

Kansas Department of Commerce Rural Opportunity Zones

Position:

Rural Opportunity Zones is a valuable program. ROZ counties are utilizing the program and individuals from out-of-state are moving to Kansas and graduates of Kansas colleges and universities are staying in the state. Currently there are 1,398 qualified individuals (612 are receiving student loan repayment assistance and 786 are on the SLR waitlist). Employers can also sponsor their employees and they are using ROZ to recruit and retain individuals for the jobs they create.

ROZ has a positive Return on Investment. Every dollar spent on ROZ student loan repayment assistance results in \$6 ROI (Direct Impact – considering sales tax and state income tax only) or \$4.31 ROI when considering the tax credits given (for qualifying individuals who have moved to ROZ from out-of-state). Individuals who move to ROZ counties are staying.

Some qualified individuals who are on the waitlist decide to move, but SLR program participants rarely decide to leave. 54 individuals have received the maximum benefit (5 years of SLR assistance) and 100% are still living in the ROZ county.

The ROZ program has proven to be a highly effective in attracting new residents, promoting job growth, and helping to maintain the quality of life in rural communities across Kansas. It has become a model for rural growth and development for other states.

Overview:

Rural Opportunity Zones (ROZ) is an initiative to bring new residents and job growth to the rural areas of the state.

The ROZ program is part of a growth and retention strategy for Kansas. It encourages individuals from out of state to move to rural Kansas and also helps keep new graduates of Kansas colleges and universities in the state.

The ROZ program utilizes two incentives, tax relief and student loan repayment assistance, to help attract individuals with higher educational backgrounds and a larger array of skill sets to rural areas of the state. The two incentives through ROZ are:

- Student Loan Repayment Assistance (*Administered by Commerce*)
- State Income Tax Credit / Waiver (*Administered by Revenue*)

Student Loan Repayment Assistance:

Payments equal to 20% of a qualified individual's outstanding student loan balance

- *Payments in equal amounts for up to 5 years*
- *Maximum benefit: \$15,000/\$3,000 per year*
- *Funding source for payments: County & State in equal shares*

Qualifications:

- *Must attain an associate's, bachelor's or post-graduate degree (from an accredited higher educational institution prior to moving to a ROZ)*
- *Must have an outstanding student loan balance (for the awarded degree with a student loan provider such as Sallie Mae, Navient, Nelnet)*
- *Must establish full-time residency in a participating ROZ county (on or after the date the county began participating in the program)*

State Income Tax Credit / Waiver:

A tax credit for a qualified individual's entire Kansas income tax liability (*100% Waiver*) for up to 5 consecutive years. (*Tax Years: 2012 – 2021*)

- Taxpayer cannot be delinquent in filing any tax return or paying any tax due to the state of Kansas or any political subdivision.
- The credit is available only via electronic filing and the Kansas tax return must be timely filed.

Qualifications:

- Must have lived outside of Kansas for 5 or more years immediately prior to establishing residency in a ROZ
- Must have no more than \$10,000 in Kansas source income in each of those 5 years
- Must establish full-time residency in one of the 77 ROZ counties (*on or after the date the county was designated as a ROZ – starting dates for ROZ designation vary: 2012, 2013 or 2014*)
- Must have lived in the ROZ county the entire taxable year to be able to claim the tax credit

Current Totals:

3298 SLR Applications (*2011-2016*):

- In state = 2136 (*65%*)
- Out-of-state = 1162 (*35%*)

Top 5 States:

- NE, CO, MO, TX, OK

Top Applicant Occupations:

- #1: Education (*26%*)

- #2: Healthcare (21%)

612 individuals currently receiving SLR Assistance:

- (County Match = 546 vs. Employer Sponsored = 66)

786 individuals currently on a waiting list

338 Tax Credit Filers in Tax Year 2014

Student Loan Repayments (Fiscal Year/Number of Participants/State's Contribution to Annual ROZ SLR Payments):

- 2013 / 147 / \$197,788
- 2014 / 295 / \$426,914
- 2015 / 448 / \$604,595
- 2016 / 553 / \$779,833

State Income Tax Waiver (Tax Year/Number of Filers/Amount of Credit Allowed):

- 2012 / 102 / \$266,873
- 2013 / 256 / \$587,201
- 2014 / 338 / \$976,143

Rural Opportunity Zones:

| Year | Student Loan Repayment | | | State Income Tax Waiver | | |
|-------|------------------------|-------------------------------------|----------------------|-------------------------|---------------------------------|----------------------|
| | # of Participants | Kansas Contribution to ROZ Payments | Cost per Participant | # of Participants | Kansas Income Tax Credits given | Cost per Participant |
| 2012 | | | | 102 | \$266,873 | \$2,616 |
| 2013 | 147 | \$197,788 | \$1,345 | 256 | \$587,201 | \$2,294 |
| 2014 | 295 | \$426,914 | \$1,447 | 338 | \$976,143 | \$2,888 |
| 2015 | 448 | \$604,595 | \$1,350 | 389 | \$1,171,372 | \$3,014 |
| 2016+ | 620 | \$779,833 | \$1,410 | 428 | \$1,347,077 | \$3,151 |

*The numbers in bold represent estimates and not actual values. Revenue estimates are lagged by 2 years. The most current data available is for 2014.

Economic Impact of Rural Opportunity Zone – Student Loan Repayment Program:

| | | | |
|--|--------------------------|-------------------|-----------------------|
| | State Income Tax Portion | Sales Tax Portion | Overall Impact of the |
|--|--------------------------|-------------------|-----------------------|

| | | | |
|--------------------------------|----------------|----------------|-----------------|
| | | | SLR Program |
| Participants Receiving Payment | \$987,699.69 | \$1,059,748.44 | \$2,047,448.13 |
| Participants on Waitlist | \$1,285,137.66 | \$1,375,760.32 | \$2,660,897.98 |
| All Applicants | \$2,272,837.35 | \$2,435,508.75 | \$4,708,346.10* |

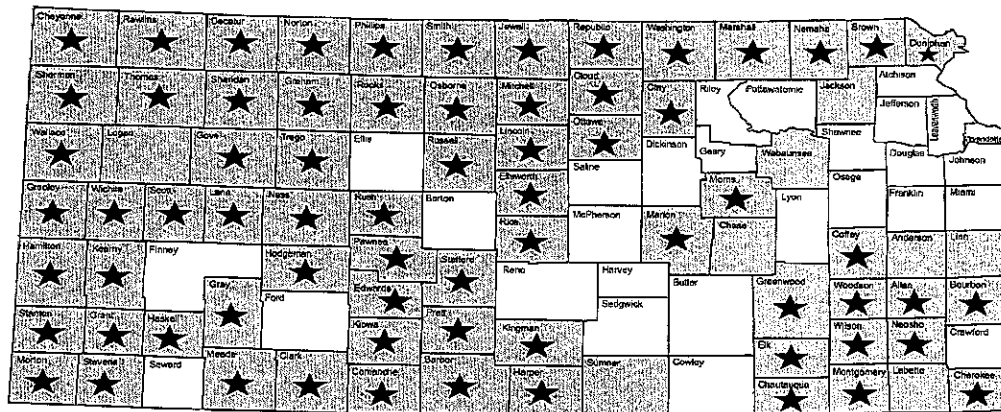
*With 2016 Kansas Income Tax Credits projected to be \$1.347 million, the overall economic impact including the tax credit is \$3,361,269. The estimated value of credits given has been subtracted from the state income tax collected.

ROZ Return on Investment

| SLR Program | Return on Investment (ROI) per dollar spent |
|-----------------------------------|---|
| Considering State income tax only | \$2.91 |
| Considering Sales tax only | \$3.12 |
| Overall ROI | \$6.04 |

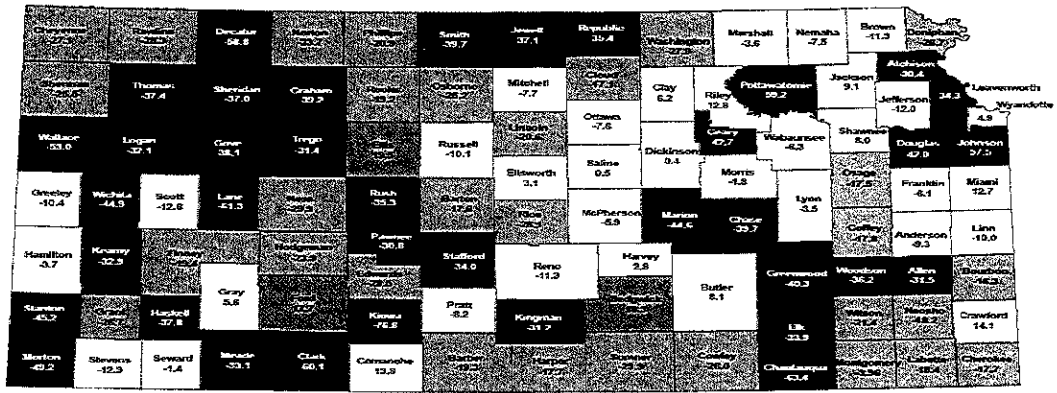
*Considering the tax credits given, the projected ROI for 2016 is \$4.31 for every dollar spent. This number however is based on what 2016 projected tax credits will be. The above calculations are conservative and only represent DIRECT IMPACT estimates. It does not account for INDIRECT and INDUCED effects.

RURAL OPPORTUNITY ZONES



- ★ Authorized ROZ County for income tax waiver.
- ★ ★ County also participates in student loan repayment program.

Projected Percent Population Change in Kansas, by County
2014 - 2044



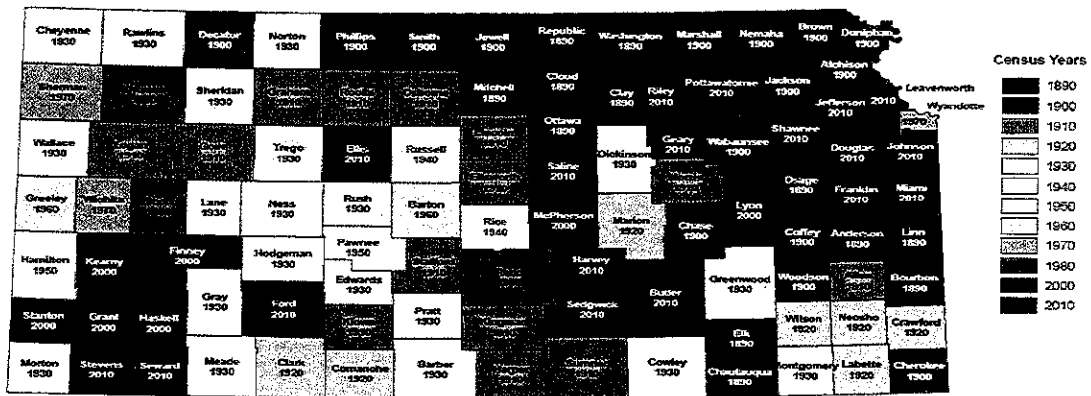
Source: Institute for Policy & Social Research, The University of Kansas; data from Wichita State University, Center for Economic Development and Business Research.

Percent Population Change

State: 11.6



Census Year of Maximum Population by Kansas County
1890-2010



Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, Decennial Census.