sales tax return (K.S.A. 79-4701 et seq.).

Any bona fide nonprofit religious, charitable, fraternal, educational, or veteran's organizations are eligible to apply for a bingo license. Distributors of disposable bingo cards, instant bingo tickets, and those who lease bingo premises must register with the Kansas Department of Revenue. To register, call (785) 296-287, or contact the Bingo Enforcement Unit for information on bingo taxes at (785) 296-3946.

Vehicle Rental Excise Tax

A tax at the rate of 3.5 percent is levied on the gross receipts received from the rental or lease of motor vehicles rented or leased for 28 consecutive days or less. The vehicle rental excise tax is in addition to the state and local retailers' sales tax due on these transactions. Motor vehicles that have a gross weight of more than 12,000 pounds are exempt (K.S.A. 79-5117). For more information on the vehicle rental excise tax, contact the Kansas Department of Revenue at (785) 296-2461.

Tire Excise Tax

Retailers of new tires and new vehicle dealers are required to register for, collect, and remit the tire excise tax of \$.50 per tire on the retail sales of new vehicle tires. New tires for automobiles, buses, trucks, truck tractors, trailers, farm machinery, construction equipment, and motorcycles are subject to this tax. Included also are tires mounted on a new vehicle when the vehicle is sold at retail for the first time. The tax is in addition to the sales tax due on these retail transactions and, if separately stated, is not a part of the gross receipts subject to the retailer's sales tax (K.S.A. 65-3424(d)).

Exemptions and Exclusions

The tire excise tax does not apply to:

- Used, recapped, or re-treaded tires;
- A spare tire included in the sale of a new vehicle;
- New tires for vehicles not authorized to operate on public streets and highways, such as ATVs and garden tractors; and
- New tires for vehicles powered by humans such as bicycles.

For more information about the tire excise tax, call the Kansas Department of Revenue at (785) 296-2461.

Water Protection Fee

Kansas imposes a water protection fee of \$.03 per 1,000 gallons of water, which is either sold to, or apportioned by, the final user or consumer. The fee is imposed upon the actual amount of water for residential, commercial, industrial, and stockwatering use.

On December 31, 1992, the Rules and Regulations Board approved the Kansas Department of Health and Environment's New Temporary Kansas Administrative Regulation 28-15-12, which imposed a public water supply fee of 2/10 of one cent (\$.002) per 1,000 gallons of water sold at retail. This fee is in addition to the current three cents (\$.03) per 1,000 gallons water protection fee. Retail sales of water only are subject to the combined rate of 32/100 cents (\$.032) per 1,000 gallons (K.S.A. 82a-954).

Exemptions and Exclusions

- Water for commercial fish farming; and
- Any water for which a permit owner, with a State contract for withdrawal pursuant to K.S.A. 82-1301 et seq., is required to pay charges under the contract.

The water protection fee is not subject to the Kansas retailers' sales tax if the fee is separately stated on the bill. The amount of surface water used for flow-through cooling for electric power generating plants is based on an average consumption as determined by the Kansas Department of Agriculture. For more information on the Water Protection Fee, contact the Kansas Department of Revenue at (785) 296-2461.

Dry Cleaning Environmental Surcharge

The dry cleaning environmental surcharge is 2.5 percent of the gross receipts received from all dry cleaning and laundering services. It is paid by the consumer to the retailer and is in addition to the Kansas retailers' sales tax due on these transactions (K.S.A. 65-34,141 et seq.).

Exemptions and Exclusions

- Services rendered through a coin-operated device, whether automatic or manually operated, available for use by the general public;
- The laundering without use of dry cleaning solvents of uniforms, linens or other textiles for commercial purposes, including any rental of uniforms, linens or dust control materials; or
- Direct purchases of laundering or dry cleaning services made by exempt entities specified in K.S.A. 79-3606. This would include the federal government, its agencies or instrumentalities; State of Kansas and its political subdivisions; public or private elementary or secondary schools; public or private hospitals; nonprofit blood, tissue or organ banks; public or private nonprofit educational institutions; nonprofit 501(c)(3) museums or historical societies; and noncommercial education television and radio stations.

Dry Cleaning Solvent Fee

Any owner of a dry cleaning facility imposes the solvent fee on the purchase or acquisition of dry cleaning solvent. The person who distributes the solvent shall pay the fee to the director of taxation. The amount of the fee imposed on each gallon of dry cleaning solvent is equal to the solvent factor for the dry cleaning, multiplied by the fee rate of \$3.50 per gallon. Beginning January 1, 1996, and each successive calendar year after, \$.25 will be added to the fee rate of \$3.50 until the fee rate reaches a maximum of \$5.50 per gallon (K.S.A. 65-34, 152).

The solvent factor for each dry cleaning solvent is as follows:

Dry Cleaning Solvent	Solvent Factor
Perchloroethylene	1.00
Chlorofluorocarbon-113	1.00
1,1,1-trichloroethane	1.00
Other chlorinated dry cleaning solvents	1.00
Any non-chlorinated dry cleaning solvent	.10

Note: In the case of a fraction of a gallon, the fee imposed shall be the same fraction of the fee imposed on a whole gallon.

Chapter 4: Taxes Affecting Specific Industries

Corn, Grain, Sorghum, and Soybean Promotion Research Tax

Kansas Department of Agriculture

Phone: (785) 296-3556

web site: www.ink.org/public/kda

Tax are based on volume sold through commercial channels at the following rates: three mills per bushel on corn and grain sorghum, ten mills per bushel on corn and grain sorghum soybeans (K.S.A. Ch 2, Art. 30).

Dairy Manufacturers Quarterly Tax

Kansas Dairy Commission

Phone: (785) 296-3511

web site: www.ink.org/public/kda/dairy

Tax based on pounds purchased or manufactured at the following rates: \$.10 per 1,000 lbs. purchased from Kansas producers, add \$.10 for any fraction of 1,000 lbs.; \$1 per 1,000 gallons of manufactured ice cream or ice milk, add \$1 for any fraction of 1,000 gallons (K.S.A., Chapter 65, Article 7).

Out-of-State Dairy Manufacturers Quarterly Tax

Kansas Dairy Commission

Phone: (785) 296-3511

web site: www.ink.org/public/kda/dairy

Tax based on volume moved into state for sale at a rate of \$1 per 1,000 gals. (K.S.A., Chapter 65, Article 7).

Egg Tax

Kansas Department of Agriculture

Phone: (785) 296-3556

web site: www.ink.org/public/kda

Tax based on volume sold at a rate of \$60 per year or 3.5 mills per dozen (K.S.A., Chapter 2, Article 25).

Livestock Remedy Registration Fee

Kansas Department of Agriculture

Phone: (785) 296-3556

web site: www.ink.org/public/kda

Fee is based upon number of products registered by the manufacturer at a rate of \$10 per remedy per year (K.S.A., Chapter 47, Article 5).

Musical and Dramatic Composition Tax

Kansas State Treasurer

Phone: (785) 296-3171

web site: www.treasurer.state.ks.us

Tax is based on the privilege of selling or licensing performing musical and dramatic compositions at a rate of three percent of gross receipts during the preceding year (K.S.A., Chapter 57, Article 2).

Soil Amendments Registration Fee
Kansas Department of Agriculture
Phone: (785) 296-3556
web site: www.ink.org/public/kda

Tax is based on number of products registered at a rate of \$50 per product (K.S.A., Chapter 2, Article 28).

Wheat Tax
Kansas Wheat Commission
Phone: (785) 539-0255
web site: www.kswheat.com

Tax is based on wheat marketed through commercial channels at a rate of four mills per bushel (K.S.A., Chapter 2, Article 26).