

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at
Chairperson

9:00 a.m./~~p.m.~~ on January 24, 1982 in room 519S of the Capitol.

All members were present except: Representatives Lowther and Ott who were excused.

Committee staff present:

Wayne Morris, Research Department
Tom Severn, Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Roland Wiebe - Kansas Natural Resources Council
Dean Denner - Manhattan
Charles Carey - Mechanical Contractors Association
Kevin Finson - Sunwise of Kansas, Inc.
Kathy Hunt - Wabaunsee County Energy Project
Vaughn Proffitt - Proffitt Construction, Inc.
Don Stewart - Kansas Energy Office
Steve Montgomery - Department of Revenue

The meeting was called to order by the Chairman who announced that hearings are scheduled for today on HB 2045 which concerns solar energy system income tax credits and the extension of time for these credits. Wayne Morris of staff presented a table (Attachment I) which lists the Characteristics of Energy Tax Incentives.

Kathryn Sughrue, Representative from the 116th District, appeared to give the reasons behind this legislation and the necessity to extend the tax credit until January 1, 1986. (Attachment II)

Roland Wiebe, Kansas Natural Resources Council appeared in support of the legislation and expressed his organizations desire for the renewal of these tax credits. (Attachment III)

An instructor from Manhattan, Dean Denner, who teaches individuals in the proper construction of solar energy panels, appeared to indicate the necessity of these credits for individuals of lower income who might not otherwise be in a position to consider solar energy as a form of heat. (Attachment IV)

Charles Carey of the Mechanical Contractors Association appeared in favor of HB 2045 and stated that his organization feels that solar is a necessary part of the future energy needs of the state. (Attachment V)

Kevin Finson, Sun-Wise of Kansas, appeared as a proponent of the bill. (Attachment VI)

Kathryn Hund, representing the Wabaunsee County Energy Project, appeared in support of HB 2045 and stated the reasons why her group feels this legislation should be extended. (Attachment VII)

Vaughn Proffitt, President of Proffitt Construction Co., Inc., appeared in support of the legislation. (Attachment VIII) Mr. Proffitt also presented a newspaper column from the January 5, 1983, Kansas City Star, in support of his opinion. (Attachment IX)

Don Stewart of the Kansas Energy Office appeared to express his offices opinion that there are three issues that should be addressed when reviewing the Kansas Solar Energy Tax Credits. (Attachment X)

An attorney from the Revenue Department, Steve Montgomery, appeared to give the committee information on a possible enforcement problem that may exist in the future should this legislation be extended. His department will need more manpower to research systems to which these credits will be applied to ensure that the systems do, in fact, qualify. (Attachment XI)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m.~~p.m.~~ on January 24, 1983.

The meeting was adjourned.

The next meeting of the committee will be held on January 25, 1983, at 9:00 a.m.

CHARACTERISTICS OF ENERGY TAX INCENTIVES

<u>Name of Energy Tax Incentive</u>	<u>Description of Qualifying Item</u>	<u>Relevant Dates</u>	<u>Tax Incentive Calculations</u>	<u>Maximum Incentive</u>	<u>Carry Forward Provisions</u>	<u>Form To be Filed</u>
Kansas insulation income tax deduction.	Insulation, labor and materials meeting FHR R values.	Dwelling must have existed prior to 7-1-77. Deduction is figures on qualifying expenditures during tax year.	Lesser of \$500 or 50% of cost of materials and labor.	\$500 per year.	None	Sch K-36 filed with Form K-40
Kansas solar income tax credit -- principal dwelling.	Solar or wind energy systems installed in principal dwelling. Includes Passive Solar Systems.	System installed by 7-1-83. The law does not specify a beginning date.	Lesser of \$1,500 or 30% of cost of system.	\$1,500 per system in a given year.	2 years difference each year refundable.	Sch K-35 filed with Form K-40. Also Sch. K-35a if taxpayer acquires property on which solar system previously installed.
Kansas solar income tax credit -- business property.	Solar or wind energy systems acquired and placed into service on real property used in a trade or business or in the production of income. Includes Passive Solar Systems.	System installed by 7-1-83. The law does not specify a beginning date.	Lesser of \$4,500 or 30% of cost of system.	\$4,500 per system in a given year.	None	Sch K-35 filed with appropriate business tax form. Also Sch K-35a if taxpayer acquires property on which solar system previously installed.
Kansas solar property tax rebate.	Building or building addition equipped with active solar energy system designed to meet 70% of heating or cooling needs.	Must be installed by December 31, 1980.	35% of property tax on building equipped with solar system. Does not include land.	Continues for 5 years	N/A	Form K-60 and Sch 60A. Also Sch 60B if property not owned for entire taxable year.
Kansas Property Taxes	Active Solar Energy Systems	Taxable years 1980 through 1985	System exempted from all property taxes	N/A	N/A	
Kansas farm storage and drying equipment property tax exemption.	Farm storage and drying equipment meeting CCC loan requirements	Equipment acquired and completed during calendar years 1977, 1978, and 1979.	100% property tax exemption.	Continues for 8 years	N/A	Form BTA 1
Federal insulation and other energy-conserving items tax credit.	Expenditures for insulation and other energy-conserving items on principal residence.	Dwelling existing to 4-20-77. Expenditures between 4-20-77 and 12-31-78 claimed on 1978 return. Ends 12-31-85.	Lesser of \$300 or 15% of qualifying expenditures.	\$300 cumulative total	Cumulative total carries forward	Form 5695 filed with Form 1040
Federal renewable energy resource (solar and wind) tax credit.	Solar and wind energy equipment on principal residence.	Expenditure made from 4-20-77 to 1-1-86.	40% of the first \$10,000 of qualifying expenditures.	\$4,000	2 years	Form 5695 filed with Form 1010

(Over)

ATTACHMENT I

(1-24-83)

Attachment I

<u>Name of Energy Tax Incentive</u>	<u>Description of Qualifying Item</u>	<u>Relevant Dates</u>	<u>Tax Incentive Calculations</u>	<u>Maximum Incentive</u>	<u>Carry Forward Provisions</u>	<u>Form To be Filed</u>
Federal business energy tax credits*	Solar, wind, and certain other alternative energy property.	New equipment placed into service after 9-30-78 and before 12-31-85.	An additional 15% investment credit. Basis is not adjusted for credit.	**	**	Form 3468 Sch filed with appropriate tax return

* Title II - Energy Conservation and Production Incentives of the " Crude Oil Windfall Profit Tax of 1980 contained amendments to the federal business energy investment tax credits for solar and wind energy property, geothermal equipment, ocean thermal equipment, qualifying hydroelectric property, cogeneration equipment, specially defined energy property, petroleum coke and petroleum pitch, coke and coke gas equipment, biomass property, regular investment credit for energy property, public utility property, intercity buses, and alternative fuel production credit.

As indicated, the investment tax credit in solar and wind energy property is 15 percent. The tax credit for the other items listed varies both in amount and the period for which it applies.

** Provisions are specified on Schedule B of Form 3468 and instructions.

STATE OF KANSAS

KATHRYN SUGHRUE
 REPRESENTATIVE 116TH DISTRICT
 FORD COUNTY
 1809 LA MESA DRIVE
 DODGE CITY, KANSAS 67801



TOPEKA

HOUSE OF
 REPRESENTATIVES

January 24, 1983

COMMITTEE ASSIGNMENTS
 MEMBER: FEDERAL AND STATE AFFAIRS
 PUBLIC HEALTH AND WELFARE
 GOVERNMENTAL ORGANIZATION

Mr. Chairman, members of the Committee

H.B. 2045 extends the solar income tax credit to January 1, 1986. Under present law the tax credit is scheduled to terminate July 1, 1983.

The Kansas Legislature passed solar and conservation tax credits and property tax rebates for solar and wind systems in 1976. They were enhanced in 1980 by increasing the maximum dollar limits and the total credit from 25 to 30% of the cost of the system.

Decreasing supplies of Kansas fossil fuel resources dictate the need for promoting other alternative energy sources.

Solar energy is clean, its free its plentiful. It develops energy sources available within the state, sun, wind, etc.

By the year 2020 scientists estimate that solar energy will furnish 25% of our needs.

The basis for the income credit (which was changed in 1980) is as follows:

<u>Tax Year</u>	<u>Residential % of Adjusted Basis of the Energy System</u>	<u>Maximum Amount Allowed</u>
1981	30%	\$ 1,500
1980	30	1,500
1979	25	1,000
1978	25	1,000

<u>Tax Year</u>	<u>Business % of Adjusted Basis of the Energy System</u>	<u>Maximum Amount Allowed</u>
1981	30%	\$ 4,500
1980	30	4,500
1979	25	3,000
1978	25	3,000

SOLAR ENERGY INCOME TAX CREDITS BY TAX YEAR

Number of Claims

<u>Tax Year</u>	<u>Residential</u>			<u>Business</u>	<u>Total</u>
	<u>New Claims</u>	<u>Carry-over</u>	<u>Total</u>		
1976	38	0	38	1	39
1977	112	22	134	5	139
1978	124	55	179	7	186
1980	473	112	585	30	615
1981	352	83	435	17	452

Amount of Credit

<u>Tax Year</u>	<u>Residential</u>			<u>Business</u>	<u>Total</u>
	<u>New Claims</u>	<u>Carry-over</u>	<u>Total</u>		
1976	\$ 14,316	\$ 0	\$ 14,316	\$ 6,241	\$ 20,557
1977	31,642	4,783	36,425	8,391	44,816
1978	51,376	14,630	65,906	9,021	74,927
1979	68,517	23,473	91,990	36,537	128,527
1980	227,817	25,743	253,560	55,597	309,157
1981	231,512	25,222	256,734	78,423	335,157

PROPERTY TAX REFUNDS

<u>Tax Year</u>	<u>Number</u>	<u>Amount</u>
1980	89	\$18,447
1981	148	45,881

The Natural Resource Council has asked me to represent them here. We are a citizens group dealing with environmental as well as energy issues. I also represent the position taken by the Environmental Lobby Coalition. I am here today to voice the support of the council and the lobbying coalition for the renewal of solar and conservation tax credits.

These credits have provided a demonstration of the practicality and sensibility of solar and conservation technologies throughout the state. Distrust of the new and previously controversial energy supply and conservation system still exists. The tax credits have done much in diminishing society's doubt. The credits have encouraged the purchase of solar energy systems and the incorporation of passive solar design in new building. These projects have already shown obvious returns to individuals and state. Even more beneficial is the inducement that these credits offer people to conserve energy.

Unemployment has been and will be aided by the solar and conservation industries by retaining more energy-related jobs within the state and reducing our reliance on imported coal, natural gas and oil. Furthermore, purchases of conservation materials will help local businesses throughout the state.

The state of Kansas has set some very definite precedents in guiding individuals and businesses into new directions in the use and conservation of energy. Consumer utility bills will be lower and profitable industries will be encouraged in the state. Kansas could rightly be one of the leaders in the nation in the renewable energy field. Let us not leave the initiative to California. Few states have as much such solar capacity as Kansas or as much wind or such a potential for methane production. Together with other states we have an enormous challenge to improve the efficiency with which we utilize energy. If our state actively promotes energy effi-

ciency, it can also foster the creative development of new technologies which conserve energy further. Tax credits are a clear policy measure to encourage the development of an infant industry. Industry which can eventually provide jobs and economic prosperity for the state.

Kansas has abolished its solar program, its wind program, its research and development program as well as its energy office. The research generated in these offices gave Kansas a national and international reputation for progressive renewable energy programs. Solar and conservation tax credits can at least do part of the job in promoting quality research and development in the private sector.

If we don't move energy policy in this direction, we will need to rely on imported conventional fuels, since the state's supplies of these fuels are rapidly diminishing. With millions of dollars a year going to other states and the Middle East, we lessen the dollars available for job creation and mess up our tax base. These credits are certainly a temporary measure, but if they are discontinued now, the renewable energy and conservation industry could easily crumble without people's trust being firmly established. By continuing the credits for a period of time, the infant industry can establish a firm footing, and the citizens of the state will be able to pursue new directions in energy policy. Later tax credits can be phased out and Kansas will have a new profitable industry standing on its own. I ask for your support not only in this committee but also through the legislative process. Thank you.

This is page 9 of the summary of the Riley County Energy Project, prepared for the Riley County Commission by the Manhattan Area Energy Alliance, Inc. through funds provided by the Kansas Energy Office

Summary of Findings

Projected Riley County Energy "The Alternative" - Year 2000

October 14, 1982

\$2,606	Approximate amount of money per household to install conservation measures to cut residential energy consumption by 40 percent in 1982. ^a
\$50.2 million	Total amount to conserve this energy in the 19,269 households. ^b
\$42.6 million	Above 50.2 million reduced by 15 percent tax credits.
\$4.2 million	Amount of money saved (40 percent of 10 million) in the first year. ^c
5 years	Payback time for the conservation investment if prices rise at 10 percent annually. ^d
2,250	Number of person-years of labor required to install the conservation measures. ^e
140	Number of jobs created during a five-year program to reduce residential energy consumption by 40 percent were implemented. ^f
2.8 million	Amount of new economic activity in the county due to retaining \$4.2 million the first year. ^g

^aBased on methodology presented in Chapter 12 of the RCEP report.

^bNumber of dwelling units in Riley County (19,269) multiplied by 2,606 to install conservation measures.

^cThe amount of money spent for residential energy in Riley County in 1980 multiplied by 0.40.

^dBased on methodology presented in Schaefer and Benson, Energy and Power in Your Community, 1980.

^eIbid.

^fIbid.

^gBased on multiplying 4.2 million by the local economic multiplier rate of 0.67.

Testimony before the Assessment and Taxation Committee in support of Bill 2045 to extend the Kansas Solar Tax Credits to 1986.

Kansas is one of the few remaining energy-exporting states in the nation. For every 5 BTU's of energy produced in Kansas, 4 BTU's are consumed, while one is exported from the state.¹ However, the Kansas Geological Survey reports that our conventional sources of fuel have passed their peak of production and in fact the reserves are in sharp decline; coal production peaked around 1915, petroleum around 1957 and the proven natural gas reserves around 1970. A 1978 annual Department of Energy report showed total remaining "proven natural gas reserves" in Kansas to be 10.99 TCF.² At the current annual production rate of .80 TCF, Kansas's natural gas reserves will last approximately 12 more years. In order to avoid an energy-purchasing cash flow out of the state, alternative energy sources must be developed. The energy source most prolonged by the Kansas Solar Tax Credits is natural gas. This is due to the fact that the Solar Tax Credits most readily facilitate residential space heating and approximately 3/4 of our homes use natural gas for this purpose. To a lesser extent, natural gas generated electricity is also used in resistance heating. Solar daytime heating, (the simplest and most cost effective solar application) could easily slow this particular drain by 30 to 40%.

With reserves diminishing, gas companies will blend in more and more Alaskan, Canadian and Mexican natural gas, at greatly increased prices, from the interstate pipelines. The recent KCC intervention in Washington over the gas service company rate increases is evidence this is already happening. Blending of expensive interstate gas, was upheld by the Federal Energy Regulatory Commission, and the Department of Energy just announced we can expect 25% price

increases this year. Hardest hit are the elderly, handicapped and other low and fixed income households. Their homes lack proper insulation and are heated with the least efficient heating units.

The state of Kansas is to be commended upon the compassion demonstrated by her willingness to appropriate funds to pay the heating bills of those suffering due to their inability to pay. Unfortunately, such a plan eases the symptoms not the problem; leaky houses and obsolete heating systems. Increased electrical generation is not the solution due to the high capital costs of plant construction. Also the primary fuels, coal and uranium are imported from out of state; a cash flow out.

Even those accustomed to the typical middle-class comforts are being forced to accept major change in their lifestyles. A 1982 survey of Riley county households showed 58% believing that the energy problem would cause them major difficulty in the next 10 years. It is probable that the rest of Kansas has similar feelings. Because the Conservation and Renewable Energy Credits are available to all income levels, it is likely that they will prove much more politically palatable and economically sensible than continued subsidies for utility bills, especially since a very large and increasing portion of those bill payments are leaving the local and state economies. The recipients need for state funds can be diminished by an investment in conservation and renewable energy sources not bound to escalating fuel costs. The additional employment involved in insulating and retrofitting solar collectors serve to decrease the number of people in the unenviable position of choosing between utility bills and the purchase of other necessities.

RENEWABLE ENERGY AND SALES TAX REVENUE

In our county, two thirds of the fuel used in the commercial sector and half of that used in industrial buildings is natural gas burned directly for heating and processing.³ Obviously, the declining supplies are reflected in the cost of goods and services, making them less affordable to household

budgets already pressed against their own utility bills. One response especially of smaller business is to shorten hours in order to control operating costs. The net result for Kansas is declining revenues from both state sales and income tax.

Balancing these unquantified but certainly serious revenue losses against the small investment in renewables the Kansas energy credits make, the program more than pays for itself without even considering the added benefits of a more stable energy supply and added employment.

EMPLOYMENT

At a time when financing difficulties and economic uncertainties have idled thousands of construction workers, the low capital costs of self-employment in solar energy and energy conservation allow an option to the unemployed. The easily understood designs and readily available parts of simple daytime air collectors lend themselves to construction by even semi-skilled workers.

The increased employment spawned by the Solar Tax Credits generates funds for the state by increased income and sales taxes. Such employment also decreases welfare expenditures for the state precisely by providing employment. The dollars invested in renewables in Kansas multiples within the state while those sent out of the state or nation are but a drain on the state and local economies.

Contrary to popular opinion, solar heating is available for low as well as moderate and high income families. Solar systems designed for supplemental daytime heating, capable of providing 30-40% of a home's heating have been constructed in Manhattan and elsewhere for around \$1200. The locally available materials for these site-built collectors are about one third of the cost. Plans for such solar collectors are readily available in numerous publications including a Kansas Energy Extension publication. Hence a homeowner with basic carpentry skills can build a collector if the cost of hiring a carpenter is prohibitive. Those homeowners

for whom even this investment is burdensome have been aided by the current Kansas Solar Tax Credits which allow for the credit to be carried forward for three years, after which any remaining balance is reimbursed to the taxpayer. This wise provision includes very-low income families who would other-wise be asking for aid in paying utility bills.

The state of Kansas will experience long term benefits from the extension of the Solar Tax Credits by helping to reserve increasingly expensive conventional fuels for uses that specifically demand them; by creating jobs within the state; and by generating state revenues through investing our money within Kansas where it will multiply in addition to creating further income and sales taxes.

Dean Danner 708 Lee St. Manhattan KS. 66502

Bill Dorsett 930 Thurston Manhattan MO 66502

1. Riley County Energy Project, Manhattan Area Energy Alliance, Inc.
Riley County, Kansas 1982 p. 14.
2. Kansas Geological Survey, 1979.
U.S. DOE/EIA, U.S. Crude Oil and Natural Gas Reserves - 1978 Annual Report, p.10.

MECHANICAL CONTRACTORS Association of Kansas, Inc.

Phone 913-354/1130

500 Kansas Avenue, Topeka, Kansas 66603



January 24, 1983

To: Chairperson Braden, Vice-Chairperson Rolfs and Members of the House Assessment and Taxation Committee.

From: Charles Carey, Executive Director of Mechanical Contractors Association of Kansas.

Re: HB 2045 AN ACT concerning solar energy system income tax credits; extending the applicability thereof: amending K.S.A. 1982 Supp. 79-1118, 79-32,166 and 79-32,167 and repealing the existing sections.

I wish to speak for passage of HB 2045. We need solar as a part of the future energy mix and solar needs to be helped with income tax credits.

Solar will always be a high first cost system because solar is a dilute form of energy. We need to encourage those "now" willing and interested in investing in solar to continue to encourage this labor intensive developing industry. We need more installations so that the potential contribution from solar and the skills and design knowledge gained from actual installations can be better understood by more owners, sellers and installers.

Since 1973 there have been many predictions of breakthroughs and easy sources of new energy. Where are they today?

Solar is here now. Solar has many applications. Low temperature to very high temperature applications are possible with solar.

A final thought regarding use of solar in profit making operations. Solar without a tax credit is being discriminated against because once the first cost of installation is made the cost of energy harvested is virtually free. Whereas profit making operations can deduct the cost of conventional energy and in this sense enjoy a tax credit, "free" solar energy doesn't have this advantage.

Solar energy could have the same tax advantage if Solar BTU Meters (there are such things) could be used to record the BTU's of energy harvested and then converted to the cost of conventional energy and this amount allowed as an operating cost.

Instead of the previously suggested fair treatment of solar, it would probably be easier to stay the course with HB 2045 and extend the expiration date to January 1, 1986.

Thank you.

Charles Carey

ATTACHMENT V

(1-24-83)



TESTIMONY to the House Assessment and Taxation Committee on HB _____
By Kevin D. Finson, Sun-Wise of Kansas, as a PROPONENT of said bill.

January 24, 1983

Mr. Chairman and Honorable Representatives,

I am speaking to you today as a proponent of this legislation to extend the state energy tax credits available to solar and wind energy alternatives.

By retaining the energy tax credits, we in the solar and wind energy industries believe the overall economic picture for Kansas will be enhanced. Obviously, the existence of the tax credits help solar and wind products to sell. However, we believe that there are more far-reaching implications affecting our industries.

Each of us is concerned with unemployment. The extension of the energy tax credits will keep people working -- many of whom would otherwise contribute to a drain on the state treasury in the form of unemployment benefits and similar programs. Keeping people working can obviously provide a positive gain for the state treasury in the form of income taxes, sales tax revenues from products they sell and purchase, and helping to keep money in our state.

For example, one solar system -- manufactured, sold, and installed -- can provide work for manufacturers and factory personnel; freight lines; warehouse owners; solar wholesalers; dealers; sales staff personnel; installation people; service technicians; publishing and printing companies; educational personnel for the training and certification of the plumbers, electricians, and others which the industry requires; and so on.

Additionally, income is provided by solar people -- the term used here generally -- to many others peripherally associated with solar -- such as suppliers of ducting, insulation, plumbing, wiring and other electrical components, dormer materials, etc. Also included in this group may be the grocers and other merchants who benefit from solar people being able to shop and purchase goods and services.

All this activity maintains cash flow, creating income for Kansans. That income begets revenue in various forms for our state treasury -- revenue which very likely will offset any amount

(1-24-83)

ATTACHMENT VI

TESTIMONY by Kevin Finson as PROPONENT for HB _____ (continued)

paid by the state in the form of energy tax credits.

The energy tax credits also improve the consumer's view on the affordability of solar and/or wind energy technologies. This improved attitude enhances solar and wind product sales. The sales -- and subsequent installations -- provide energy savings for the consumer. These energy savings provide more pocket money for the consumer to use in purchasing other products -- thus helping our general economy. I might add that the solar people -- opening and operating offices -- provide additional income for the various utilities such as electrical, gas, telephone, etc. -- so even though those utilities have revenues reduced through consumers' improved conservation and solar/wind energy usage, those same utilities see increased revenues from the solar business offices.

In summation, the negative cash flow -- in tax credit monies -- from the state treasury would most likely be offset by the positive cash flow from income tax and sales tax revenues generated by working people, plus the unemployment benefits, etc., which would NOT be drained from the treasury.

The alternative energies industry is one of the few growing industries in our state -- as well as nationally. The extension of the energy tax credits will help insure continued growth and improvement in our state's economy.

I thank you for this opportunity to visit with you.

Kevin D. Finson
Sun-Wise of Kansas
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Topeka, Kansas 66611
(913)-267-0010

① My name is Kathryn Hund. I live on a small farm in Wabauensee County. I was the county coordinator for the Wabauensee Energy Project, and am now a volunteer working for that organization. The Wabauensee Energy Project is a group of citizens in the county that are working together to try to solve their local energy problems. The project did an end-use study of the county's energy consumption and divided the use according to sector; residential, agricultural, transportation, commercial, and so on. From these statistics, the different working groups set goals of how best to tackle their energy problems. I say the word energy problems with emphasis because rural Wabauensee County does have energy problems. The county is largely agricultural with only a few small towns scattered miles apart. The increased cost of transportation energy has hit these families hard as they are forced to drive their farm products to distant markets and commute to jobs in the city. The energy costs of fertilizers, grain drying & heating & cooling on livestock operations are also taking an enormous toll out of an already meager farm income. The plight of the small family farmer is one that I'm sure you are familiar with but their problems go far beyond the scope of this testimony. I'll summarize by saying that these individuals are in dire need of any means to cut their energy costs in order to stay afloat on their farm incomes.

Although they are searching for alternatives, this rather conservative group of people are wary of "new fangled ideas." Three years ago when the Wabauensee Energy Project started, very few individuals had knowledge of solar heating and cooling. And, like most of us on a tight

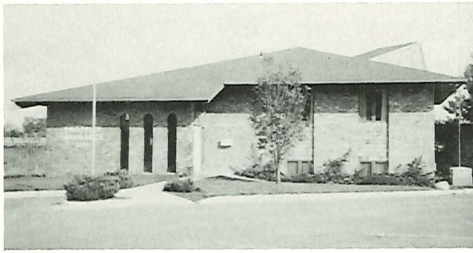
(2)
budget, these people were hesitant about investing any money into anything unless they could see it work. The WEP was responsible for building & installing a solar collector on the Public library. A tour that looked at other solar installations in the County and some educational meetings convinced some farmers that solar alternatives were working to save people money.

Two solar construction workshops were then organized by the W.E.P. Both were do-it-yourself, low dollar outlay projects. The second workshop involved two volunteers instructing the building of 4 by 8 foot flat plate collectors to be used for space heating on a house or farm building. The instructors passed along their cost of some wholesale materials to the participants allowing the collector to be built for \$100.00. Even on this small scale, it was important to the participants that a tax refund was coming soon to defray their initial cost. I had several individuals contact me before the workshop to check on tax credit information. I am certain that the tax credit incentive was instrumental in allowing these participants to make this small investment in a more energy independent future. As the families that participated in these workshops install their solar collectors, their neighbors and friends are encouraged by their success, they build one and the ripple effect provides for even more people who start to save money and energy. The tax credit incentive works as a seed that will grow into a strong root system of energy independent families that will require less government assistance in other areas and promote a healthier economy. The tax credit incentive is responsible for starting this growth.

③ There is a great concern now for the elderly and the economically disadvantaged who cannot pay their utility bills. Funds have been appropriated, crisis centers set up, and government agencies set in motion to pay these bills. It is important to meet this need. But if the state can fund a stop-gap measure like this, then surely the states conscience will compel them to help individuals who are willing to help themselves by the use of tax credit incentives. The money spent today on tax credits will be money saved in the future, it will benefit individuals directly and the states economy. I have seen in my county how tax credits do work. They are helping people manage their high energy costs and helping people keep warm. These tax credits are not merely benefiting a few wealthy individuals who buy an expensive solar system because they need a tax write off. In my county, they are helping the independent farmer and the local lumber yard in a do-it-yourself struggle to remain independent.

The federal government has shown poor leadership in appropriating energy monies for our solar future. Although they subsidize the nuclear industry, virtually no solar program is left on the ~~solar~~ ^{federal} level. Kansas, a land filled with sun, should not follow suit. We must act now to help people bring the warmth of the sun into their homes. It is time for our legislature to demonstrate some leadership and foresight and re-enact the solar tax credits. Solar tax credits incentives help the individual and help our state. If we don't re-enact solar tax credits now, the state can look forward in the future to longer lines of people waiting to collect subsidy payments for their heating bills!

Thank you.



Proffitt Construction Co., Inc.

1237 EAST 37th • TOPEKA, KANSAS 66605 • (913) 267-0334

VAUGHN PROFFITT, *President*

Mr. Chairman and Ladies and Gentlemen of the Committee:

I am Vaughn Proffitt, president of Proffitt Construction Co., Inc. I am here to speak in support of House Bill #2045.

The editorial from the Kansas City Star of January 5, 1983, which I have given you, explains some reasons for their support of the extension of the Kansas Energy credits. The main reason we need a continuation of the tax credit in Kansas is that people just now have an awareness of their need and some knowledge about how solar energy works.

The legislature was wise in thinking ahead to allow tax credits, because you knew how energy costs were going to skyrocket. The citizens of Kansas are just now realizing that they have a permanent solution for part of their energy needs in the form of solar energy. This winter has been very mild. If it had been normal, people would really be upset with their utility bills.

Here in Topeka and in Kansas City, they are donating money to help people pay their utility bills. I support this action, but it will not be a permanent solution. As utilities continue to rise in cost, there will be more and more people who need help. You have the opportunity to give that help in the form of solar energy tax credits. My company has eight full-time employees and four salesmen. Without the tax credits, our solar business would not be in existence or at best, very slow. I urge you to support this bill favorably. If you have any questions about solar energy and how it works, I will try to answer them.

Thank you.

Solar tax credits worth extending

In these financially troubled times, the Kansas Legislature may be tempted to eliminate solar energy tax credits. These attractive credits will expire in July, 1983, unless lawmakers extend them. They should be extended. They are an incentive for persons to install solar heating or cooling systems to replace natural gas, fuel oil or other non-renewable energy sources.

A Kansas homeowner now can get a credit or refund on his state income taxes of up to \$1,500 for installing a solar system. The credit for a business is \$4,500. Undoubtedly the state could get more revenue if these credits were not allowed. But their success in encouraging taxpayers to use a renewable energy source is the best argument for continuing them.

Only 38 persons took advantage of the credits in 1976, the first year the law was in effect. The claims on tax returns have increased substantially since that time. There were more than 470 claims in 1980, at a cost to the treasury of \$358,000. That increase can be attributed partly to the rising costs of such alternate heating fuels as natural gas. At the same time, the public has become more aware of solar energy systems and solar tax credits.

While public utilities continue to sing the same old song about using natural gas, oil and coal, all of which cannot be replaced, the state has done a little bit to encourage use of a heating source that doesn't run out. This is no time to abandon a program that has had a successful start.

Kansas City Star Jan 5, 1983

19 January 1983

MEMORANDUM: SOLAR TAX CREDITS, STATE OF KANSAS

Dick:

You asked for a short synopsis of the issues which could/should be addressed when reviewing the Kansas Solar Energy Tax Credits. I believe there are three important issues:

- 1) The credits should be extended to coincide with the current expiration date of the Federal Credits. The expiration would also coincide with the annual tax return and calendar year, rather than the states fiscal year-end. The Federal Credits are currently scheduled to expire on 31 December 1985. This issue appears to have a good deal of support from the Governor and the Legislature.
- 2) Having spoken with representatives of the Dept. of Revenue, I am confident they would be in favor of extension, but mostly for the purpose of eliminating the confusion of taxpayers as to when their respective systems qualify.
- 2) During the past several months, I have had many occasions to review "quotes" given to Kansas residents concerning the KS Tax Credits. Frequently, dealers have been attempting to "size" their systems solely to achieve the maximum credit available, rather than achieving the best cost per system. Dealers have been calling what is essentially one system with two functions, two systems...thereby convincing the taxpayer that he is eligible for two state tax credits. The taxpayer, unless he is cautious and seeks advise from KEO or others, is not aware that these two credits may not be claimed until after the system is installed and the Dept. of Revenue denies the application. I believe this situation could be alleviated in one of two ways: an absolute maximum credit per household (\$1,500) or an absolute per-centage of cost (10-15%). Regardless, something must be done to prevent unscrupulous solar dealers from violating the spirit and intent of the State tax credits and, worse, making residents susceptible to improperly sized and designed systems.
- 3) Associated with 2) above, I believe it is time for Kansas to adopt some minimum standards for systems and collectors which qualify for the credits. One vehicle for establishing minimum standards is to require that they be tested by a standardized, unbiased testing facility. I would not go so far as to suggest that the state try to require a minimum performance...one should still rely upon the prudent buyer concept, i.e., let the purchaser make comparisons of cost and value. However, for a system or collector to receive the benefit of a state tax credit, the collector or system must have been tested and certified by a reputable entity. There are several testing and rating groups available; I would personally suggest the National Rating and Certification Corporation, which carries the endorsement of the Interstate Solar Coordinating Council, for collectors and DHW systems; I would suggest the American Wind Energy Association for wind systems.

I would be happy to discuss these and other issues with you at your convenience.

Don Stewart.

*Memorandum
to Dr. Richard Hayter,
Director of the
Kansas Energy Office
by Don Stewart
KEO Federal Programs
manager.*

MEMORANDUM

TO: Rep. James Braden, Chairman
House Assessment & Taxation
Committee

DATE: January 26, 1983


FROM: Steven C. Montgomery, Attorney
Kansas Department of Revenue

RE: Testimony at Hearing on
House Bill No. 2045

This memorandum is written in response to the request for a written statement of the above-referenced testimony. The department has no position as a proponent or opponent on House Bill 2045 as the extension of credit deadlines is a policy decision for the legislature. My appearance before the committee is primarily to confirm the figures provided in the fiscal note regarding estimated revenue loss and to answer questions regarding the department's administration of the current solar tax credit act.

I would advise the committee that although this bill extends the deadlines for the solar tax credits, the July 1, 1983 deadline for accelerated depreciation pursuant to K.S.A. 79-32,168, is unaffected. This provision allows taxpayers who install active solar systems on income producing property to depreciate the solar equipment over a 60 month period.

Another matter for consideration by the committee is the fact that the department currently has no experts upon whom it may rely for technical expertise in the area of solar and wind power. Such an expert would be valuable for advising the department as to whether particular systems should qualify for credits. Additionally the department has no expert for evidentiary purposes when a taxpayer appeals a denial of a solar tax credit claim. If the credit terminates as scheduled on July 1, 1983, this problem is minimal. However if the credit deadline is extended, the problem is amplified and it will be more likely that questionable claims will be allowed simply because the department has inadequate technical expertise to properly evaluate the claim and defend denials of solar tax credit claims.


Steven C. Montgomery Attorney
Legal Services
Department of Revenue