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Kansas and Missouri End Incentives Border War

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AUTHORED ARTICLE | Fall 2019

This article originally appeared in the Fall 2019 edition of *Development Incentives Quarterly*.

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Missouri Gov. Mike Parson and Kansas Gov. Laura Kelly took action to end a longstanding economic border war between the two states. The governors signed an agreement on August 13, 2019 vowing to end the use of economic development incentives to lure companies across the state line in the Kansas City area that do not create net new jobs for the region.

Parsons signed a bill (S.B. 182) on June 11, 2019 prohibiting Missouri state incentives from being awarded to Kansas City, KS. businesses that trade one state for the other while remaining in the Kansas City region.

Kelly followed by signing an executive order (E.O. 19-09) on August 2, 2019, prohibiting the Kansas Department of Commerce from providing incentives to businesses from the Missouri border counties that move to the Kansas side of the city.

The Hall Family Foundation, a private philanthropic organization based in Kansas City, estimates that over the past decade, Missouri spent about \$151 million on incentives to attract companies from Kansas border counties to Jackson County. In turn, Kansas spent \$184 million to bring companies from Jackson County to Johnson and Wyandotte counties.

Under Kelly's order, Kansas officials will be prohibited from using state-level economic development incentives to draw businesses with jobs currently located in the Missouri counties of Jackson, Platte, Clay or Cass to relocate them to the Kansas counties of Johnson, Wyandotte or Miami. The bill signed by Parson creates the same requirements on the Missouri side.

Kansas and Missouri state incentives will only be offered for the net new jobs created by a business relocating from border counties. For example, if a Missouri business with 100 jobs moves to Kansas and hires 50 additional people, it may only receive incentives for the 50 new jobs.

Under the agreement between the two states, if a project consists of a Kansas City area business relocating across the state line, Missouri committed to limiting the use of the Missouri Works program, the Building Use Incentives for Large-Scale Development (BUILD) program and the new or expanded business facility tax credit, along with other state discretionary programs. Similarly, Kansas will curb its use of the Promoting Employment Across Kansas (PEAK) program, the Kansas Industrial Training (KIT) and Retraining (KIR) program, the Job Creation Fund, state loan funds and any other state-administered discretionary incentive programs.