

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. ~~xxx~~ on March 1, 1984 in room 519S of the Capitol.

All members were present, ~~except~~

Committee staff present:

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

Conferees appearing before the committee:

Barbara Sabol, Secretary, Department of Health & Environment
Bill Edds, Department of Revenue
Dennis Murphy, Bureau Chief, Bureau of Waste Management
Ron Gaches, Kansas Chamber of Commerce and Industry

Hearing was held on House Bills 2822 and 2823. House Bill 2822 provides for a refund for sales tax paid on purchases of equipment used in the treatment of hazardous waste. House Bill 2823 provides a maximum \$200 credit against income tax liability for small generators' treatment or disposing of hazardous wastes.

Barbara Sabol, Secretary of the Department of Health and Environment, testified as a proponent of both bills. (Exhibit I)

Ron Gaches, General Counsel and Director of Taxation for the Kansas Chamber of Commerce and Industry, testified as a proponent for both bills, but stated that the Chamber would prefer the committee consider lengthening the sunset period for House Bill 2823. (Exhibit II)

Bill Edds, Department of Revenue, testified that the Department would prefer a refund for sales tax paid on purchases of equipment as opposed to an outright exemption from sales taxes.

Representative Crowell made a conceptual motion to amend the amounts retained in the taxing area on line 44 from 25% to 10% to accomplish what the sponsor of the bill had originally intended when the bill was drafted. Representative Lowther seconded the motion.

Representative Leach made a substitute motion that House Bill 2898 be recommended for an interim study. Representative Reardon seconded the motion. Following discussion, Representative Reardon withdrew his second and the motion failed for want of a second.

Representative Reardon made a substitute motion that House Bill 2898 be tabled and Representative Schmidt seconded the motion. The motion failed.

Representative Frey made a substitute motion that House Bill 2898 be reported adversely and Representative Erne seconded the motion. The motion failed.

Representative Rolfs made a substitute motion that House Bill 2898 be tabled and a recommendation be made to the Legislative Coordinating Council that it be the subject of an interim study. Representative Spaniol seconded the motion. The motion carried.

The meeting was adjourned.

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

Testimony on House Bills 2822 and 2823

ENERGY AND NATURAL RESOURCES COMMITTEE

TAX INCENTIVES FOR HAZARDOUS WASTE TREATMENT

I. Background

These bills provide tax incentive to encourage the use and development of alternative technologies in the areas of treatment and disposal of hazardous waste. The Kansas Department of Health and Environment believes that these actions are necessary to protect public health, environment, and groundwater resources. Left unprotected from hazardous waste contamination, eventual cleanup of the state's groundwater and the potential adverse health impacts could be extremely costly to the state as well as private business.

II. Tax Incentive for Treatment Procedures

House Bill 2822 provides a refund of the sales tax paid on new capital equipment which reduces the hazardous nature of a waste product.

As mentioned above, these bills are preventive steps toward protection of health, environment and the groundwater resources.

The sales tax refund will be a financial incentive to encourage the use of alternative technologies for the treatment of hazardous waste. Examples of alternative technologies in the field of waste management include: incineration, chemical, physical and biological treatments, retrievable storage, stabilization and recycling.

Department's Position:

The Department of Health and Environment recommends that the Committee report House Bill 2822 favorably.

III. Tax Incentive for Small Generators

House Bill 2823 creates a tax credit for small generators who produce less than 100 kilograms of hazardous waste in each month of a year. The credit is for \$200 or actual out-of-pocket expenditures, which ever is less, for the treatment or disposal.

The credit will serve as an incentive for approximately 2,000 hazardous waste generators to seek and develop alternatives in the areas of hazardous waste management.

Department's Postion:

The Department of Health and Environment recommends that the Committee report House Bill 2823 favorably.

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

Summary of Tax Incentives in Other States

Presently, four states offer tax incentives as a positive inducement to business and industry to use alternative waste management methods. These states are Wisconsin, North Carolina, Minnesota, and Michigan.

Wisconsin and North Carolina both provide tax incentives that can ease the financial burden of purchasing new capital equipment for hazardous waste treatment. Wisconsin exempts machinery and equipment from the state property tax while North Carolina excludes real estate and equipment for waste disposal and water treatment from property tax.

Minnesota offers a 5% tax credit for recycling equipment and a property tax exemption for pollution treatment equipment.

Michigan's tax incentive program includes property tax exemptions on improvements made in already existing facilities that reduce or minimize their hazardous waste generation.

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

Fiscal Impact of Tax Incentive Bills 2822 and 2823

I. Sales Tax Exemption

The estimated cost to the state in noncollected revenue, due to H.B. 2822's sales tax exemption, will be \$70,000 a year. This figure is based on the Department's estimation that 2 million dollars worth of new capital equipment will be purchased yearly by both small and large hazardous waste generators to use for alternative technology.

Examples of the cost and sales tax on major capital equipment used in hazardous waste treatment are:

1. Solvent Recovery Still(used to recycle solvents)

Average cost:	\$20,000
	<u>x 3.5%</u> (sales tax)
Sales tax paid	\$700.00

2. Equipment that reduces/treats Chromium waste water

Average Cost:	\$6,000
	<u>x 3.5%</u> (sales tax)
Sales tax paid	\$210.00

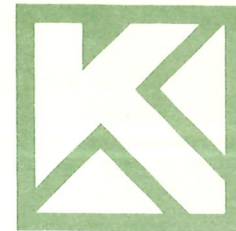
II. Small Generators Tax Credit

The estimated cost to the state to provide the small quantity generator tax credit is \$400,000 a year. This figure is based on the \$200 maximum tax credit proposed by H.B. 2823, multiplied by the estimated 2,000 small waste generators in Kansas who would be eligible for the credit.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

March 1, 1984

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE ASSESSMENT AND TAXATION COMMITTEE

presented by

Ronald N. Gaches, General Counsel
and Director of Taxation, KCCI

Thank you Mr. Chairman for this opportunity to appear before your committee on behalf of the Kansas Chamber of Commerce and Industry and speak in support of House Bills 2822 and 2823.

House Bill 2822 provides a refund for sales tax paid on purchases of equipment used in the treatment of hazardous waste. We strongly support enactment of this small savings in cost to the purchaser of such equipment. Our only suggestion is that the bill provide a sales tax exemption rather than a refund for these types of purchases. Verification for issuance of a sales tax exemption certificate could be completed in the same manner as the verification required in the bill for refund of the sales tax. Providing an exemption rather than a refund would simplify the administration of this cost savings from the taxpayers perspective without adding any additional burden on the Department of Revenue. An exemption also prevents the loss of use of the dollars remitted by the taxpayer.

EXHIBIT II

3/1/84

House Bill 2823 provides a maximum \$200 credit against income tax liability for small generators' treatment or disposing of hazardous wastes. We support enactment of this credit but note that the available credit probably represents only a small part of the added cost imposed on small generators. In addition, the bill provides no credit or cost reduction for those who generate more than 100 kilograms of hazardous waste per month despite the higher cost that will be imposed by prohibiting ground burial of hazardous wastes and requiring the use of alternative methodologies for disposal or transportation to an out-of-state disposal facility.

We urge your favorable consideration of both bills, but prefer that you consider changing HB 2822 to provide an exemption rather than a refund and consider broadening HB 2823 in the maximum amount of credit available and the number of firms that may use the credit.