INSTRUCTIONS for Claiming the Kansas Business and Job Development Credit

For Qualified Investments that Began Operations in Tax Years Commencing **on or after** January 1, 1993.

Instructions for completing Schedule K-34, Schedule K-34CO, and Schedule K-34T.

(11/99)

These Instructions Are For Those Taxpayers Who Began Operations In A Qualified Investment In Tax Years Commencing On or After January 1, 1993.

If You Began Operations In A Qualified Investment In Tax Years Commencing Prior To January 1, 1993, You Must Use The Instructions For That Period Of Time.

These instructions do not constitute advice under K.S.A. 79-3268(b). Written opinions under that statute must be requested in writing and issued in accord with Department of Revenue procedure.

REQUESTS FOR WRITTEN OPINIONS AND LEGAL INTERPRETATIONS MUST BE MADE IN WRITING TO:

OFFICE OF POLICY AND RESEARCH
KANSAS DEPARTMENT OF REVENUE
915 SW HARRISON ST.
TOPEKA, KS. 66612-1588

Topical Index

GENERAL INFORMATION

What is the Business and Job Development Credit and Who is Entitled to Claim it? The business and job development credit is a direct tax credit against the income tax or the privilege tax of banks and savings and loans and is allowable to any Kansas taxpayer who invests in a qualified business facility and who hires a certain number of qualified business facility employees as a direct result of that investment. There is no minimum amount of investment necessary to qualify; however, some investment must have been made. The taxpayer must qualify for the credit during the first taxable year that commercial operations occur at such qualified investment. There have been changes in the amount of credit allowed for qualified employees and investment and the number of qualified business facility employees necessary to qualify for the credit. Those changes are outlined under "Credit Amounts" and "Number of Qualified Business Facility Employees". The following two paragraphs show some of the differences in the credit for particular tax periods:

For Qualified Investments that Began Operations in Tax Years Commencing prior to January 1, 1993—Generally, to qualify for the credit in these years, the taxpayer must invest in a qualified business facility as defined and a minimum of two qualified employees must have been hired as a direct result of that investment. The credit may be claimed and must be recomputed each year for a ten year period and no carry over of unused credit is allowed. The statute does not set forth a minimum level of qualified investment necessary to qualify for the credit; however, some investment must have been made. In addition, the taxpayer must also show that the qualified investment directly resulted in the employment of at least two qualified business facility employees.

The statute also sets a limitation on the amount of credit a taxpayer may claim in any one year. The limitation is 50% of the tax on "qualified business facility income" for the tax year in which the credit is claimed. In no case will the total credit from all qualified investment and employees be allowed to exceed more than 50% of the Kansas income tax of the taxpayer in anyone tax year.

For additional information relating to qualified investments which began operations prior to 1-1-93, you must request the instructions specifically for that period.

For Qualified Investments that Began Operations in Tax Years Commencing after December 31, 1992—Generally, to qualify for the credit in these years, the taxpayer must invest in a qualified business facility as defined, and meet the definition of "manufacturing, nonmanufacturing or retail business". If the taxpayer is a "manufacturing business," a minimum of two qualified employees must be hired as a direct result of the investment. If the taxpayer meets the definition of "nonmanufacturing business", a minimum of five qualified employees must have been hired as a direct result of the qualified investment. "Retail businesses" qualify for the credit if the taxpayer invests in a qualified business facility as defined, and a minimum of two qualified business facility employees have been hired as a direct result of the qualified investment.

For a "retail business" the credit may be claimed and must be recomputed each year for a ten year period. If the taxpayer comes under the definition of "manufacturing or nonmanufacturing business", the credit is computed once and the remainder of the credit is carried over until utilized as long as the taxpayer maintains the minimum number of qualified employees for that type of business.

For qualified investments which began prior to December 31,1995, the statute sets a limitation on the amount of credit a taxpayer may claim in any one year. The limitation is either 50% of the tax on qualified business facility income in the case of a "retail business" and other taxpayers computing the $100 creditor 50% of the Kansas income tax in the case the taxpayer comes under the definition of "manufacturer or nonmanufacturer".

For qualified investments which began on or after January1, 1996, the statute sets a limitation on the amount of credit a taxpayer may claim in any one year in the case of a "retail business" at 50% of the tax on qualified business facility income. For manufacturers and nonmanufacturers qualified investments which began operations in tax years commencing on or after January 1, 1996, the limitation is set at 100% of Kansas income tax.

For Qualified Investments made by Privilege Taxpayers (banks and savings and loans) that Began Operations in Tax Years Commencing after December 31, 1995 (privilege tax years 1997 and forward)—Generally, to qualify for the credit in these years, the taxpayer must invest in a qualified business facility as defined and a minimum of two qualified employees must have been hired as a direct result of that investment. The credit may be claimed and must be recomputed each year for a ten year period and no carryover of unused credit is allowed. The credit is limited to 50% of the tax on qualified business facility income.

An enhanced credit is allowed to those privilege taxpayers when the qualified investment is located at the principal place from which the trade or business of the taxpayer is directed or managed and the facility has facilitated the creation of at least 20 new full-time positions for the taxable year during which the beginning of commercial operations occur at such qualified investment. Those taxpayers will compute the credit once and the remainder of the credit will be carried over until utilized as long as the taxpayer maintains the minimum number of 20 qualified employees. Since privilege taxpayers can first claim the enhanced credit after December 31, 1995, the credit limitation is 100% of Kansas privilege tax. The statute does not set forth a minimum level of qualified investment necessary to qualify for the credit; however, some investment must have been made.

Credit Amounts: The credit amounts allowable have changed for different time periods. Those changes are as follows:

1. For qualified investments that began operations in tax years commencing prior to January 1, 1993:
   a. Kansas residents and nonresidents when the qualified investment is not located in an enterprise zone—$100 for each qualified business facility employee and $100 for each $100,000 of qualified investment.
   b. Kansas residents when the qualified investment is located in an enterprise zone—$350 for each qualified employee ($500 for each qualified targeted employee as defined in the Internal Revenue Code) and $350 for each $100,000 of qualified investment.
   c. Kansas nonresidents when the qualified investment is located in an enterprise zone—$100 for each qualified business facility employee and $350 for each $100,000 of qualified investment. For additional information relating to qualified investments which began operations prior to January 1, 1993 you must request the instructions specifically for that period.
2. For qualified investments that began operations in tax years commencing after December 31, 1992:
   a. Kansas residents and nonresidents when the taxpayer meets the definition of "manufacturer or nonmanufacturer" and the investments are located in:

1) A "metropolitan county" will receive $1,500 for each qualified business facility employee and $1,000 for each $100,000 of qualified investment.

2) A "nonmetropolitan region" will receive $2,500 for each qualified business facility employee and $1,000 for each $100,000 of qualified investment.

3) Any other area will receive $1,500 for each qualified business facility employee and $1,000 for each $100,000 of qualified investment.

b. Kansas residents and nonresidents when the taxpayer does not meet the definition of "manufacturer or nonmanufacturer" will receive $100 for each qualified business facility employee and $100 for each $100,000 of qualified investment.

3. For qualified investments made by privilege taxpayers (banks and savings and loans) that began operations in tax years commencing after December 31, 1995 (privilege tax years 1997 and forward):

a. Kansas residents and nonresidents when the taxpayer's qualified investment is not the principal place from which the trade or business of the taxpayer is directed or managed and the investment has not facilitated the creation of at least 20 new full-time positions for the taxable year will receive $100 for each qualified business facility employee and $100 for each $100,000 of qualified investment.

b. Kansas residents and nonresidents when the taxpayer's qualified investment is the principal place from which the trade or business of the taxpayer is directed or managed and the investment has facilitated the creation of at least 20 new full-time positions for the taxable year and is located in:

1) A "metropolitan county" will receive $1,500 for each qualified business facility employee and $1,000 for each $100,000 of qualified investment.

2) A "nonmetropolitan region" will receive $2,500 for each qualified business facility employee and $1,000 for each $100,000 of qualified investment.

3) Any other area will receive $1,500 for each qualified business facility employee and $1,000 for each $100,000 of qualified investment.

Number of Qualified Business Facility Employees: The number of qualified business facility employees necessary to claim the credit has changed for different time periods. Those changes are as follows:

1. For qualified investments that began operations in tax years commencing prior to January 1, 1993:

a. The number of qualified business facility employees must equal or exceed two.

For additional information relating to qualified investments which began operations prior to January 1, 1993, you must request the instructions specifically for that period.

2. For qualified investments that began operations in tax years commencing after December 31, 1992:

a. When the taxpayer meets the definition of "non-manufacturer" the number of qualified business facility employees must equal or exceed five.

b. When the taxpayer meets the definition of "manufacturer" the number of qualified business facility employees must equal or exceed two.

c. When the taxpayer meets the definition of a "retailer" the number of qualified business facility employees must equal or exceed two.

d. When the taxpayer meets the definition of a "retailer" and the facility where the investment is being made is the:

- business headquarters of the enterprise, or
- ancillary support of the enterprise,

the number of qualified business facility employees must equal or exceed 20.

e. When the taxpayer is designated under standard industrial classification codes 5961 or 7372, the number of qualified business facility employees must equal or exceed 20.

3. For qualified investments made by privilege taxpayers (banks and savings and loans) that began operations in tax years commencing after December 31, 1995 (privilege tax years 1997 and forward):

a. When the taxpayer's qualified investment is not the principal place from which the trade or business of the taxpayer is directed or managed the number of qualified business facility employees must equal or exceed two.

b. When the taxpayer's qualified investment is the principal place from which the trade or business of the taxpayer is directed or managed the business must have created at least 20 new full-time positions for the taxable year if the taxpayer wishes to claim the enhanced credit.

When computing the average number of qualified business facility employees for all credits, any fraction of an employee less than one cannot be rounded up.

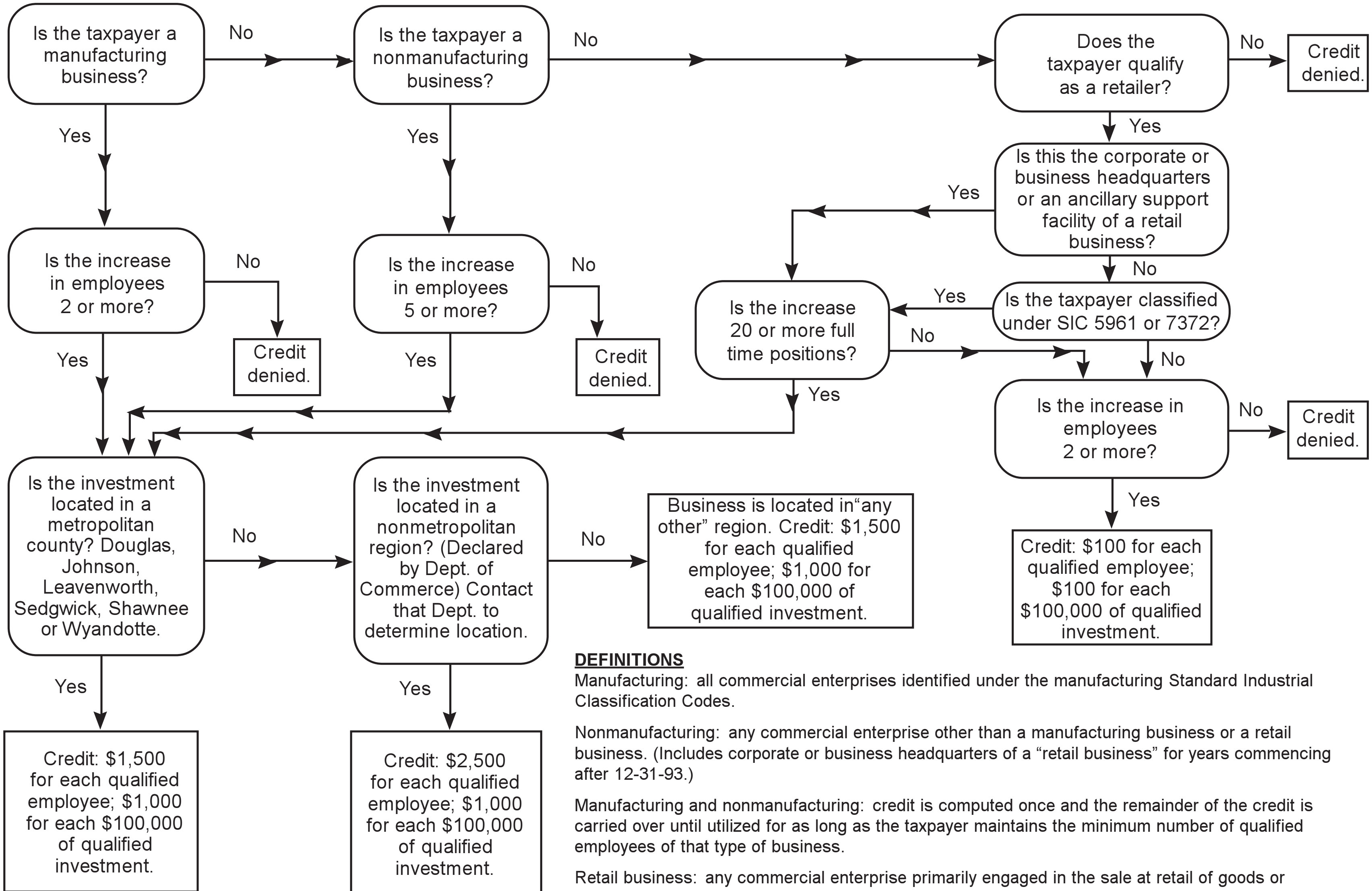
When to File: The Schedule K-34, K-34CO and K-34T are to be filed with the tax return in which you claim the credit. Taxpayers electing to defer the credit must complete and enclose schedule K-34 to the tax return for the year in which commercial operations began at the qualified investment.

If you are qualifying for a tax year in which you previously filed a tax return, you must enclose your K-34, K-34CO and K-34T, as applicable, to an amended tax return for the year you are amending.

Income Tax
Quick Reference Flowchart

For Facilities Which Began Operations On or After January 1, 1993

For a quick reference as to whether you qualify for the credit please use the flowchart below.



DEFINITIONS

Manufacturing: all commercial enterprises identified under the manufacturing Standard Industrial Classification Codes.

Nonmanufacturing: any commercial enterprise other than a manufacturing business or a retail business. (Includes corporate or business headquarters of a “retail business” for years commencing after 12-31-93.)

Manufacturing and nonmanufacturing: credit is computed once and the remainder of the credit is carried over until utilized for as long as the taxpayer maintains the minimum number of qualified employees of that type of business.

Retail business: any commercial enterprise primarily engaged in the sale at retail of goods or services, or both. Credit must be recomputed each year for a ten year period.

Corporate or business headquarters: a qualified investment where principal officers of the corporation or business are housed and from which direction, management or administrative support for transactions is provided for a corporation, business or a division of a business or regional division of a business.

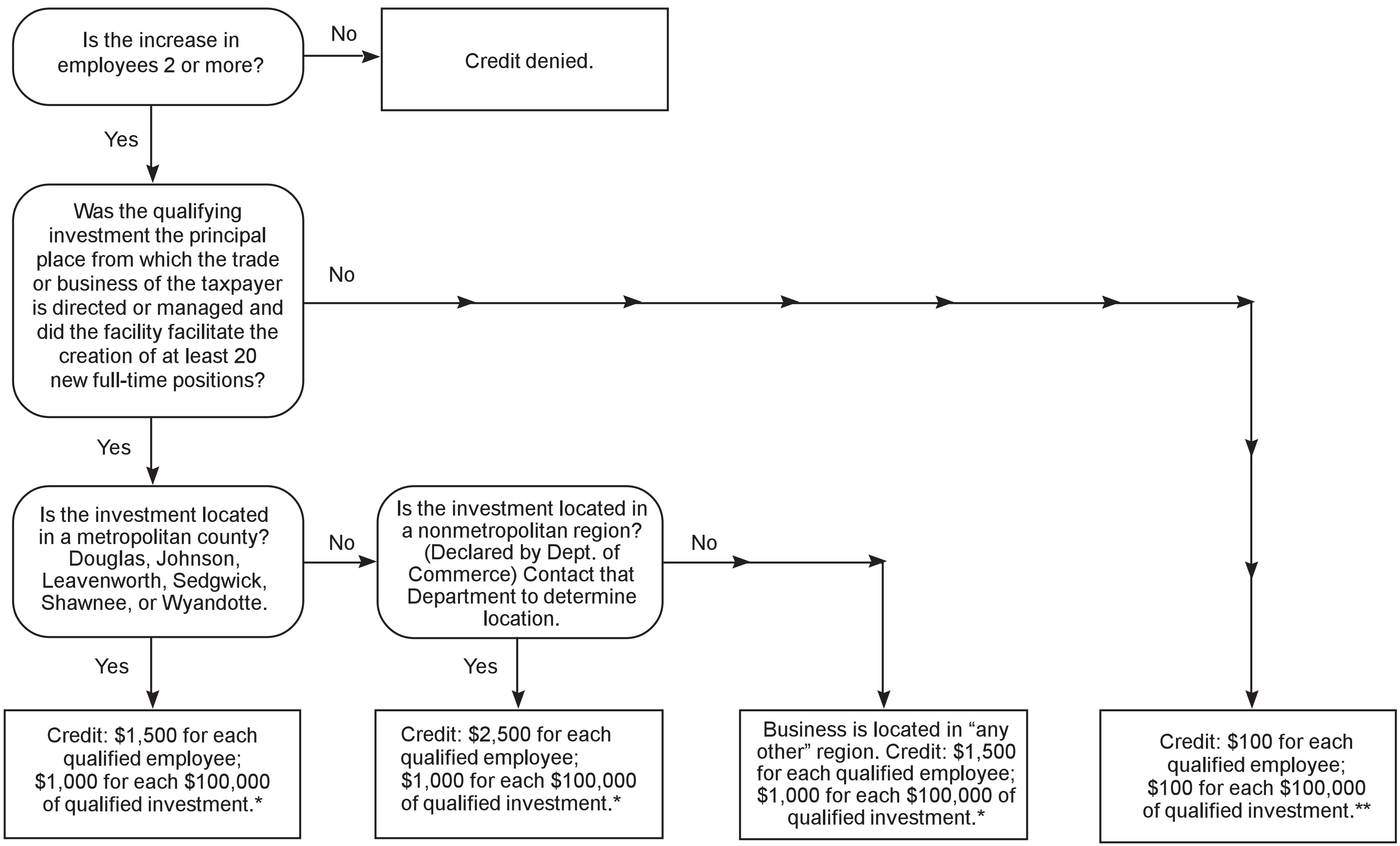
Ancillary support: a facility which is operated by a business and whose function is to provide services in support of the business, but is not directly engaged in the business’ primary function.

SIC 5961: Catalog and Mail-Order Houses

SIC 7372: Prepackaged Software

Privilege Tax (Banks and Savings & Loans)
Quick Reference Flowchart

For a quick reference as to whether you qualify for the credit please use the flowchart below.



* Credit is computed once and the remainder of the credit is carried over until utilized as long as the taxpayer maintains the minimum number of qualified employees.

** Credit must be recomputed each year for a ten year period.

GENERAL QUESTIONS AND ANSWERS

These questions, answers and instructions in general do not constitute advice under K.S.A. 79-3268(b). Written opinions under that statute must be requested in writing and issued in accord with Department of Revenue procedure.

Ancillary Support and SIC Codes 5961 and 7372

Question

Under the definition of nonmanufacturing business a credit is allowed for the ancillary support of an enterprise. A credit is also allowed under nonmanufacturing for enterprises designated under the standard industrial classification codes 5961 and 7372. What types of taxpayers are qualified under that term and those codes? When can I claim the credit for these types of business'?

Answer

Ancillary support means a facility which is operated by a business and whose function is to provide services in support of the business, but is not directly engaged in the business' primary function. In order to obtain information regarding the definition of "Ancillary Support", you may contact:

Kansas Department of Commerce and Housing
700 SW Harrison Street, Suite 1300
Topeka, KS 66603-3712
(785) 296-5298

The Department of Commerce and Housing will make an initial recommended determination and, if the recommendation is "qualified", will ultimately provide you with the required statement which includes a finding by the Secretary of Commerce and Housing that the job expansion incident to the credit claimed would not have occurred in the absence of the credit. This statement is to be attached to the income tax return when initially claiming the credit for the ancillary support facility.

SIC code 5961 is for catalog and mail-order houses and SIC code 7372 is for pre-packaged software.

The credit for these types of business' may be claimed for those qualified investments that began operations in tax years commencing after December 31, 1995.

Base—When to Use It—Different Locations

Question

A taxpayer has a facility in one city and begins a qualified investment in Wichita (not in Wichita before). Does the qualified investment in Wichita need to use a base?

Answer

No. The most common uses of a "base" are shown below.

Base—When to Use It

Question

When must I use a base of employees and investment?

Answer

The most common times a base would be used are as follows:

1. When you are adding onto an existing facility;
2. When you are adding a qualified investment into an existing facility;
3. When you move a facility from one location in Kansas to another location in Kansas;
4. When you transfer employees and/or investment from one location in Kansas to a new location in Kansas.

Business—"Manufacturer or Nonmanufacturer" Claiming the Credit Under the Ten Year Recomputation

Question

Can a manufacturer or a nonmanufacturer that meets the definition of "business" claim the credit under K.S.A. 79-32,153 instead of K.S.A. 79-32,160a?

Answer

Yes. They may claim the credit as allowed under K.S.A. 79-32,153. However, once they have begun claiming the credit under one method they must continue through the life of the credit. They will be allowed $100 for each qualified employee and for each investment credit factor and they must recompute the credit for each of the 10 years. They must also follow any other limitations under that law.

Beginning Operations in Middle of the Tax Year

Question

I am a calendar year taxpayer and I began operations at my qualified investment on August 18. How should I complete Parts I and II of the K-34 for the current number of employees and current amount of investment at the end of each month?

Answer

K.S.A. 79-32,154(d) and (e) provide that if the qualified investment is in operation for less than the entire year, the number of qualified business facility employees and the qualified investment shall be determined by dividing the sum of the total employees and value of investment by the number of full calendar months which the qualified investment was in operation. In the instance above the taxpayer would enter and add the full months of September through December for the number of employees and amount of investment and divide by 4.

Beginning Operations at the End of the Tax Year

Question

I am a calendar year taxpayer and I began operations at my qualified investment on December 18. Can I claim a tax credit this tax year?

Answer

No. K.S.A. 79-32,154(d) and (e) provide that if the qualified investment is in operation for less than the entire year, the number of qualified business facility employees and the qualified business facility investment shall be determined by dividing the sum of the total employees and value of investment by the number of full calendar months which the qualified investment was in operation. Since the qualified investment was not in operation for a full month, the taxpayer cannot claim a credit for this tax year. They will be eligible to claim the credit for the next tax year beginning in January for the qualified investment which began operations December 18th of the preceding tax year. In this instance, if they need to compute a base, they should not include the new employees hired on the18th for the new facility nor should they include the new investment in the base.

More than One Investment—Same Location—"Retailers" and other taxpayers computing the $100 credit

Question

The taxpayer has operated a business in the same location since the 1950's. In 1992 an investment was made that resulted in the hiring of additional employees so credit 1 was started. In 1993 credit 2 was started because a new investment resulted in more employees. In 1994 again a qualified investment directly resulted in the hiring of more than two employees. How is the credit computed for each year? The credit is claimed under K.S.A. 79-32,153.

Answer

The method below is to be used to compute business and job development credit when a business has more than one credit. Once qualified investment is created, the number of qualified employees and the amount of qualified investment for the prior year is "frozen" and the numbers and amounts remain the same for the remainder of the credit unless there is a decrease in employment or investment below the "base". The qualified business facility income and tax (2 factor formula) will be recomputed each year with the denominator being the current year's figures.

Tax Year	1992	1993	1994
1992 Qualified Employees			
Average employees for the year	20		
Base average employees for prior year	15		
Qualified employees for this qualified investment	5	5 *	5 *
1993 Qualified Employees			
Average employees for the year		28	
Base average employees for prior year		20	
Qualified employees for this qualified investment		8	8 *
1994 Qualified Employees			
Average employees for the year			32
Base average employees for prior year			28
Qualified employees for this qualified investment			4

* This number will remain "frozen" through the ten year period, unless there is a decrease in employment.

Moving the Qualified Business Facility Investment—All of the Old Investment was Sold—"Retailers" and other taxpayers computing the $100 credit

Question

A taxpayer that previously qualified for the credit and still has 5 years remaining to recompute the credit moves their original qualified business facility investment to another location. The old building was sold and the taxpayer purchased a new building and new equipment. They still have the same number of employees. How is their credit computed? The credit is being claimed under K.S.A. 79-32,153.

Answer

The credit for which the taxpayer previously qualified would be continued for the remainder of the 10 year period.

Moving the Qualified Business Facility Investment—New Employees—"Retailers" and other taxpayers computing the $100 credit

Question

A business that previously qualified for the credit and still has 5 years remaining to recompute the credit moves their original qualified business facility investment to another location. The old building was sold and the taxpayer purchased a new building and new equipment. They hired 8 new employees over and above their old employees. Are they entitled to a new credit over and above their old credit? The credit is being claimed under K.S.A. 79-32,153.

Answer

They are still entitled to their old credit. Even though the taxpayer had investment over and above the prior year base, if the taxpayer did not hire the 8 new employees as a direct result of that investment, they would not be entitled to another new credit.

Moving the Qualified Business Facility Investment—New Employees and Investment—"Retailers" and other taxpayers computing the $100 credit

Question

A business that previously qualified for the credit and still has 5 years remaining to recompute the credit moves their original qualified business facility investment to another location and also makes additional investment and hires additional employees at that new location. Is the taxpayer entitled to the remainder of their original credit and how is it computed and is the taxpayer entitled to a new credit on the new qualified investment? The credit is being claimed under K.S.A. 79-32,153.

Answer

The taxpayer is entitled to the remainder of the credit on their original qualified investment and employees. The 1992 qualified employees and investment would be "frozen".

The taxpayer would also qualify for a second credit if they had investment over and above the prior year's base and hired the necessary number of qualified employees as a direct result of that investment.

Moving the Qualified Business Facility Investment—Some of the Qualified Investment Retained—"Retailers" and other taxpayers computing the $100 credit

Question

A taxpayer that previously qualified for the credit and still has 5 years remaining to recompute the credit moves their original qualified business facility investment to another location. Can the taxpayer still claim the credit? Does the credit start over? I kept some of the old qualified investment and made additional investment over and above the dollar value at the old facility at the new location, do I get a credit for that additional investment? The credit is being claimed under K.S.A. 79-32,153.

Answer

The credit for which the taxpayer previously qualified would be continued for the remainder of the 10 year period. The total investment at the new location would be limited to the lesser of the amount of investment at the old facility or the amount of investment at the new facility. However, see specific line instructions for Schedule K-34, Part II, line 9. If a "base" was used to compute the credit at the old facility, the same base numbers must be used at the facility the taxpayer moved to. If they were initially in an enterprise zone and moved to a different enterprise zone area, or if they were in a zone and moved to an area where they were not in a zone, they would not receive the enhanced enterprise zone credit. If they were not in a zone and moved to a zone, they would not receive the zone credit.

"Nonmanufacturer" and Not Enough Employees

Question

If a taxpayer meets the definition of "nonmanufacturer" and they only have 4 qualified employees, can they still receive a tax credit?

Answer

Yes. Instead of claiming the credit under K.S.A. 79-32,160a, they may claim the credit as allowed under K.S.A. 79-32,153 if they have at least two qualified employees. They will be allowed $100 for each qualified employee and for each investment credit factor and they must recompute the credit for each of the 10 years. They must also follow any other limitations under that law.

Previously Failed to Claim the Credit. Is it too Late?—"Retailers" and other taxpayers computing the $100 credit

Question

I bought some machinery in 1988 and hired 4 employees as a direct result and I have not filed a K-34 and claimed the credit. May I do so at this time? Can I elect to defer the credit at this time also? The credit is being claimed under K.S.A. 79-32,153.

Answer

In order to claim the credit you will need to complete a K-34 and related schedules for the 1988 tax year (the year operations began at the qualified investment) to show that you initially qualified at that time. Schedules for the initial year you began operations should be enclosed with an amended return and submitted to the Department. You may claim the credit in any prior tax years that have not been closed by statute; however, the years leading up to the years not closed by statute will count as part of the 10 years of recomputation. While amended returns may be filed for tax years closed by statute, refunds will not be made for those years.

In order to make an election to defer the credit, the year the taxpayer began operations at the qualified investment must not be closed by statute. See "Election to Defer Credit" under "Definitions and Terms" for the statute of limitations.

Previously Failed to Claim the Credit. Is it too Late?—Manufacturers and Nonmanufacturers and others computing the enhanced credit.

Question

I bought some machinery in 1994 and hired 4 employees as a direct result but have not filed a K-34 and claimed the credit. May I do so at this time? The credit is being claimed under K.S.A. 79-32, 160a.

Answer

A taxpayer may complete an amended return for 1994 in order to establish the credit under K.S.A. 79-32,160a, that may be carried forward for use in an open year. To establish the credit for the closed year, the taxpayer must show that an investment was made and that the appropriate number of qualified business facility employees were hired as a direct result of the investment. Once a credit is established for the closed year and that credit is applied against that closed year's tax liability, any credit remaining from that closed year may be carried forward to each succeeding year as long as the taxpayer has maintained the required minimum number of qualified business facility employees. Any carryover shall be applied against each closed year's tax liability until the oldest year that is open for purposes of the statute of limitations is reached. For that year, the Department will issue a refund or credit based on the amended return being filed, provided that a credit remains after having applied the carryforward to each preceeding closed year's tax liability. The Department will not issue a refund for any years that are closed by the statute of limitations. If at any time during the carryforward period the minimum number of qualified business facility employees are not maintained, the credit ends.

Recertifying to Claim the Credit

Question

A taxpayer claims the credit and uses the carryover provisions allowed since they meet the definition of "manufacturer or nonmanufacturer." Does the taxpayer need to maintain the same number of employees they originally qualified for in the original tax year to recertify and claim the carryover credit?

Answer

No. They only need to recertify that they have maintained either two, five or twenty, depending upon the minimum number of employees necessary to qualify. To recertify, the taxpayer must complete schedule K-34CO indicating that the minimum number of employees have been maintained.

Reduction of Qualified Employees and Investment—"Retailers" and other taxpayers computing the $100 credit

Question

A taxpayer has qualified for three investments (1989—5 employees and $200,000 investment; 1990—4 additional employees and $58,000 investment; 1991—6 additional employees and $28,000 investment). During 1992, 8 employees were laid off and one piece of equipment was sold for $25,000 as scrap. In 1993, 2 new pieces of equipment were purchased for $75,000 and employees were increased by 2 as a direct result. How do I compute the credit for 1992 and 1993? Do the two people hired in 1993 qualify for a new credit? The credit is being claimed under K.S.A. 79-32,153.

The facts are as follows:

		Average Employees	Average Investment
1989	(Qualified Business Facility Investment #1)		
	Total	5	$200,000
	Base	0	0
	Qualify	5	$200,000
1990	(Qualified Business Facility Investment #2)		
	Total	9	$258,000
	Base	5	200,000
	Qualify	4	$ 58,000
1991	(Qualified Business Facility Investment #3)		
	Total	15	$286,000
	Base	9	258,000
	Qualify	6	$ 28,000
1992			
	Total employees remaining 7		
	Total investment remaining $261,000		

Answer

Because the employees decreased to 7 in 1992, before subtracting out a base, only the 1989 and 1990 credit can be used in 1992. This is because the taxpayer has 5 qualified employees for the original 1989 credit and 2 qualified employees for the 1990 credit (7 employees less the base of 5). They also have investment of $261,000 remaining, $200,000 for 1989, $58,000 for 1990 and $3,000 for 1991. They cannot receive a credit for the 1991 investment since they have no employees remaining for that investment. The taxpayer will have received a credit for the following:

1989 Qualified Business Facility Investment—credit in 1989, 1990, 1991 and 1992
1990 Qualified Business Facility Investment—credit in 1990, 1991 and 1992
1991 Qualified Business Facility Investment—credit in 1991

For the year 1993 even though additional investment was made and additional employees were hired, the taxpayer cannot claim the credit for another qualified business facility investment since the taxpayer is now back to their 1990 level of 9 total employees.

For the 1993 year the 1989 and 1990 qualified business facility investment credit may be claimed.

Same or Substantially Identical Revenue Producing Enterprise

Question

The taxpayer purchased a facility that was previously a fast food restaurant. The taxpayer is also a fast food restaurant. The building has been empty for the past three months. Negotiations to purchase or rent the old facility began after the facility was closed by the previous owner. Does this facility qualify for the credit?

Answer

The fact that negotiations began after the old restaurant was closed is persuasive evidence that the facility was not part of an overall plan to acquire an ongoing business and if the taxpayer otherwise qualifies for the credit they may claim the credit.

Subchapter S Corporation/Partnership/Sole Proprietorship

Question

The taxpayer is a subchapter S corporation and qualifies for the credit as a "manufacturer". The business had a loss. Are the shareholders entitled to claim a credit on their individual tax returns for that period?

Answer

If the subchapter S corporation qualified and is defined as a "manufacturer" in the business and job development credit law they may claim the credit at the individual level if they had a tax due on their individual return. For qualified investments which commenced on or after January 1, 1996, the statute sets a limitation of the amount of credit a taxpayer may claim in any one year in the case of a "retail business" at 50% of the tax on qualified business facility income. The 50% limitation of Kansas income tax remains for manufacturers' or nonmanufacturers' qualified investments which commenced prior to January 1, 1996. For manufacturers and nonmanufacturers qualified investments which began operations in tax years commencing on or after January 1, 1996, the limitation is set at 100% of Kansas income tax. If the credit is computed under K.S.A. 79-32,153, they would not be entitled to a credit if the business had a loss for that year due to the language contained in the law that refers to qualified business facility income.

Subchapter S Corporation/Partnership/Sole Proprietorship

Question

A subchapter S corporation meets the definition of "manufacturer or nonmanufacturer" in a tax year. How do I compute the amount of credit for each shareholder?

Answer

Each shareholder must file the K-34, K-34CO and K-34T, as applicable, showing that shareholders' share of the subchapter S corporation's information necessary to claim the credit (a copy of those schedules as filed with the subchapter S corporation must also be included).

Subchapter S Corporation/Partnership—Schedules Required

Question

What schedules are required to be filed with the subchapter S corporation and partnership returns? What schedules are required to be filed by the shareholders and partners?

Answer

The subchapter S corporation or partnership must file the Schedule K-34:

1. When a taxpayer is claiming a brand new credit (first year);
2. To show that they qualify for a credit and elect to defer the beginning of the credit (see "Election to Defer Credit").
3. When recomputing a ten year tax credit for which the tax payer had previously qualified.

Schedules K-34CO and K-34T are not to be filed with the subchapter S corporation or partnership return. The corporation or partnership must provide a copy of the Schedule K-34 to their shareholders or partners to enable them to claim the credit.

The Schedule K-34 is to be completed in full by the corporation or partnership with the following exception. If the qualifying facility began to be used in tax years commencing before 1-1-93 or if it began in tax years commencing after 12-31-92 and the activity of the qualified investment is retail or service, the corporation or partnership is not to complete lines 16 through 18 on the face of Schedule K-34. That area will be completed by the shareholders or partners.

The shareholders or partners may require the corporation or partnership to complete part of the Schedule K-34CO for any qualified investments the shareholders or partners are still carrying over a credit for. The corporation or partnership must complete the back of the Schedule K-34CO for each qualified investment and lines A through D on the face of the schedule. Those schedules are for the shareholders or partners and are not to be filed with the subchapter S corporation or partnership return.

The shareholder or partner must submit a copy of the Schedule K-34 as received from the corporation or partnership, a Schedule K-34CO as jointly completed by the corporation or partnership and shareholder or partner, if applicable, and a Schedule K-34T as completed by the shareholder or partner. If the shareholder or partner has a carryover credit, they must request the corporation or partnership to provide them with a Schedule K-34CO that is completed on the back showing the number of qualified employees for the facility for which the shareholder or partner is claiming the credit. The corporation or partnership must also complete lines A through D on the face of the schedule. The shareholders or partners must complete the remainder of Schedule K-34CO.

Subchapter S Corporation/Partnership—Shareholders and Partners—Completion of Schedules

Question

Based on the question and answer relative to "Subchapter S Corporation/Partnership—Schedules Required", how do I as a shareholder or partner complete the necessary schedules?

Answer

Schedule K-34:

Schedule K-34 will be provided to you from the corporation or partnership. The information provided on these schedules will be for all shareholders or partners therefore you must include only your ownership percentage in your computation of the credit claimed.

In the event the corporation or partnership has completed lines 9 through 15 of the Schedule K-34, the shareholder or partner must complete lines 16 through 18 based upon their ownership percentage. This computation is shown in the Specific Line Instructions for line 16 on the front of Schedule K-34. If line 15 is a loss, no credit is allowed for this year since the qualified facility has no qualified business facility income. It is requested that a copy of the computations from total corporation or partnership to shareholder or partner ownership percentage accompany the schedules. Please remember that for line 18 where the schedule says to enter line 14 or 17, whichever is less, you must multiply line 14 by your ownership percentage to determine the amount of that line for your purposes. Therefore, for line 18 you will have your ownership percentage of line 14 or the amount on line 17, whichever is less.

If the corporation or partnership has completed lines 19 through 24 of Schedule K-34, the shareholder or partner will use their ownership percentage to multiply by the total business and job development credit available (line 24) to arrive at their portion of the credit available. Each qualified facility must be multiplied separately in order to keep track of the facility for which a credit is being carried over for. This will enable the shareholder or partner to request that the corporation or partnership complete the Schedule K-34CO for the qualified facilities for which they are claiming the credit. A copy of the computation used to calculate the shareholder's or partner's share of line 18 must accompany the schedules.

Schedule K-34CO:

If a carryover credit is available you must request the corporation or partnership to provide you with a Schedule K-34CO. You must advise them as to the facilities for which you still have a carryover remaining. They will complete the back of the schedule for those specific facilities and lines A through E on the front of the schedule. You must complete the remainder of Schedule K-34CO based on your own information. Schedules must be enclosed as necessary to show the computations.

Schedule K-34T:

Schedule K-34T is to be completed based on your individual information. The income tax liability on line 2 is the amount of actual tax liability on your return. Schedules must be enclosed as necessary to show the computations.

Two-Factor Formula and the Qualified Business Facility Income

Question

When must I use the two-factor formula of property and payroll to compute the qualified business facility income?

Answer

Whenever a qualified business facility investment and employees are claimed and the taxpayer has other property and/or payroll in Kansas the two-factor formula of property and payroll must be used to compute qualified business facility income. However, if the qualified investment meets the definition of "manufacturer or nonmanufacturer", the two-factor formula is not used since the taxpayer does not need to determine qualified business facility income.

Two-Factor Formula—More than One Investment in Kansas

Question

When am I required to use the two-factor formula of property and payroll to determine qualified business facility income?

Answer

Taxpayers who qualify under the definition of "Retail Business" and other taxpayers computing the $100 credit must use the two-factor formula when you already are doing business in Kansas and then begin business at a qualified investment. This is required whether you are adding investment and employees in an existing facility or adding qualified investment at another location across the state.

GENERAL SITUATIONS AND SOLUTIONS

1. The following are examples of possible situations and their respective solutions; however, these are scenarios only because different conditions would change the way the credit is computed:
   a. New Building/Building Addition at Existing Location—
   The credit is being claimed under K.S.A. 79-32,153. Since this is an existing location it will be necessary to compute a base of the prior year's investment and employees. For the taxable year prior to the business year you placed the qualified investment and employees into operational status you must complete the "base" information showing the number of employees and amount of investment at the end of each month and divide by the number of months used. The average amounts will be entered on line 3 and line 7(employee and investment base) of Part I and Part II of Schedule K-34. Those base amounts will remain the same for the entire ten year period. The total employees and total investment at line 1 and line 6 of Part I and Part II will include both old and new employees and old and new investment at the old facility and qualified investment. The number of employees after subtraction of the base are the qualified business facility employees. The amount of investment after subtraction of both the base and the amount of investment <u>not</u> directly related to qualified business facility employees is the allowable qualified investment. While the base remains the same for the ten year period, the total employees and total investment must be recomputed each new tax year for the ten year period. If you moved employees and/or investment from one location in Kansas to another location in Kansas, those employees and that investment would be added to the base. You would complete the information for each full month the business was in operation during the tax year. If during the first tax year the business was in operation for only three months, the employees and investment would be entered for those three months only, beginning with the first full month of operation.
   b. New Investment in Existing Building—
   The credit is being claimed under K.S.A. 79-32,153. This would be new investment at an existing location such as machinery. The credit would be computed the same as the credit was computed under "New Building/Building Addition at Existing Location".
   c. New Building at New Location—
   The credit is being claimed under K.S.A. 79-32,153. Since this is a new building at a new location, there will be no base to compute unless employees and/or investment from another Kansas location have been transferred and are being used. In that case the base would be the employees and investment from that other location.
   You would complete the information for each month the business was in operation during the tax year. If during the first tax year the business was in operation for only three months, the employees and investment would be entered for those three months only beginning with the first full month of operation. The total employees and investment would be recomputed each new tax year for the ten year period.
   d. Replacement of Old Building at Existing or New Location—
   The credit is being claimed under K.S.A. 79-32,153. If the old building was totally replaced and the taxpayer has no activity at the old building, the credit will be computed as it was under "New Building/Building Addition at Existing Location".
2. The credit is being claimed under K.S.A. 79-32,153.
   For qualified investments and employees that began operations in tax years commencing prior to January 1, 1993, a Schedule K-34 is required for each qualified investment for each year the taxpayer is claiming a credit. If the taxpayer began a qualified investment in 1991, one Schedule K-34 would be needed. If the same taxpayer hired two qualified employees as a direct result of additional investment in 1992, two Schedule K-34's would be required for 1992, one for the 1991 credit and one for the 1992 credit. For qualified investments which began in tax years commencing after December 31,1992, in the case the taxpayer is a "manufacturing or nonmanufacturing business", a Schedule K-34 is required for each qualified investment for the first year the taxpayer is claiming a credit and a Schedule K-34CO must be used for each subsequent year if the taxpayer still has a carryover credit to utilize. If the taxpayer began a qualified investment in 1993, one Schedule K-34 would be needed. If the same taxpayer added qualified investment and two qualified employees in 1994, one Schedule K-34 would be required for 1994 and one Schedule K-34CO may be necessary if the1993 credit had not been fully utilized in 1993. In either case, a Schedule K-34T would be needed to accompany Schedule K-34 and/or Schedule K-34CO.
3. For qualified investments which began in tax years commencing prior to January 1, 1993, or if you are not classified as a "manufacturer or nonmanufacturer" and other taxpayers computing the $100 credit for qualified investments which began in tax years commencing after December 31,1992, qualified business facility income must be determined by use of a 2-factor formula if the taxpayer is doing business in Kansas at any place other than the qualified investment. For instance, if a taxpayer who does not otherwise have any business activity in Kansas begins activity at a qualified investment, that taxpayer would not use a 2-factor formula to determine qualified business facility income. All of his income is qualified business facility income. However, if a taxpayer is doing business in Kansas and then begins a qualified investment in Kansas, that taxpayer must use the 2-factor formula. Basically anytime you subtract out a base or have a business at other locations in Kansas you must use the formula.

DEFINITIONS AND TERMS

Through the years the business and job development credit law has had major changes involving various time periods. The following definitions have been matched to those time periods and you should locate the time period that matches your situation. There are two basic time periods listed in this booklet:

1. *For qualified investment and employees that began operations in tax years commencing on or after January 1, 1993 and prior to January 1, 1996; and,*
2. *For qualified investment and employees that began operations in tax years commencing on or after January 1, 1996.*

For qualified investment and employees that began operations in tax years commencing prior to January 1, 1993, you must request the instructions specifically for those periods.

For Qualified Investments Beginning in Tax Years Commencing on or after January 1, 1993 and prior to January 1, 1996

Base: Whenever a taxpayer adds qualified investment and employees at an existing location (new building, building addition, or additional investment in an existing building) it will be necessary to compute a base of the prior year's investment and employees. For the taxable year prior to the business year you placed the qualified investment and employees into operational status you must complete the "base" information showing the number of employees and amount of investment at the end of each month. The base will be computed and entered in Part I and Part II of Schedule K-34. Those base amounts will remain the same for the entire ten year period in the case of a "retailer and other taxpayers computing the $100 credit." In the case of a "manufacturer or nonmanufacturer" the base is used in the initial computation only; however, the employee base must be used for recertification for using any carryover credit available. See the last paragraph of the definition of "Qualified Business Facility Investment" and "Qualified Business Facility Employee".

Business: Business means any manufacturing business or nonmanufacturing business.

Business and Job Development Credit: The business and job development credit may be deducted from a taxpayer's Kansas income tax liability if the taxpayer invests in a new business facility and hires two, five or twenty, depending upon the minimum number of employees necessary to qualify. The credit may be claimed for the taxable year that commercial operations began, or at the election of the taxpayer, up to the third year following the taxable year that commercial operations began, and for each of the nine (9) succeeding taxable years in the case of a "retailer" and other taxpayers computing the $100 credit. In the case of a "manufacturer or nonmanufacturer" the credit is computed once and any remaining amount is carried forward. In order for the department to determine if the taxpayer is entitled to the credit a Schedule K-34 must be completed along with all supporting schedules and enclosed with the return.

To qualify for this credit the taxpayer must invest in a qualified investment as defined, and the number of qualified employees as outlined in "Number of Qualified Business Facility Employees" must have been hired as a direct result of the qualified investment at the facility for the taxable year for which the credit is claimed.

Commencement of Commercial Operations: Commencement of commercial operations shall be deemed to occur during the first taxable year the qualified investment is available for use by the taxpayer, or first capable of being used by the taxpayer, in the revenue producing enterprise in which the taxpayer intends to use the qualified investment.

Corporate Headquarters: Corporate headquarters means a qualified investment where principal officers of the corporation are housed and from which direction, management or administrative support for transactions is provided for a corporation or division of a corporation.

Election to Defer Credit: A "retailer" and other taxpayers computing the $100 credit, may elect to defer the commencement of the ten year period to any taxable year not later than the third taxable year following the commencement year. The taxpayer must exercise such election by attaching a written statement to Schedule K-34 for the taxable year in which commercial operations began at the qualified investment. Once the election has been perfected, the credit will be allowed for the taxable year specified in the election and for each of the nine succeeding taxable years.

If the taxpayer is electing to defer, in order for the department to determine if the taxpayer is entitled to the credit in the first year of operations, a Schedule K-34 must be completed along with all supporting schedules, and enclosed with the return along with the election.

The election may be made at any time as long as the tax year in which commercial operations began at the qualified investment has not expired by statute. The statute of limitations is as follows:

1. Four year limitation for tax years ending before January 1, 1989;
2. Three year limitation for tax years commencing after December 31, 1988.

Facility: A facility is defined as any factory, mill, plant, refinery, warehouse, feed lot, building or complex of buildings located within the state, including the land on which the facility is located and all machinery, equipment, and other real and tangible personal property located at or within the facility used in connection with the operation of the facility. If there is a complex of buildings, the entire complex (including all buildings in the complex) is considered by the Department of Revenue to be a single facility.

Facility includes the installation of new equipment, machinery, etc., in an existing building owned or leased by the taxpayer.

Facility Types Which Are Specifically Not Allowed a Credit: No credit will be allowed for an investment in a public utility as defined in K.S.A. 66-104 or a swine confinement facility as defined in K.S.A.17-5903.

1. Public Utility is defined in K.S.A. 66-104
2. Swine Confinement Facility means the land, structures and related equipment owned or leased by a **corporation** and used for housing, breeding, farrowing, or feeding of swine in an enclosed environment. The term includes within its meaning only such agricultural land as is necessary for proper disposal of liquid and solid wastes in environmentally sound amounts for crop production and to avoid nitrate buildup and for isolation of the facility to reasonably protect the confined animals from exposure to disease.

Full-time Employee: A person who is employed by a manufacturing, nonmanufacturing or retail business to perform duties in connection with the operation of the business on:

1. a regular full-time basis;
2. a part-time basis, providing such person is customarily performing such duties at least 20 hours per week throughout the taxable year; or
3. a seasonal basis, provided such person performs such duties for substantially all of the season customary for the position in which such person is employed.

Leaving the Facility-Investment/Employees: No credit will be allowed for any investment that leaves the facility per K.S.A. 79-32,153(a) and 79-32,160a. This would include, but not be limited to, motorized vehicles. Employees at a qualified investment must spend in excess of 50% of their time at the qualified investment in order to qualify as an employee of that qualified investment.

Manufacturing Business: Manufacturing business means all commercial enterprises identified under the manufacturing Standard Industrial Classification Codes, major groups 20 through 39.

Metropolitan County: Metropolitan county means the county of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, or Wyandotte.

Nonmanufacturing Business: Nonmanufacturing business means any commercial enterprise other than a manufacturing business or a retail business. Nonmanufacturing business shall also include the corporate headquarters of an enterprise, regardless of the firm's classification as a retail business if that facility for which the sales tax exemption certificate is issued facilitates the creation of at least 20 new full-time positions.

Nonmetropolitan Region: A region established under K.S.A. 74-50,116 and amendments thereto and is comprised of any county or counties which are not metropolitan counties. You should contact the Department of Commerce and Housing to determine which counties have been designated as nonmetropolitan regions. Any qualified taxpayer who invests in a qualified business facility which is located in a designated nonmetropolitan region will be allowed an enhanced credit for qualified business facility employees located at that qualified investment. (See "General Information", "Credit Amounts" for additional information.)

Qualified Business Facility: A facility must meet the following requirements:

1. The facility must be employed by the taxpayer in the operation of a revenue producing enterprise as defined. It will not be considered a new business facility if the taxpayer's only activity is to lease it to another person or firm. If the taxpayer employs only a portion of the facility in the operation of a revenue producing enterprise, and leases another portion of the facility to another person or firm, that portion employed by the taxpayer in the operation of a revenue producing enterprise shall be considered as a new business facility if the other requirements are met.
2. If it was acquired by the taxpayer from another person or firm, the facility must not have been employed immediately prior to the transfer of its title to the taxpayer, or the beganment of the term of its lease to the taxpayer, in the same or substantially identical revenue producing enterprise as the facility was employed in by the person or firm the facility was acquired from.

Qualified Business Facility Employee: A qualified business facility employee is defined as a person who is employed by the taxpayer in the operation of the qualified investment during the taxable year for which the credit is claimed. A person will be deemed to be so engaged if they perform duties in connection with the operation of the qualified investment on a: (1) regular full-time basis; (2) part-time basis, providing the person normally performs this type of duty at least twenty hours each week throughout the taxable year; or, (3) seasonal basis, provided the employee performs duties for substantially all of the season for which employees are customarily hired. The number of qualified employees during any taxable year shall be determined by dividing by twelve the sum of all facility employees on the last business day of each month of the taxable year assuming the taxable year is a twelve month period. If the qualified investment is in operation for less than an entire year, the number of qualified employees shall be determined by dividing the sum of the number of all facility employees on the last business day of each full calendar month during the portion of such taxable year during which the qualified investment was in operation by the number of full calendar months during such period. In the case of an investment in a facility, which facility existed and was operated by the taxpayer or related taxpayer prior to new investment, the number of all facility employees employed in the operation of such facility shall be reduced by the average number, computed as provided in this paragraph, of individuals employed in the operation of the facility during the taxable year preceding the taxable year in which the qualified investment was made at the facility. (See "Leaving the Facility".)

Qualified Business Facility Income: In the case of a "Retailer" and other taxpayers computing the $100 credit qualified business facility income means the Kansas taxable income derived by the taxpayer from the operation of a qualified investment. If a taxpayer has income derived from the operation of a qualified investment as well as from other activities conducted within this state, the Kansas taxable income derived by the taxpayer from the operation of a qualified investment shall be determined by multiplying the taxpayer's Kansas taxable income by a fraction, the numerator of which is the property factor, as defined in paragraph (1), plus the payroll factor, as defined in paragraph (2), and the denominator of which is two.

1. The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in connection with the operation of the qualified investment during the tax period, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period. The average value of all such property shall be determined as provided in K.S.A. 79-3281 and 79-3282, and amendments thereto.
2. The payroll factor is a fraction, the numerator of which is the total amount paid during the tax period by the taxpayer for compensation to persons qualifying as qualified employees at the qualified investment, and the denominator of which is the total amount paid in this state during the tax period by the taxpayer for compensation. The compensation paid in this state shall be determined as provided in K.S.A. 79-3283, and amendments thereto.

The formula set forth cannot be used for any purpose other than determining the qualified business facility income.

Qualified Business Facility Investment: Qualified business facility investment shall mean the value of the real and tangible personal property, except inventory or property held for sale to customers in the ordinary course of the taxpayer's business, which constitutes the qualified investment, or which is used by the taxpayer in the operation of the qualified investment, during the taxable year for which the business and job development credit is claimed. The value of such property during such taxable year shall be: (1) Its original cost if owned by the taxpayer; or (2) eight times the net annual rental rate, if leased by the taxpayer. The net annual rental rate shall be the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from sub-rentals. The qualified investment shall be determined by dividing by twelve the sum of the total value of all property at that facility on the last business day of each calendar month of the taxable year assuming the taxable year is a twelve month period. If the qualified investment is in operation for less than an entire year, the amount of qualified investment shall be determined by dividing the sum of the total value of all property at that facility on the last business day of each full calendar month during the portion of such taxable year during which the qualified investment was in operation by the number of full calendar months during such period. In the case of an investment in a facility, which facility existed and was operated by the taxpayer or related taxpayer prior to new investment, the amount of the taxpayer's total investment in such facility shall be reduced by the average amount, computed as provided in this paragraph, of the investment of the taxpayer or a related taxpayer in the facility for the taxable year preceding the taxable year in which the qualified investment was made at the facility. (See "Leaving the Facility".)

Related Taxpayer: If a taxpayer established a qualified investment and prior to the expiration of the ten year period all or a portion of the qualified investment is acquired by or leased to a related taxpayer, the original qualifying taxpayer may elect either to allow the related taxpayer to claim the remaining credit or to retain such credit.

A related taxpayer is: (1) A corporation, partnership, trust, or association controlled by the taxpayer; (2) An individual, corporation, partnership, trust or association in control of the taxpayer; or, (3) A corporation, partnership, trust, or association controlled by an individual, corporation, partnership, trust, or association in control of the taxpayer.

For the purposes of the business and job development credit, "control of a corporation" means ownership, directly or indirectly, of stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of all other classes of stock in the corporation.

Control of a partnership or association means ownership of at least 80% of the capital or profits interest in the partnership or association.

Control of a trust means ownership, directly or indirectly, of at least 80% of the beneficial interest in the principal or income of the trust.

Retail Business: Retail business means (1) Any commercial enterprise primarily engaged in the sale at retail of goods or services taxable under the Kansas retailers' sales tax act; (2) any service provider set forth in K.S.A. 17-2707, and amendments thereto; (3) any bank, savings and loan or other lending institution; (4) any commercial enterprise whose primary business activity includes the sale of insurance; and (5) any commercial enterprise deriving its revenues directly from noncommercial customers in exchange for personal services such as, but not limited to, barber shops, beauty shops, photographic studios and funeral services.

Revenue Producing Enterprise: A revenue producing enterprise is defined as one of the following:

1. The assembly, fabrication, manufacture, or processing of an agricultural, mineral, or manufactured product;
2. The storage, warehousing, distribution, or sale of any products of agriculture, aquaculture, mining, or manufacturing;
3. The feeding of livestock at a feed lot;
4. The operation of laboratories or other facilities for scientific, agricultural, aquaculture, animal husbandry, or industrial research, development, or testing;
5. The performance of services of any type;
6. The feeding of aquatic plants and animals at an aquaculture operation;
7. The administrative management of any of the foregoing activities; or,
8. Any combination of the above activities.

Same or Substantially Identical Revenue Producing Enterprise: This shall mean a revenue producing enterprise in which the products produced or sold, services performed, or activities conducted are the same in character and use, are produced, sold, performed or conducted in the same manner and to or for the same type of customers as the products, services, or activities produced, sold, performed or conducted in another revenue producing enterprise.

Standard Industrial Classification Code: Standard Industrial Classification Code means a Standard Industrial Classification Code as published in the Standard Industrial Classification Manual,1987, as prepared by the statistical policy division of the office of management and budget of the President of the United States of America.

Schedule K-34 has a space for the "Industry Group Number" of the Standard Industrial Classification Code and that number must be entered. The "Industry Group Number" is the first three digits of the Standard Industrial Classification Code and must be the code for that specific qualified investment. For instance, if the Standard Industrial Classification Code listed on your federal return is listed as a manufacturer and the qualified investment is that of a retail business, you would enter the "Industry Group Number" of that retail business. The "Industry Group Numbers" are listed at the back of these instructions.

For qualified investment and employees that began operations in tax years commencing prior to January 1, 1996, you must refer to the instructions for those periods.

<u>For Qualified Investments Beginning in Tax Years Commencing on or after January 1, 1996</u>

Ancillary Support: A facility which is operated by a business and whose function is to provide services in support of the business, but is not directly engaged in the business' primary function.

In order to obtain information regarding the definition of "Ancillary Support", you may contact the Kansas Department of Commerce and Housing. That department is the initial contact to make an initial recommended determination and, if the recommendation is "qualified", will ultimately provide you with the required statement which includes a finding by the Secretary of Commerce and Housing that the job expansion incident to the credit claimed would not have occurred in the absence of the credit. This statement is to be enclosed with the income tax return when initially claiming the credit for the ancillary support facility.

Base: Whenever a taxpayer adds qualified investment and employees at an existing location (new building, building addition, or additional investment in an existing building) it will be necessary to compute a base of the prior year's investment and employees. For the taxable year prior to the business year you placed the qualified investment and employees into operational status you must complete the "base" information showing the number of employees and amount of investment at the end of each month. The base will be computed and entered in Part I and Part II of Schedule K-34. Those base amounts will remain the same for the entire ten year period in the case of a "retailer" and other taxpayers computing the $100 credit. In the case of a "manufacturer or nonmanufacturer" the base is used in the initial computation only; however, the employee base must be used for recertification for using any carryover credit available. See the last paragraph of the definition of "Qualified Business Facility Investment" and the end of the first paragraph of the definition of "Qualified Business Facility Employee".

Business: Business means any manufacturing business or nonmanufacturing business.

Business and Job Development Credit: The business and job development credit may be deducted from a taxpayer's Kansas income or privilege tax liability if the taxpayer invests in a new business facility and hires two, five or twenty, depending upon the minimum number of employees necessary to qualify. The credit may be claimed for the taxable year that commercial operations began, or at the election of the taxpayer, up to the third year following the taxable year that commercial operations began, and for each of the nine (9) succeeding taxable years in the case of a "retailer" and other taxpayers computing the $100 credit. In the case of a "manufacturer or nonmanufacturer" the credit is computed once and any remaining amount is carried forward. In order for the department to determine if the taxpayer is entitled to the credit a Schedule K-34 must be completed along with all supporting schedules and enclosed with the return.

To qualify for this credit the taxpayer must invest in a qualified investment as defined, and the number of qualified employees as outlined in "Number of Qualified Business Facility Employees" must have been hired as a direct result of the qualified investment at the facility for the taxable year for which the credit is claimed.

Business Headquarters: Business headquarters means a qualified investment where principal officers of the business are housed and from which direction, management or administrative support for transactions is provided for a business or division of a business or a regional division of a business.

Commencement of Commercial Operations: Commencement of commercial operations shall be deemed to occur during the first taxable year the qualified investment is available for use by the taxpayer, or first capable of being used by the taxpayer, in the revenue producing enterprise in which the taxpayer intends to use the qualified investment.

Election to Defer Credit: A "retailer" and other taxpayers computing the $100 credit, may elect to defer the commencement of the ten year period to any taxable year not later than the third taxable year following the commencement year. The taxpayer must exercise such election by enclosing a written statement to Schedule K-34 for the taxable year in which commercial operations began at the qualified investment. Once the election has been perfected, the credit will be allowed for the taxable year specified in the election and for each of the nine succeeding taxable years.

If the taxpayer is electing to defer, in order for the department to determine if the taxpayer is entitled to the credit in the first year of operations, a Schedule K-34 must be completed along with all supporting schedules, and enclosed with the return along with the election.

The election may be made at any time as long as the tax year in which commercial operations began at the qualified investment has not expired by statute. The statute of limitations is as follows:

1. Four year limitation for tax years ending before January 1, 1989;
2. Three year limitation for tax years commencing after December 31, 1988.

Facility: A facility is defined as any factory, mill, plant, refinery, warehouse, feed lot, building or complex of buildings located within the state, including the land on which the facility is located and all machinery, equipment, and other real and tangible personal property located at or within the facility used in connection with the operation of the facility. If there is a complex of buildings, the entire complex (including all buildings in the complex) is considered by the Department of Revenue to be a single facility.

Facility includes the installation of new equipment, machinery, etc., in an existing building owned or leased by the taxpayer.

Facility Types Which Are Specifically Not Allowed a Credit: No credit will be allowed for an investment in a public utility as defined in K.S.A. 66-104 or a swine confinement facility as defined in K.S.A.17-5903.

1. Public Utility is defined in K.S.A. 66-104
2. Swine Confinement Facility means the land, structures and related equipment owned or leased by a corporation and used for housing, breeding, farrowing, or feeding of swine in an enclosed environment. The term includes within its meaning only such agricultural land as is necessary for proper disposal of liquid and solid wastes in environmentally sound amounts for crop production and to avoid nitrate buildup and for isolation of the facility to reasonably protect the confined animals from exposure to disease.

Leaving the Facility-Investment/Employees: No credit will be allowed for any investment that leaves the facility per K.S.A. 79-32,153(a) and 79-32,160a. This would include, but not be limited to, motorized vehicles.

Where an employee performs services for the taxpayer outside the qualified business facility, the employee shall be considered engaged or maintained in employment at the qualified business facility if (1) the employee's service performed outside the qualified business facility is incidental to the employee's service inside the qualified business facility, or (2) the base of operations or, the place from which the service is directed or controlled, is at the qualified business facility.

The word "incidental" means any service which is temporary or transitory in nature, or which is rendered in connection with an isolated transaction.

The term "base of operations" is the place of more or less permanent nature from which the employee starts his work and to which he customarily returns to receive instructions from the taxpayer, or communications from his customers or other persons, or to replenish stock or other materials, repair equipment, or to perform any other functions necessary to the exercise of his trade or profession at some other point or points.

The term "place from which the service is directed or controlled" refers to the place from which the power to direct or control is exercised by the taxpayer.

Manufacturing Business: Manufacturing business means all commercial enterprises identified under the manufacturing Standard Industrial Classification Codes, major groups 20 through 39.

Metropolitan County: Metropolitan county means the county of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, or Wyandotte.

Nonmanufacturing Business: Nonmanufacturing business means any commercial enterprise other than a manufacturing business or a retail business. Nonmanufacturing business shall also include the business headquarters of an enterprise, regardless of the firm's classification as a retail business if that facility for which the sales tax exemption certificate is issued facilitates the creation of at least 20 new full-time positions.

Nonmanufacturing will also include ancillary support of an enterprise. Also included in the definition are enterprises designated under standard industrial classification codes 5961,7372 or 7948-0201.

Ancillary support means a facility which is operated by a business and whose function is to provide services in support of the business, but is not directly engaged in the business' primary function. In order to determine if you are qualified under the definition of "Ancillary Support", you must contact the Kansas Department of Commerce and Housing.

SIC code 5961 is for catalog and mail-order houses and SIC code7372 is for computer programming services.

Any ancillary support business which would otherwise be eligible for an income or privilege tax credit pursuant to this subsection shall incorporate in its tax filing for the credit a statement from the Secretary of Commerce and Housing which includes a finding by the secretary that the facility is an "ancillary support" facility and that the job expansion incident to the credit claimed would not have occurred in the absence of the credit.

Nonmetropolitan Region: A region established under K.S.A. 74-50,116 and amendments thereto and is comprised of any county or counties which are not metropolitan counties. You should contact the Department of Commerce and Housing to determine which counties have been designated as nonmetropolitan regions. Any qualified taxpayer who invests in a qualified business facility which is located in a designated nonmetropolitan region will be allowed an enhanced credit for qualified business facility employees located at that qualified investment. (See "General Information", "Credit Amounts" for additional information.)

Privilege Enhanced Credit: A privilege taxpayer (banks and savings and loans) may be entitled to the larger amounts of credit instead of the $100 credit. The qualified investment must be located at the principal place from which the trade or business of the taxpayer is directed or managed and the facility has facilitated the creation of at least 20 new full-time positions.

Qualified Business Facility: A facility must meet the following requirements:

1. The facility must be employed by the taxpayer in the operation of a revenue producing enterprise as defined. It will not be considered a new business facility if the taxpayer's only activity is to lease it to another person or firm. If the taxpayer employs only a portion of the facility in the operation of a revenue producing enterprise, and leases another portion of the facility to another person or firm, that portion employed by the taxpayer in the operation of a revenue producing enterprise shall be considered as a new business facility if the other requirements are met.
2. If it was acquired by the taxpayer from another person or firm, the facility must not have been employed immediately prior to the transfer of its title to the taxpayer, or the commencement of the term of its lease to the taxpayer, in the same or substantially identical revenue producing enterprise as the facility was employed in by the person or firm the facility was acquired from.

Qualified Business Facility Employee: A qualified business facility employee is defined as a person who is employed by the taxpayer in the operation of the qualified investment during the taxable year for which the credit is claimed. A person will be deemed to be so engaged if they perform duties in connection with the operation of the qualified investment on a: (1) regular full-time basis; (2) part-time basis, providing the person normally performs this type of duty at least twenty hours each week throughout the taxable year; or, (3) seasonal basis, provided the employee performs duties for substantially all of the season for which employees are customarily hired. The number of qualified employees during any taxable year shall be determined by dividing by twelve the sum of all facility employees on the last business day of each month of the taxable year assuming the taxable year is a twelve month period. If the qualified investment is in operation for less than an entire year, the number of qualified employees shall be determined by dividing the sum of the number of all facility employees on the last business day of each full calendar month during the portion of such taxable year during which the qualified investment was in operation by the number of full calendar months during such period. In the case of an investment in a facility, which facility existed and was operated by the taxpayer or related taxpayer prior to new investment, the number of all facility employees employed in the operation of such facility shall be reduced by the average number, computed as provided in this paragraph, of individuals employed in the operation of the facility during the taxable year preceding the taxable year in which the qualified investment was made at the facility. (See"Leaving the Facility".)

In the case of a taxpayer claiming a credit against the privilege tax as measured by net income of financial institutions, "qualified business employee" shall not mean any person who is employed in the operation of a qualified investment in the state due to the merger, acquisition or other reconfiguration of the taxpayer unless such employee's position represents a net gain of total positions created by the taxpayer and the employee's position was not in existence at the time of the merger, acquisition or other reconfiguration of the taxpayer.

For qualified investments which began in tax years commencing on or after January 1, 1996, an employee includes a person who is required to file a Kansas income tax return.

Qualified Business Facility Income: In the case of a "Retailer"and other taxpayers computing the $100 credit qualified business facility income means the Kansas taxable income derived by the taxpayer from the operation of a qualified investment. If a taxpayer has income derived from the operation of a qualified investment as well as from other activities conducted within this state, the Kansas taxable income derived by the taxpayer from the operation of a qualified investment shall be determined by multiplying the taxpayer's Kansas taxable income by a fraction, the numerator of which is the property factor, as defined in paragraph (1), plus the payroll factor, as defined in paragraph (2), and the denominator of which is two.

1. The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in connection with the operation of the qualified investment during the tax period, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period. The average value of all such property shall be determined as provided in K.S.A. 79-3281 and 79-3282, and amendments thereto.
2. The payroll factor is a fraction, the numerator of which is the total amount paid during the tax period by the taxpayer for compensation to persons qualifying as qualified employees at the qualified investment, and the denominator of which is the total amount paid in this state during the tax period by the taxpayer for compensation. The compensation paid in this state shall be determined as provided in K.S.A. 79-3283, and amendments thereto. In the case of financial institutions, the property and payroll factors shall be computed utilizing the specific provisions of the apportionment method applicable to financial institutions and the qualified business facility income shall be based upon net income.

The formula set forth cannot be used for any purpose other than determining the qualified business facility income.

Qualified Business Facility Investment: Qualified business facility investment shall mean the value of the real and tangible personal property, except inventory or property held for sale to customers in the ordinary course of the taxpayer's business, which constitutes the qualified investment, or which is used by the taxpayer in the operation of the qualified investment, during the taxable year for which the business and job development credit is claimed. The value of such property during such taxable year shall be: (1) Its original cost if owned by the taxpayer; or (2) eight times the net annual rental rate, if leased by the taxpayer. The net annual rental rate shall be the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from sub-rentals. The qualified investment shall be determined by dividing by twelve the sum of the total value of all property at that facility on the last business day of each calendar month of the taxable year assuming the taxable year is a twelve month period. If the qualified investment is in operation for less than an entire year, the amount of qualified investment shall be determined by dividing the sum of the total value of all property at that facility on the last business day of each full calendar month during the portion of such taxable year during which the qualified investment was in operation by the number of full calendar months during such period. In the case of an investment in a facility, which facility existed and was operated by the taxpayer or related taxpayer prior to new investment, the amount of the taxpayer's total investment in such facility shall be reduced by the average amount, computed as provided in this paragraph, of the investment of the taxpayer or a related taxpayer in the facility for the taxable year preceding the taxable year in which the qualified investment was made at the facility. (See "Leaving the Facility".)

Related Taxpayer: If a taxpayer established a qualified investment and prior to the expiration of the ten year period all or a portion of the qualified investment is acquired by or leased to a related taxpayer, the original qualifying taxpayer may elect either to allow the related taxpayer to claim the remaining credit or to retain such credit.

A related taxpayer is: (1) A corporation, partnership, trust, or association controlled by the taxpayer; (2) An individual, corporation, partnership, trust or association in control of the taxpayer; or, (3) A corporation, partnership, trust, or association controlled by an individual, corporation, partnership, trust, or association in control of the taxpayer.

For the purposes of the business and job development credit,“control of a corporation” means ownership, directly or indirectly, of stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of all other classes of stock in the corporation.

Control of a partnership or association means ownership of at least 80% of the capital or profits interest in the partnership or association.

Control of a trust means ownership, directly or indirectly, of at least 80% of the beneficial interest in the principal or income of the trust.

Retail Business: Retail business means (1) any commercial enterprise primarily engaged in the sale at retail of goods or services taxable under the Kansas retailers' sales tax act; (2) any service provider set forth in K.S.A. 17-2707, and amendments thereto; (3) any bank, savings and loan or other lending institution; (4) any commercial enterprise whose primary business activity includes the sale of insurance; and (5) any commercial enterprise deriving its revenues directly from noncommercial customers in exchange for personal services such as, but not limited to, barber shops, beauty shops, photographic studios and funeral services.

Retailer Enhanced Credit: A retail business that is entitled to the larger amounts of credit instead of the $100 credit. In order to qualify they must meet the qualifications listed under the definition of “Nonmanufacturing Business”.

Revenue Producing Enterprise: A revenue producing enterprise is defined as one of the following:

1. The assembly, fabrication, manufacture, or processing of an agricultural, mineral, or manufactured product;
2. The storage, warehousing, distribution, or sale of any products of agriculture, aquaculture, mining, or manufacturing;
3. The feeding of livestock at a feed lot;
4. The operation of laboratories or other facilities for scientific, agricultural, aquaculture, animal husbandry, or industrial research, development, or testing;
5. The performance of services of any type;
6. The feeding of aquatic plants and animals at an aquaculture operation;
7. The administrative management of any of the foregoing activities; or,
8. Any combination of the above activities.

Same or Substantially Identical Revenue Producing Enterprise: This shall mean a revenue producing enterprise in which the products produced or sold, services performed, or activities conducted are the same in character and use, are produced, sold, performed or conducted in the same manner and to or for the same type of customers as the products, services, or activities produced, sold, performed or conducted in another revenue producing enterprise.

Standard Industrial Classification Code: Standard Industrial Classification Code means a Standard Industrial Classification Code as published in the Standard Industrial Classification Manual,1987, as prepared by the statistical policy division of the office of management and budget of the President of the United States of America.

Schedule K-34 has a space for the “Industry Group Number” of the Standard Industrial Classification Code and that number must be entered. The “Industry Group Number” is the first three digits of the Standard Industrial Classification Code and must be the code for that specific qualified investment. For instance, if the StandardIndustrial Classification Code listed on your federal return is listed as a manufacturer and the qualified investment is that of a retail business, you would enter the “Industry Group Number” of that retail business. The “Industry Group Numbers” are listed at the back of these instructions.

GENERAL INFORMATION FOR COMPLETING SCHEDULES K-34, K-34CO AND K-34T

When to Use the Following Schedules:

Schedule K-34:

— When a taxpayer is claiming a brand new credit (First year);

— In the case of a “retailer” and other taxpayers computing the $100 credit to show that a taxpayer qualifies for a credit and defers the beginning of the credit (See “Election to Defer Credit''); OR

— In the case of a “retailer” and other taxpayers computing the $100 credit when recomputing a ten year tax credit for which the taxpayer had previously qualified.

Schedule K-34CO:

— To determine if a taxpayer may claim an unused carryover credit and to determine the facility that the credit is attributed to. This schedule is applicable to taxpayers that qualify as manufacturers or nonmanufacturers.

Schedule K-34T:

— Each time a Schedule K-34 or Schedule K-34CO is used.

*If you are claiming a **new** credit all applicable lines of Schedule K-34 must be completed. If you are only claiming a carryforward credit, you must use Schedule K-34CO. In either case, you need to include a Schedule K-34T.*

SPECIFIC LINE INSTRUCTIONS FOR SCHEDULES K-34, K-34CO AND K-34T

Front of Schedule K-34

Review the instructions at the top of the K-34 to determine if this schedule needs to be completed.

Complete the beginning month, ending month and year you are claiming the credit for.

GENERAL INFORMATION

LINE 1—Name and Location: Enter the name and federal identification number of the legal entity making the investment and the county number from the list included in the booklet. Enter other applicable information.

LINE 2—Date Commenced Commercial Operations for the Qualified Investment: Enter the date the qualified investment was first available for use. If the taxpayer had an old facility at the same location as the qualified investment and operations began at the old facility in 1928 and operations began at the qualified investment in 1993, you would enter the 1993 month, day and year here.

LINE 3—Date Commenced Site Preparation: Enter the date that you began site preparation at the qualified investment.

LINE 4—Industry Group Number and Business Activity: Enter the industry group number from the list included in the booklet. You must enter the group number for the particular qualified investment for which you are claiming a credit.

For instance, if the Standard Industrial Classification Code listed on your federal return is listed as a manufacturer and the qualified investment you established is that of a retail business, you would enter the “Industry Group Number” of the retail business.

Describe the business activity performed at the qualified business facility.

LINE 5— Enter yes or no. If no, you do not qualify for the tax credit and therefore do not need to complete this schedule.

LINE 6— Enter yes or no, if applicable. If no, you do not qualify for the increased nonmanufacturing tax credit. If you have 2 or more, but less than 5 qualified employees, you can qualify for the tax credit at $100 per employee.

LINE 7—Qualified Investment: Check the space that best describes the qualified investment made and describe if necessary.

LINE 8a—Type of Qualified Investment: Check the space that describes the type of qualified investment.

LINE 8b— If you checked nonmanufacturer above, please check the space that shows how the qualified investment has qualified. If you have checked "ancillary support", you must enclose a copy of the required statement from the Secretary of Commerce and Housing which is a preliminary finding that the job expansion incident to the credit would not have occurred in the absence of the credit.

COMPUTATION OF CREDIT

Lines 9 through 18 must be completed if the qualified investment began in tax years commencing before 1-1-93 or if the qualified investment began in tax years commencing after 12-31-92 and the taxpayers qualified investment is not a "manufacturer or nonmanufacturer'' or privilege taxpayer not entitled to the enhanced credit as defined in these instructions.

Lines 19 through 24 must be completed if the taxpayer's qualified investment began in tax years commencing after 12-31-92 and if the qualified investment is a "manufacturer or nonmanufacturer" or privilege taxpayer entitled to the enhanced credit as defined in the instructions.

The back of schedule K-34, Parts I and II must be completed before entries can be made in this section, "Computation of Credit". Please refer to the following instructions.

Back of Schedule K-34
PART I—DETERMINING QUALIFIED EMPLOYEES AND CREDIT

This schedule helps to determine the number of qualified employees at the facility and the amount of credit allowed. Information from this schedule will be transferred to the front of Schedule K-34.

<u>Columns Labeled Base Month and Year and Number of Base Employees.</u>

To determine if you need to complete Base Month, Year, and Number of Base Employees, refer to "General Questions and Answers" under "Base When to Use It." For base month and year, enter the months and year for the taxable year first preceding the year the investment initially qualified. For the number of base employees, enter the total number of employees at this facility as of the last business day of each calendar month for the taxable year first preceding the year the investment initially qualified.

<u>Columns Labeled Current Month and Year, Full, Part-time, Seasonal and Targeted Employees.</u>

You must enter the first <u>full</u> month and year that you began operations at the qualified investment and each month following to the end of the tax year. If the qualified investment was in operation for only three full months during the tax year, you would only enter those three months. You also must enter the *total* number of all employees at the facility as of the end of each full month of operation at the qualified investment.

Examples:

1. If this is a qualified investment at a new location, you would enter the number of all the employees in the proper spaces provided.
2. If this is a new building/building addition or new investment in an existing building, and there were employees at that location prior to this qualified investment, you would enter all employees in the proper spaces provided.

Line 1 Add the total number of employees from the above lines.

Line 2—(Average Employees): Divide line 1 by the number of full months in each column.

The resulting number of employees must then be rounded down to the next whole employee.

Line 3—(Average Employee Base): If this qualified investment was at a location where you previously were doing business (all on the same plot of land or interconnecting plots of land separated by an easement, etc.) and you had employees at that prior location, you must use a base of employees. That base would be as follows:

The base is comprised of the average number of employees at the old facility for the taxable year preceding the tax year you began operations at the qualified investment.

In the case of a "retailer" and other taxpayers computing the $100 credit, once a "base" has been established, that same base number must be used when recomputing qualified business facility employees

The average number of base employees must be broken down into full, part-time and seasonal or targeted and reside inside or outside Kansas and entered under the applicable column headings on line 3.

Line 4—Number of Qualified Business Facility Employees: This is the number of qualified business facility employees you are entitled to claim a credit for. This number must equal or exceed the minimum number of qualified employees necessary to claim the credit as shown in "Number of Qualified Business Facility Employees". Enter the result on line 9 or 19 of Schedule K-34, whichever is applicable. (Since the law does not provide for the taxpayer to round up, the resulting number must be rounded down to the next whole employee.) (Line 2 less line 3.)

Lines 5 and 6— These are the amounts of credit available during different time periods and situations. You will not make an entry on these lines.

Lines 5a and 5b will not apply for qualified investments which began on or after January 1, 1993.

Line 7—Qualified Business Facility Employee Credit: This is the total amount of credit available for your qualified employees. (Multiply line 4 by line 6a, 6b, or 6c, whichever is applicable.)

Back of Schedule K-34
PART II—DETERMINING QUALIFIED INVESTMENT AND CREDIT

This schedule helps to determine the amount of qualified business facility investment and the amount of credit allowed. Information from this schedule will be transferred to the front of Schedule K-34.

<u>Column Labeled Base Month and Year and Amount of Base Investment</u>

To determine if you need to complete Base Month and Year and Amount of Base Investment, refer to "General Questions and Answers" under "Base When to Use It". For base month and year, enter the ending month and year for the taxable year first preceding the year of the qualified investment. For the amount of base investment, enter the amount of investment as of the last business day of each calendar month for the taxable year first preceding the qualified investment.

<u>Columns Labeled Current Month and Year and Amount of Investment</u>

You must enter the first full month and year that you began operations at the qualified investment and each month following that month to the end of the tax year. If the qualified investment was in operation for only three full months during the tax year, you would only enter those three months. You also must enter the total amount of all investment at the facility as of the end of each full month of operation at the qualified investment. The first full month used in determining qualified investment (Part II) must be consistent with the first full month used in determining qualified employees (Part I).

Examples:

1. If this is a qualified investment at a new location, you would enter the amount of all the investment in the proper spaces provided.
2. If this is a new building/building addition or new investment in an existing building, and there was investment at that location prior to this qualified investment, you would enter all investment in the proper spaces provided.

Line 1— Add the total amount of owned property from the above lines.

Line 2—Average Owned Property: Divide line 1 by the number of full months in each column.

Line 3—Construction in Process: Enter the amount of average construction in process included in line 2.

Line 4— Total (Subtract line 3 from line 2.)

Line 5— Net annual rented property multiplied by 8. This is the *annual* amount of rent at the qualified business facility even though you may have been at the qualified investment only three months.

Line 6— Total investment (Add lines 4 and 5.)

Line 7—Average Investment Base: If this qualified investment was at a location where you previously were doing business (all on the same plot of land or interconnecting plots of land separated by an easement, etc.) and you had investment at that prior location, you must use a base of investment. That base would be as follows:

The base is comprised of the average amount of investment at the old facility for the taxable year preceding the tax year you began operations at the qualified investment.

In the case of a "retailer" and other taxpayers computing the $100 credit, once a "base" has been established, that same base amount must be used when recomputing qualified business facility investment for subsequent tax years.

Line 8—Total Investment: This amount is the total amount of investment in excess of the base (Line 6 less line 7.)

Line 9—Investment that did not Directly Result in the Hiring of Qualified Employees: This line is to allow the taxpayer to remove the amount of investment that was made during the year(s) that did not directly result in the hiring of qualified employees. This will include investment made during this tax year and prior tax years since the qualified investment was made.

If this is qualified investment at a new location, no entry will be made on this line. If you made qualified investment at an existing facility, you must enter the portion of the new investment that did not directly result in the hiring of qualified employees. This amount will be subtracted from total investment in excess of the base.

Line 10—Qualified Business Facility Investment: This is the amount of the investment that qualifies for the credit. If this is a qualified investment at a new location, enter the amount from line8 on this line. If you entered a figure on line 9, subtract line 9 from line 8 and enter the result on line 10.

Line 11—Qualified Business Facility Credit Factor: Divide line10 by $100,000. If the remainder is $51,000 or more, round to the next higher number. One credit factor is allowed for amounts of $51,000 to $99,999.

If an investment is made but the credit factor is zero, your qualified business facility investment credit is zero; however you are still eligible for the credit associated with the business facility employees.

Lines 12 and 13: These are the amounts of credit available during different time periods and situations. You will not make an entry on these lines.

Lines 12a and 12b will not apply for qualified investment which began on or after January 1, 1993.

Line 14—Qualified Business Facility Investment Credit: This is the total amount of credit available for your qualified investment. (Multiply line 11 by line 13a, 13b, or 13c, whichever is applicable.)

Entry into lines 9 through 13 or 19 through 23, front of Schedule K-34:

- Enter the total number of qualified employees from line 4, Part I to line 9 or line 19, front of Schedule K-34.
- Enter the total amount of qualified employee credit from line 7, Part I to line 10 or line 20, front of Schedule K-34.
- Enter the total amount of qualified investment from line 10, Part II to line 11 or line 21, front of Schedule K-34.
- Enter the qualified business facility credit factor from line 11, Part II to line 12 or line 22, front of Schedule K-34.
- Enter the qualified business facility investment credit from line14, Part II to line 13 or line 23, front of Schedule K-34.

Front of Schedule K-34

LINES 9 through 13—Employees and Investment: Information related to the number of qualified business facility employees and qualified investment must be computed on Part I and Part II, Schedule K-34. Part I and Part II will also enable the taxpayer to determine if they have qualified employees and qualified investment to meet the minimum criteria for the credit.

Line 14—Total: Add lines 10 and 13.

Line 15—Qualified Business Facility Income: Enter the amount of qualified business facility income as defined below. Enclose a schedule showing how the qualified business facility income was determined.

Qualified business facility income is the Kansas taxable income derived by the taxpayer or legal entity making the investment from the operation of the qualified investment. If a taxpayer has income derived from the operation of a qualified investment as well as from other activities conducted within the state, the Kansas taxable income derived by the taxpayer from the operation of the qualified investment is determined by multiplying the taxpayer's Kansas taxable income by the average of the property and payroll factors as computed below:

The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in connection with the operation of the qualified investment during the tax period, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in the state during the tax period. For purposes of this two factor formula, inventory must be included in both the numerator and denominator as applicable. The average value of all the property is determined as provided in K.S.A. 79-3281and 79-3282.

The payroll factor is a fraction, the numerator of which is the total amount paid during the tax period by the taxpayer for compensation to persons qualifying as qualified employees as determined on line 4, Part I, Schedule K-34 and the denominator of which is the total amount paid in this state during the period by the taxpayer for compensation. The compensation paid in this state is determined as provided in K.S.A. 79-3283.

In the case of financial institutions, the property and payroll factors shall be computed utilizing the specific provisions of the apportionment method applicable to financial institutions and the qualified business facility income shall be based upon net income.

The average property and payroll factor is computed by adding the two factors and dividing by 2. Multiply this by Kansas taxable income and enter the result on line 15.

The above formula shall not be used for any purpose other than determining the qualified business facility income attributable to a qualified investment.

Line 16—Tax on Qualified Business Facility Income: For additional information relative to S corporations and partnerships, refer to the "General Questions and Answers" section under "Subchapter S Corporation/Partnership".

The tax on qualified business facility income shall be computed as follows:

CORPORATIONS: The legal entity making the qualified investment must divide its qualified business facility income by its total Kansas taxable income to arrive at a percentage to multiply by Kansas income or privilege tax to arrive at tax on the qualified business facility income.

Example:

Corporation qualified business facility income	$10,000	= 58.8%
Total Kansas taxable income*	$17,000	
Tax on total Kansas taxable income		= $765
Tax on qualified business facility income ($765 58.8%)		= $450

*Privilege tax net income

INDIVIDUALS: A sole proprietorship, partnership or S corporation must qualify for the business and job development credit. The sole proprietor, partner or shareholder must then multiply the total qualified business facility income by the percentage owned or per share basis to arrive at each individual's share of qualified business facility income. The individual's share of qualified business facility income must then be multiplied by an effective tax rate ratio. The effective tax rate is that individual's total Kansas tax liability divided by that individual's total Kansas taxable income. The resulting amount is the tax on that individual's qualified business facility income. The maximum credit allowed is 50% of that amount. This amount is the business and job development limitation.

The total employee and investment credit of the individual is multiplied by the percentage owned or per share basis to arrive at each individual's share of the credit.

The allowable credit on the individual return will be the business and job development limitation or the individual's share of the total credit, whichever is less.

Example:

	Shareholder A	Shareholder B
1. Total qualified business facility income	36,352	36,352
2. Ownership percentage of shareholder	20%	80%
3. Shareholder's qualified business facility income (Line 2 times line 1)	7,270	29,082
4. Effective tax rate (Separate computation)	5.84%	6.93%
5. Tax on qualified business facility income (Line 4 times line 3)	425	2,015
6. 50% of tax	213	1,008
7. Total credit (Qualified employees and investment)	2,500	2,500
8. Ownership percentage of shareholder	20%	80%
9. Shareholder's share of credit (Line 8 times line 7)	500	2,000
10. Allowable credit (Line 6 or line 9, whichever is less)	213	1,008

Line 17—Business and Job Development Credit Limitation: Multiply line 16 by 50%.

Line 18—Allowable Business and Job Development Credit: Line 14 or 17, whichever is less. Enter this amount on Schedule K-34T, line 1.

LINES 19 through 23—Employees and Investment: Information related to the number of qualified business facility employees and qualified investment must be computed on Part I and Part II, Schedule K-34. Part I and Part II will also enable the taxpayer to determine if they have qualified employees and qualified investment to meet the minimum qualifications for the credit.

Line 24—Total Business and Job Development Credit Available: Add lines 20 and 23.

Schedule K-34CO

Review the instructions at the top of the K-34CO to determine if this schedule needs to be completed.

This schedule is to be used to determine if a taxpayer may claim an unused carryover credit and to track the amount of credit from each facility. This schedule is applicable to taxpayers that qualify as manufacturers or nonmanufacturers or privilege taxpayer entitled to the enhanced credit.

Complete the beginning and ending month and year you are claiming the credit for.

Lines A through D: You must enter on lines A through D, columns A, B, and C the same information that you entered on the original Schedule K-34 for each qualified investment.

You must compute the credit on Schedule K-34CO regardless of whether you are able to claim all of the credit this tax year. If you have more qualified investments that have a carryover credit available, enclose additional Schedule K-34CO's.

Line E: For line E, columns A, B, and C you must enter the number of qualified employees from the back of Schedule K-34CO. You must enter the information requested on Schedule K-34CO, page 2. This must be done for each qualified business facility investment for which you are carrying over a credit. If you previously used a "base" for a qualified investment, that same base amount must be used on page 2 of Schedule K-34CO. In order that you may claim the carryover credit for a particular facility the number of qualified business facility employees must equal or exceed the two, five or twenty, depending upon the minimum number of employees necessary to qualify. If you do not have the minimum number of employees necessary at a particular previously qualified investment that credit ends. You must compute the credit on Schedule K-34CO regardless of whether you are able to claim all of the credit this tax year. If you have more qualified investments that have a carryover credit available, enclose additional Schedule K-34CO's.

Line 1— Enter the amount of credit "allowable" from the prior years Schedule K-34T, line 12.

Line 2—Enter the amount from line 4 of the prior years Schedule K-34T. This calculation must be make to remove non carryover credits.

Line 3— Amount of credit used last tax year (Line 1 less line 2). Enter the result on line 3, column D.

Line 4— If you previously had carried over a credit from a qualified investment, enter the amount remaining for each qualified investment from line 7 of the prior tax years Schedule K-34CO. Enter these amounts on line 4 in columns A through C.

Line 5— If new Schedule K-34's were filed last year for a "manufacturer or nonmanufacturer" or privilege taxpayer entitled to the enhanced credit, enter the amount from line 24 of the Schedule K-34, page 1. Enter these amounts on line 5 in columns A through C.

Line 6— On this line you will take the amount from line 3, column D and enter that portion of that amount that you are using in columns A, B, and C of line 6 to reduce line 4 or line 5, columns A, B, and C.

For investments that began operations in tax years commencing prior to January 1, 1996, the total amount from line 6, columns A, B and C can be no more than the amount from line 3 of the prior year's Schedule K-34T.

Line 7—Amount of Carryover Remaining. (For columns A, B and C, subtract line 6 from line 4 or 5, whichever is applicable.) Enter this amount on Schedule K-34T, line 6, if the qualified investment began in tax years commencing prior to January 1, 1996 or Schedule

K-34T, line 10, if the qualified investment began in tax years commencing on or after January 1, 1996.

The total amounts for i**nvestments that began operations in tax years commencing prior to January 1, 1996** should equal line 16 of the prior year's Schedule K-34T.

The total amounts for **investments that began operations in tax years commencing on or after January 1, 1996** should equal line 17 of the prior year's Schedule K-34T.

Schedule K-34T

Each legal entity claiming a credit must complete a Schedule K-34T for each tax year.

Complete the beginning month, ending month and year you are claiming the credit.

Line 1— Enter the total amount from line 18 of all Schedule K-34's filed for this tax year of the legal entity making the qualified investment.

Line 2—Enter the Kansas income or privilege tax liability of the legal entity making the qualified investment from the appropriate line on Form K-40; Form K-41; Form K-120; Form K-130.

Line 3— Multiply line 2 by 50%. This is the maximum business and job development limitation for all retail and service (and other taxpayers computing the $100 credit) qualified investments and the maximum business and job development limitation for all manufacturers and nonmanufacturers whose qualified investment began operations in tax years commencing prior to January 1, 1996.

Line 4—Amount from line 1 allowable as a deduction. Enter line 1or line 3, whichever is less. Since this is not a carryforward credit, any remainder of the amount from line 1 is lost.

Line 5— Enter the total of all new credits for investments made during this tax year from Schedule K-34, line 24. This line is for qualified investments which began operations in tax years commencing prior to January 1, 1996. If the qualified investment began operations in tax years commencing on or after January 1, 1996, see the instructions for line 9.

Line 6— Enter the total amount of credit carryover from Schedule K-34CO, line 7 for qualified investments which began operations in tax years commencing prior to January 1, 1996. For credit carryovers for qualified investments which began operations in tax years commencing on or after January 1, 1996, see the instructions for line 10.

Line 7— Enter the total of lines 4, 5 and 6.

Line 8— Amount of business and job development credit that is limited to 50%. Enter line 3 or line 7, whichever is less.

Line 9— Enter the total of all new credits for investments made during this tax year from Schedule K-34, line 24. This line is for qualified investments which began operations in tax years commencing on or after January 1, 1996. If the qualified investment began operations in tax years commencing prior to January 1, 1996, see the instructions for line 5.

Line 10— Enter the amount of credit carryover from Schedule K-34CO, line 7 for qualified investments which began operations in tax years commencing on or after January 1, 1996. For credit carryovers for qualified investments which began operations in tax years commencing prior to January 1, 1996, see the instructions for line 6.

Line 11—Enter the total of lines 8, 9 and 10.

Line 12— Business and job development credit allowable on this return. Enter line 2 or line 11, whichever is less. Enter this amount on the appropriate line on Form K-40; Form K-41; Form K-120; or Form K-130.

Line 13—Enter the total of lines 4, 5, 6, 9 and 10.

Line 14— Enter line 11 or line 12, whichever is less.

Line 15—Carryover credit. Subtract line 14 from line 13.

Line 16—Amount of line 15 attributable to a carryover from prior to January 1, 1996. Add lines 4, 5 and 6 and subtract line 3.

Line 17— Amount of line 15 attributable to a carryover from on or after January 1, 1996. Subtract line 16 from line 15.

STANDARD INDUSTRIAL CLASSIFICATION CODE INDUSTRY GROUP NUMBERS AND TITLE DESCRIPTIONS

Below is a list of "industry group numbers" and title descriptions. The "industry group number" for your qualified investment must be entered on line 4, Schedule K-34. The "Industry Group Number" is the first three digits of the Standard Industrial Classification Code and must be the code for the specific qualified investment. For instance, if the Standard Industrial Classification Code listed on your federal return is listed as a manufacturer and the qualified investment you established is that of a retail business, you would enter the "Industry Group Number" of the retail business.

The Department of Revenue has categorized the Industry Group Numbers to allow the taxpayer to determine which industry group the taxpayer's qualified investment is under. Different industry groups are allowed different amounts of credit, require different numbers of qualified employees and different methods of computation. The following list will assist the taxpayer to determine the industry group number they qualify under:

The categories are grouped by the following headings:

1. Manufacturing
2. Nonmanufacturing
3. Retail and Services
4. Retail or Nonmanufacturing (Depending upon the ultimate consumer)

MANUFACTURING

MANUFACTURING

FOOD AND KINDRED PRODUCTS

201 Meat Products
202 Dairy Products
203 Canned, Frozen, and Preserved Fruits, Vegetables, and Food Specialties
204 Grain Mill Products
205 Bakery Products
206 Sugar and Confectionery Products
207 Fats and Oils
208 Beverages
209 Miscellaneous Food Preparations and Kindred Products

TOBACCO PRODUCTS

211 Cigarettes
212 Cigars
213 Chewing and Smoking Tobacco and Snuff
214 Tobacco Stemming and Redrying

TEXTILE MILL PRODUCTS

221 Broadwoven Fabric Mills, Cotton
222 Broadwoven Fabric Mills, Manmade Fiber and Silk
223 Broadwoven Fabric Mills, Wool (Including Dyeing and Finishing)
224 Narrow Fabric and Other Smallwares Mills: Cotton, Wool, Silk, and Manmade Fiber
225 Knitting Mills
226 Dyeing and Finishing Textiles, except Wool, Fabrics and Knit Goods
227 Carpets and Rugs
228 Yarn and Thread Mills
229 Miscellaneous Textile Goods

APPAREL AND OTHER FINISHED PRODUCTS MADE FROM FABRICS AND SIMILAR MATERIALS

231 Men's and Boys' Suits, Coats, and Overcoats
232 Men's and Boys' Furnishings, Work Clothing, and Allied Garments
233 Women's, Misses', and Juniors' Outerwear
234 Women's, Misses', Children's, and Infants' Undergarments
235 Hats, Caps, and Millinery
236 Girls', Children's, and Infants' Outerwear
237 Fur Goods
238 Miscellaneous Apparel and Accessories
239 Miscellaneous Fabricated Textile Products

LUMBER AND WOOD PRODUCTS, EXCEPT FURNITURE

241 Logging
242 Sawmills and Planing Mills
243 Millwork, Veneer, Plywood, and Structural Wood Members
244 Wood Containers
245 Wood Buildings and Mobile Homes
249 Miscellaneous Wood Products

FURNITURE AND FIXTURES

251 Household Furniture
252 Office Furniture
253 Public Building and Related Furniture
254 Partitions, Shelving, Lockers, and Office and Store Fixtures
259 Miscellaneous Furniture and Fixtures

PAPER AND ALLIED PRODUCTS

261 Pulp Mills
262 Paper Mills
263 Paperboard Mills
265 Paperboard Containers and Boxes
267 Converted Paper and Paperboard Products, Except Containers and Boxes

PRINTING, PUBLISHING, AND ALLIED INDUSTRIES

271 Newspapers: Publishing, or Publishing and Printing
272 Periodicals: Publishing, or Publishing and Printing
273 Books
274 Miscellaneous Publishing
275 Commercial Printing
276 Manifold Business Forms
277 Greeting Cards
278 Blankbooks, Looseleaf Binders, and Bookbinding and Related Work
279 Service Industries for the Printing Trade

CHEMICALS AND ALLIED PRODUCTS

281 Industrial Inorganic Chemicals
282 Plastics Materials and Synthetic Resins, Synthetic Rubber, Cellulosic and Other Manmade Fibers, Except Glass
283 Drugs
284 Soap, Detergents, and Cleaning Preparations; Perfumes, Cosmetics and Other Toilet Preparations
285 Paints, Varnishes, Lacquers, Enamels, and Allied Products
286 Industrial Organic Chemicals
287 Agricultural Chemicals
289 Miscellaneous Chemical Products

PETROLEUM REFINING AND RELATED INDUSTRIES

291 Petroleum Refining
295 Asphalt Paving and Roofing Materials
299 Miscellaneous Products of Petroleum and Coal

RUBBER AND MISCELLANEOUS PLASTICS PRODUCTS

301 Tires and Inner Tubes
302 Rubber and Plastic Footwear
305 Gaskets, Packing, and Sealing Devices and Rubber and Plastics Hose and Belting
306 Fabricated Rubber Products, Not Elsewhere Classified
308 Miscellaneous Plastics Products

LEATHER AND LEATHER PRODUCTS

311 Leather Tanning and Finishing
313 Boot and Shoe Cut Stock and Findings
314 Footwear, Except Rubber
315 Leather Gloves and Mittens
316 Luggage
317 Handbags and Other Personal Leather Goods
319 Leather Goods, Not Elsewhere Classified

STONE, CLAY, GLASS, AND CONCRETE PRODUCTS

321 Flat Glass
322 Glass and Glassware, Pressed or Blown

323 Glass Products, Made of Purchased Glass
324 Cement, Hydraulic
325 Structural Clay Products
326 Pottery and Related Products
327 Concrete, Gypsum, and Plaster Products
328 Cut Stone and Stone Products
329 Abrasive, Asbestos, and Miscellaneous Nonmetallic Mineral Products

PRIMARY METAL INDUSTRIES

331 Steel Works, Blast Furnaces, and Rolling and Finishing Mills
332 Iron and Steel Foundries
333 Primary Smelting and Refining of Nonferrous Metals
334 Secondary Smelting and Refining of Nonferrous Metals
335 Rolling, Drawing, and Extruding of Nonferrous Metals
336 Nonferrous Foundries (Castings)
339 Miscellaneous Primary Metal Products

FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND TRANSPORTATION EQUIPMENT

341 Metal Cans and Shipping Containers
342 Cutlery, Handtools and General Hardware
343 Heating Equipment, except Electric and Warm Air; and Plumbing Fixtures
344 Fabricated Structural Metal Products
345 Screw Machine Products, and Bolts, Nuts, Screws, Rivets, and Washers
346 Metal Forgings and Stampings
347 Coating, Engraving, and Allied Services
348 Ordnance and Accessories, Except Vehicles and Guided Missiles
349 Miscellaneous Fabricated Metal Products

INDUSTRIAL AND COMMERCIAL MACHINERY AND COMPUTER EQUIPMENT

351 Engines and Turbines
352 Farm and Garden Machinery and Equipment
353 Construction, Mining, and Materials Handling Machinery and Equipment
354 Metalworking Machinery and Equipment
355 Special Industry Machinery, except Metalworking Machinery
356 General Industrial Machinery and Equipment
357 Computer and Office Equipment
358 Refrigeration and Service Industry Machinery
359 Miscellaneous Industrial and Commercial Machinery and Equipment

ELECTRONIC AND OTHER ELECTRICAL EQUIPMENT AND COMPONENTS, EXCEPT COMPUTER EQUIPMENT

361 Electric Transmission and Distribution Equipment
362 Electrical Industrial Apparatus
363 Household Appliances
364 Electric Lighting and Wiring Equipment
365 Household Audio and Video Equipment, and Audio Recordings
366 Communications Equipment
367 Electronic Components and Accessories
369 Miscellaneous Electrical Machinery, Equipment, and Supplies

TRANSPORTATION EQUIPMENT

371 Motor Vehicles and Motor Vehicle Equipment
372 Aircraft and Parts
373 Ship and Boat Building and Repairing
374 Railroad Equipment
375 Motorcycles, Bicycles, and Parts
376 Guided Missiles and Space Vehicles and Parts
379 Miscellaneous Transportation Equipment

MEASURING, ANALYZING, AND CONTROLLING INSTRUMENTS; PHOTOGRAPHIC, MEDICAL AND OPTICAL GOODS; WATCHES AND CLOCKS

381 Search, Detection, Navigation, Guidance, Aeronautical, and Nautical Systems, Instruments, and Equipment
382 Laboratory Apparatus and Analytical, Optical, Measuring, and Controlling Instruments
384 Surgical, Medical, and Dental Instruments and Supplies
385 Opthalmic Goods
386 Photographic Equipment and Supplies
387 Watches, Clocks, Clockwork Operated Devices, and Parts

MISCELLANEOUS MANUFACTURING INDUSTRIES

391 Jewelry, Silverware, and Plated Ware
393 Musical Instruments
394 Dolls, Toys, Games and Sporting and Athletic Goods
395 Pens, Pencils, and Other Artists' Materials
396 Costume Jewelry, Costume Novelties, Buttons, and Miscellaneous Notions, Except Precious Metal
399 Miscellaneous Manufacturing Industries

NONMANUFACTURING

WHOLESALE TRADE

WHOLESALE TRADE—DURABLE GOODS

501 Motor Vehicles and Motor Vehicle Parts and Supplies
502 Furniture and Homefurnishings
503 Lumber and Other Construction Materials
504 Professional and Commercial Equipment and Supplies
505 Metals and Minerals, Except Petroleum
506 Electrical Goods
507 Hardware, and Plumbing and Heating Equipment and Supplies
508 Machinery, Equipment and Supplies
509 Miscellaneous Durable Goods

WHOLESALE TRADE—NONDURABLE GOODS

511 Paper and Paper Products
512 Drugs, Drug Proprietaries and Druggists' Sundries
513 Apparel, Piece Goods, and Notions
514 Groceries and Related Products
515 Farm-Product Raw Materials
516 Chemicals and Allied Products
517 Petroleum and Petroleum Products
518 Beer, Wine, and Distilled Alcoholic Beverages
519 Miscellaneous Nondurable Goods

RETAIL TRADE

MISCELLANEOUS RETAIL

5961 Catalog and Mail-Order Houses

SERVICES

BUSINESS SERVICES

7372 Prepackaged Software

RETAIL & SERVICES

RETAIL TRADE

BUILDING MATERIALS, HARDWARE, GARDEN SUPPLY, AND MOBILE HOME DEALERS

521 Lumber and Other Building Materials Dealers
523 Paint, Glass, and Wallpaper Stores
525 Hardware Stores
526 Retail Nurseries, Lawn and Garden Supply Stores
527 Mobile Home Dealers

GENERAL MERCHANDISE STORES

531 Department Stores
533 Variety Stores
539 Miscellaneous General Merchandise Stores

FOOD STORES

541 Grocery Stores
542 Meat and Fish (Seafood) Markets, Including Freezer Provisioners
543 Fruit and Vegetable Markets
544 Candy, Nut, and Confectionery Stores
545 Dairy Products Stores
546 Retail Bakeries
549 Miscellaneous Food Stores

AUTOMOTIVE DEALERS AND GASOLINE SERVICE STATIONS

551 Motor Vehicle Dealers (New and Used)
552 Motor Vehicle Dealers (Used Only)
553 Auto and Home Supply Stores
554 Gasoline Service Stations
555 Boat Dealers
556 Recreational Vehicle Dealers
557 Motorcycle Dealers
559 Automotive Dealers, Not Elsewhere Classified

APPAREL AND ACCESSORY STORES

561 Men's and Boys' Clothing and Accessory Stores
562 Women's Clothing Stores
563 Women's Accessory and Specialty Stores

- 564 Children’s and Infants’ Wear Stores
- 565 Family Clothing Stores
- 566 Shoe Stores
- 569 Miscellaneous Apparel and Accessory Stores

HOME FURNITURE, FURNISHINGS, AND EQUIPMENT STORES

- 571 Home Furniture and Furnishings Stores
- 572 Household Appliance Stores
- 573 Radio, Television, Consumer Electronics, and Music Stores

EATING AND DRINKING PLACES

- 581 Eating and Drinking Places

MISCELLANEOUS RETAIL

- 591 Drug Stores and Proprietary Stores
- 592 Liquor Stores
- 593 Used Merchandise Stores
- 594 Miscellaneous Shopping Goods Stores
- 596 Nonstore Retailers
- 598 Fuel Dealers
- 599 Retail Stores, Not Elsewhere Classified

FINANCE, INSURANCE, AND REAL ESTATE

DEPOSITORY INSTITUTIONS

- 601 Central Reserve Depository Institutions
- 602 Commercial Banks
- 603 Savings Institutions
- 606 Credit Unions
- 608 Foreign Banking and Branches and Agencies of Foreign Banks
- 609 Functions Related to Depository Banking

NONDEPOSITORY CREDIT INSTITUTIONS

- 611 Federal and Federally-Sponsored Credit Agencies
- 614 Personal Credit Institutions
- 615 Business Credit Institutions
- 626 Mortgage Bankers and Brokers

SECURITY AND COMMODITY BROKERS, DEALERS, EXCHANGES, AND SERVICES

- 621 Security Brokers, Dealers and Flotation Companies
- 622 Commodity Contracts Brokers and Dealers
- 623 Security and Commodity Exchanges
- 628 Services Allied with the Exchange of Securities or Commodities

INSURANCE CARRIERS

- 631 Life Insurance
- 632 Accident and Health Insurance and Medical Service Plans
- 633 Fire, Marine, and Casualty Insurance
- 635 Surety Insurance
- 636 Title Insurance
- 637 Pension, Health, and Welfare Funds
- 639 Insurance Carriers, Not Elsewhere Classified

INSURANCE AGENTS, BROKERS, AND SERVICE

- 641 Insurance Agents, Brokers, and Service

REAL ESTATE

- 651 Real Estate Operators (Except Developers) and Lessors
- 653 Real Estate Agents and Managers
- 654 Title Abstract Offices
- 655 Land Subdividers and Developers

HOLDING AND OTHER INVESTMENT OFFICES

- 671 Holding Offices
- 672 Investment Offices
- 673 Trusts
- 679 Miscellaneous Investing

SERVICES

HOTELS, ROOMING HOUSES, CAMPS, AND OTHER LODGING PLACES

- 701 Hotels and Motels
- 702 Rooming and Boarding Houses
- 703 Camps and Recreational Vehicle Parks
- 704 Organization Hotels and Lodging Houses, on Membership Basis

PERSONAL SERVICES

- 721 Laundry, Cleaning, and Garment Services
- 722 Photographic Studios, Portrait
- 723 Beauty Shops
- 724 Barber Shops
- 725 Shoe Repair Shops and Shoeshine Parlors
- 726 Funeral Service and Crematories
- 729 Miscellaneous Personal Services

BUSINESS SERVICES

- 731 Advertising
- 732 Consumer Credit Reporting Agencies, Mercantile Reporting Agencies, and Adjustment and Collection Agencies
- 733 Mailing, Reproduction, Commercial Art and Photography, and Stenographic Services
- 734 Services to Dwellings and Other Buildings
- 735 Miscellaneous Equipment Rental and Leasing
- 736 Personnel Supply Services
- 737 Computer Programming, Data Processing, and Other Computer Related Services
- 738 Miscellaneous Business Services

AUTOMOTIVE REPAIR, SERVICES, AND PARKING

- 751 Automotive Rental and Leasing, Without Drivers
- 752 Automobile Parking
- 753 Automotive Repair Shops
- 754 Automotive Services, Except Repair

MISCELLANEOUS REPAIR SERVICES

- 762 Electrical Repair Shops
- 763 Watch, Clock, and Jewelry Repair
- 764 Reupholstery and Furniture Repair
- 769 Miscellaneous Repair Shops and Related Services

MOTION PICTURES

- 781 Motion Pictures Production and Allied Services
- 782 Motion Picture Distribution and Allied Services
- 783 Motion Picture Theaters
- 784 Video Tape Rental

AMUSEMENT AND RECREATION SERVICES

- 791 Dance Studios, Schools, and Halls
- 792 Theatrical Producers (Except Motion Picture), Bands, Orchestras, and Entertainers
- 793 Bowling Centers
- 794 Commercial Sports
- 799 Miscellaneous Amusement and Recreation Services

HEALTH SERVICES

- 801 Offices and Clinics of Doctors of Medicine
- 802 Offices and Clinics of Dentists
- 803 Offices and Clinics of Doctors of Osteopathy
- 804 Offices and Clinics of Other Health Practitioners
- 805 Nursing and Personal Care Facilities
- 806 Hospitals
- 807 Medical and Dental Laboratories
- 808 Home Health Care Services
- 809 Miscellaneous Health and Allied Services, Not Elsewhere Classified

LEGAL SERVICES

- 811 Legal Services

EDUCATIONAL SERVICES

- 821 Elementary and Secondary Schools
- 822 Colleges, Universities, Professional Schools, and Junior Colleges
- 823 Libraries
- 824 Vocational Schools
- 829 Schools and Educational Services, Not Elsewhere Classified

SOCIAL SERVICES

- 832 Individual and Family Social Services
- 833 Job Training and Vocational Rehabilitation Services
- 835 Child Day Care Services
- 836 Residential Care
- 839 Social Services Not Elsewhere Classified

MUSEUMS, ART GALLERIES, AND BOTANICAL AND ZOOLOGICAL GARDENS

- 841 Museums and Art Galleries
- 842 Arboreta and Botanical or Zoological Gardens

MEMBERSHIP ORGANIZATIONS

- 861 Business Associations
- 862 Professional Membership Organizations
- 863 Labor Unions and Similar Labor Organizations
- 864 Civic, Social, and Fraternal Associations
- 865 Political Organizations
- 866 Religious Organizations
- 869 Membership Organizations, Not Elsewhere Classified

ENGINEERING, ACCOUNTING, RESEARCH, MANAGEMENT, AND RELATED SERVICES

- 871 Engineering, Architectural, and Surveying Services
- 872 Accounting, Auditing, and Bookkeeping Services
- 873 Research Development, and Testing Services
- 874 Management and Public Relations Services

PRIVATE HOUSEHOLDS

- 881 Private Households

SERVICES, NOT ELSEWHERE CLASSIFIED

- 899 Services, Not Elsewhere Classified

THE FOLLOWING SIC GROUP NUMBERS ARE EITHER WHOLSALE OR RETAIL. IF THE SALE IS TO THE ULTIMATE CONSUMER, IT IS RETAIL. IF THE SALE IS NOT TO THE ULTIMATE CONSUMER, IT SHOULD GO UNDER THE NONMANUFACTURING CATEGORY.

AGRICULTURE, FORESTRY, AND FISHING

AGRICULTURAL PRODUCTION—CROPS

011 Cash Grains
013 Field Crops, except Cash Grains
016 Vegetables and Melons
017 Fruits and Tree Nuts
018 Horticultural Specialties
019 General Farms, Primarily Crop

AGRICULTURAL PRODUCTION—LIVESTOCK AND ANIMAL SPECIALTIES

021 Livestock, except Dairy and Poultry
024 Dairy Farms
025 Poultry and Eggs
027 Animal Specialties
029 General Farms, Primarily Livestock and Animal Specialties

AGRICULTURAL SERVICES

071 Soil Preparation Services
072 Crop Services
074 Veterinary Services
075 Animal Services, except Veterinary
076 Farm Labor and Management Services
078 Landscape and Horticultural Services

FORESTRY

081 Timber Tracts
083 Forest Nurseries and Gathering of Forest Products
085 Forestry Services

FISHING, HUNTING, AND TRAPPING

091 Commercial Fishing
092 Fish Hatcheries and Preserves
097 Hunting and Trapping, and Game Propagation

MINING

METAL MINING

101 Iron Ores
102 Copper Ores
103 Lead and Zinc Ores
104 Gold and Silver Ores
106 Ferroalloy Ores, except Vanadium
108 Metal Mining Services
109 Miscellaneous Metal Ores

COAL MINING

122 Bituminous Coal and Lignite Mining
123 Anthracite Mining
124 Coal Mining Services

OIL AND GAS EXTRACTION

131 Crude Petroleum and Natural Gas
132 Natural Gas Liquids
138 Oil and Gas Field Services

MINING AND QUARRYING OF NONMETALLIC MINERALS, EXCEPT FUELS

141 Dimension Stone
142 Crushed and Broken Stone, Including Riprap
144 Sand and Gravel
145 Clay, Ceramic, and Refractory Minerals
147 Chemical and Fertilizer Mineral Mining
148 Nonmetallic Minerals Services, Except Fuels
149 Miscellaneous Nonmetallic Minerals, Except Fuels

CONSTRUCTION

BUILDING CONSTRUCTION—GENERAL CONTRACTORS AND OPERATIVE BUILDERS

152 General Building Contractors—Residential Buildings
153 Operative Builders
154 General Building Contractors—Nonresidential Buildings

HEAVY CONSTRUCTION OTHER THAN BUILDING CONSTRUCTION—CONTRACTORS

161 Highway and Street Construction, Except Elevated Highways
162 Heavy Construction, Except Highway and Street Construction

CONSTRUCTION—SPECIAL TRADE CONTRACTORS

171 Plumbing, Heating and Air-Conditioning
172 Painting and Paper Hanging
173 Electrical Work
174 Masonry, Stonework, Tile Setting, and Plastering
175 Carpentry and Floor Work
176 Roofing, Siding, and Sheet Metal Work
177 Concrete Work
178 Water Well Drilling
179 Miscellaneous Special Trade Contractors

TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS, AND SANITARY SERVICES

RAILROAD TRANSPORTATION

401 Railroads

LOCAL AND SUBURBAN TRANSIT AND INTERURBAN HIGHWAY PASSENGER TRANSPORTATION

411 Local and Suburban Passenger Transportation
412 Taxicabs
413 Intercity and Rural Bus Transportation
414 Bus Charter Service
415 School Buses
417 Terminal and Service Facilities for Motor Vehicle Passenger Transportation

MOTOR FREIGHT TRANSPORTATION AND WAREHOUSING

421 Trucking and Courier Services, Except Air
422 Public Warehousing and Storage
423 Terminal and Joint Terminal Maintenance Facilities for Motor Freight Transportation

UNITED STATES POSTAL SERVICE

431 United States Postal Service

WATER TRANSPORTATION

441 Deep Sea Foreign Transportation of Freight
442 Deep Sea Domestic Transportation of Freight
443 Freight Transportation on the Great Lakes—St. Lawrence Seaway
444 Water Transportation of Freight, Not Elsewhere Classified
448 Water Transportation of Passengers
449 Services Incidental to Water Transportation

TRANSPORTATION BY AIR

451 Air Transportation, Scheduled, and Air Courier Services
452 Air Transportation, Nonscheduled
458 Airports, Flying Fields, and Airport Terminal Services

PIPELINES, EXCEPT NATURAL GAS

461 Pipelines, Except Natural Gas

TRANSPORTATION SERVICES

472 Arrangement of Passenger Transportation
473 Arrangement of Transportation of Freight and Cargo
474 Rental of Railroad Cars
478 Miscellaneous Services Incidental to Transportation

COMMUNICATIONS

481 Telephone Communications
482 Telegraph and Other Message Communications
483 Radio and Television Broadcasting Stations
484 Cable and Other Pay Television Services
489 Communications Services, Not Elsewhere Classified

ELECTRIC, GAS AND SANITARY SERVICES

491 Electric Services
492 Gas Production and Distribution
493 Combination Electric and Gas, and Other Utility Services
494 Water Supply
495 Sanitary Services
496 Steam and Air-Conditioning Supply
497 Irrigation Systems

COUNTY NAME	COUNTY NUMBER	COUNTY NAME	COUNTY NUMBER	COUNTY NAME	COUNTY NUMBER
Allen	1	Greeley	71	Osborne	141
Anderson	3	Greenwood	73	Ottawa	143
Atchison	5	Hamilton	75	Pawnee	145
Barber	7	Harper	77	Phillips	147
Barton	9	Harvey	79	Pottawatomie	149
Bourbon	11	Haskell	81	Pratt	151
Brown	13	Hodgeman	83	Rawlins	153
Butler	15	Jackson	85	Reno	155
Chase	17	Jefferson	87	Republic	157
Chautauqua	19	Jewell	89	Rice	159
Cherokee	21	Johnson	91	Riley	161
Cheyenne	23	Kearny	93	Rooks	163
Clark	25	Kingman	95	Rush	165
Clay	27	Kiowa	97	Russell	167
Cloud	29	Labette	99	Saline	169
Coffey	31	Lane	101	Scott	171
Comanche	33	Leavenworth	103	Sedgwick	173
Cowley	35	Lincoln	105	Seward	175
Crawford	37	Linn	107	Shawnee	177
Decatur	39	Logan	109	Sheridan	179
Dickinson	41	Lyon	111	Sherman	181
Doniphan	43	McPherson	113	Smith	183
Douglas	45	Marion	115	Stafford	185
Edwards	47	Marshall	117	Stanton	187
Elk	49	Meade	119	Stevens	189
Ellis	51	Miami	121	Sumner	191
Ellsworth	53	Mitchell	123	Thomas	193
Finney	55	Montgomery	125	Trego	195
Ford	57	Morris	127	Wabaunsee	197
Franklin	59	Morton	129	Wallace	199
Geary	61	Nemaha	131	Washington	201
Gove	63	Neosho	133	Wichita	203
Graham	65	Ness	135	Wilson	205
Grant	67	Norton	137	Woodson	207
Gray	69	Osage	139	Wyandotte	209