

Approved February 27, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m. ~~xxx~~ on Tuesday, February 25, 1986 in room 519-S of the Capitol.

All members were present ~~xxxx~~.

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Bill Edds, Department of Revenue
Harold Peterson, Kansas Solar Energy Industry Association
Fred Deppner, Kansas Solar Energy Industry Association
Maurice Johnson, Kansas Solar Energy Industry Association
Marsha Marshall, Kansas Natural Resources Council

S.B. 666 - Express company taxation repealed

Bill Edds explained that the Department requested this bill which would eliminate a tax on express companies. He said the tax has not collected any revenues for at least 10 years.

Senator Allen moved that the bill be recommended favorably for passage and placed on the consent calendar. Senator Frey seconded the motion, and the motion carried.

S.B. 665 - Extension of solar energy system income and privilege tax credits

Staff explained that both the federal and state tax credits for solar energy have expired. The bill would phase down the credits for banks, commercial enterprises and businesses and individuals. It was advised that the original intent of the bill was to include performance standards but the Revisor was unable to draft the bill in this manner.

The Committee turned its attention to S.B. 536 (increase in sales and compensating use tax rates; increase in sales tax refunds on food). Senator Burke moved that the bill, as amended, be recommended favorably for passage. Senator Hayden seconded the motion, and the motion carried. Senator Mulich asked for a division. Upon the division, the motion was determined to carry 6-5. Senator Mulich requested that his "no" vote be recorded.

The Committee returned to hearings on S.B. 665.

Harold Peterson discussed the subsidies received by non-renewable energy industries (Attachment 1). He used a chart to illustrate the difficulty renewable sources have in competing with non-renewable sources. He urged that S.B. 665 include a performance factor whether by rules and regulations, or some other method.

Fred Deppner testified in support of the bill. Mr. Deppner said the renewable energy industry provided 2,100 jobs and generated \$33 million in 1985 and that projections for 1986 are 295 jobs and \$8.4 in revenues. He provided the results of a study conducted in Colorado which concluded that tax credits have resulted in a \$4.44 return to the state economy for every dollar allowed as a tax credit (Attachment 2). Mr. Deppner stated that the U.S. House of Representatives has passed, and sent to the Senate, legislation similar to S.B. 665. He noted that wind energy is included in S.B. 665. He stressed the importance of alternatives to non-renewable energy sources. He feels that Wolf Creek will increase the demand for alternatives.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on February 25, 1986

Maurice Johnson spoke in favor of the bill. He provided information concerning tax credits in 22 states (Attachment 3). He cited examples of the increase in his own personal utility bills over the last 12 years.

Marsha Marshall testified in support of the bill. She said that providing a favorable climate for development of this type of industry will benefit the state.

Bill Edds told the Committee that the Department has no unit or employee with the technical knowledge to respond to inquiries with regard to the solar energy issue. He said there is no present method for auditing or verification. Mr. Edds estimated the fiscal note for FY 87 at \$4.25 million. He advised that the Department would not oppose a state incentive super-imposed on a federal incentive.

There was discussion about the fiscal note and the possibility that S.B. 665 goes further than was intended with regard to the tax credits for individuals and that this may be inflating the fiscal note. Senator Karr requested the Department to provide information with regard to the 1984 solar energy credits.

Senator Mulich moved that the minutes of the February 24, 1986 meeting be approved. Senator Thiessen seconded the motion, and the motion carried.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
2/25/86	Dana Ferrell	Topeka	Budget
	Edna Haist	Salina	K-NEA
	Dennis Horst	Salina	K-NEA
	M. D. Redeker	Salina	K-NEA
	Hildy Larson	Salina	K-NEA
	Bill Edds	Topeka	REVENUE
	Margaret Beers	Lawrence	LWVK
	Craig Grant	Lawrence	K-NEA
	Ray Coles	Topeka	K-NEA
	Marge Turkington	Topeka	Kansas Motor Carriers Assn
	Bruce Graham	Topeka	Ks. Motor Carriers Assn
	Jerry Humphrey	"	KMH I
	Duo Grant	"	KCC
	Jerry Loneragan	"	KCC
	Charles Sponberg	McPherson	K-NEA
	Richard Bruns	McPherson	K-NEA
	N. A. Schmidt	Inman	K-NEA
	Gordon L. Unruh	Inman	K-NEA / Farm Bureau
	Joe Pfannenstiel	Inman	K-NEA
	LeRoy Frazier	Buckler	K-NEA
	Quid Faxon	Topeka	KCCI
	Bill Curtis	Topeka	KASB
	Marsha Marshall	Topeka	KNPC
	Harold Z. Voth	Zwettl	
	Gerald Hudson	Topeka	USA
	James Kastner	Topeka	KEDA
	Maurice E. Johnson	Wichita	KSIA
	Harold Peterson	Wichita	KANSIA
	Fred Deppner	"	KANSIA

KANSAS RENEWABLE ENERGY INDUSTRY SUMMARY

Last year the renewable energy industry (solar, wind, and geothermal) lost their ability to compete in a highly subsidized and competitive market place for energy. The previous tax credits given this industry were the tools provided by the state and federal governments to help make renewables more competitive with the high cost of fossil fuels.

An article in the Wall Street Journal dated September 17, 1985, headline read "Hiding the True Costs of Energy Sources". The article was about federal subsidies that energy industries acquire through tax incentives, tax breaks, tax credits, etc.. An example from a chart in this article shows that oil and natural gas liquids energy produced was 21 quadrillion BTU's. Federal subsidies for this source of energy was 8 billion dollars. End-use efficiency supplies 11 quadrillion BTU's, and 1 billion dollars was subsidized. Nuclear electric produced 1½ quadrillion BTU's and was federally subsidized 16 billion dollars. For all energy sources there are 17 kinds of tax breaks from 21 different agencies. Only the renewable energies (solar, wind, and geothermal) have lost their subsidies, and yet are asked to compete in this highly subsidized and competitive market. In the state of Kansas, natural gas, liquid gas, and nuclear electric are provided with substantial subsidies. The people of Kansas have demonstrated that they do not want nuclear energy in their state at the high cost, not only through tax subsidies, nor through direct increases in their electric utilities. They have also chosen to purchase alternatives through renewable energies such as solar and wind generation.

We are asking the state of Kansas, beginning with this committee, to grant this industry a return of our previous solar credit with a couple of modifications. These modifications are outlined in this proposed legislation. This credit would offset the inequities that presently exist, and allow the citizens of Kansas to continue to have a choice of an energy source. Without the incentives for renewables, their options are less obtainable.

The bill before you is essentially the same as the expired legislation, with two alterations. One is a performance factoring. The second is a three year phaseout as indicated in the proposed legislation. Performance factoring ties directly to the performance of the equipment to the tax credit dollar. This should encourage higher quality equipment to obtain a better dollar value on the tax credit. A spin-off benefit will be that the state tax credit dollar will be utilized directly in relationship to the ability of the equipment to perform. The three year phaseout is designed to coincide with proposed legislation.

We feel with the performance factoring, and a three year phaseout, the proposed legislation is more palatable. Again, we ask that you support the enactment of this bill to provide this industry with its lifeline to competition.

Harold Peterson, President
Kansas Solar Energy Industries Association (KANSEIA)

Solar Industry

BULLETIN

SOLAR THERMAL



New Denver U. Study Gives Lobbyists Powerful Ammunition

Members of the Colorado Solar Energy Industries Association (CoSEIA) have batted 1,000 in convincing the state's six U.S. representatives to sign on as cosponsors of the Fowler tax credit phase-down bill. CoSEIA's game plan was simple and straightforward: pitch powerful and convincing facts.

Each Colorado representative received an executive summary of a new Denver University economic study of the state's solar industry, written by DU's Dr. Joseph Beaton.

"Our representatives didn't know how big the industry was in their own state," says CoSEIA president Mike Davis. "We finally had some hard information we could put in their hands."

Here are some highlights from the new study.

● The solar energy industry pumped \$82 million into Colorado's economy in 1983, ranking it third in the nation behind California and Florida.

● The solar industry's \$27-million payroll includes many newly created jobs and is a key economic contributor to the state economy.

● In-state market penetration is 5%, twice the national average.

● 97% of the solar energy companies operating in Colorado also headquartered in the state.

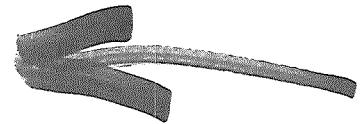
● Colorado's solar industry is a net trade exporter, selling nearly \$2 million more out of state than it imports. According to Dr. Beaton, such a favorable trade balance is unusual in any business that is not several decades old.

● Tax credits have resulted in a \$4.44 return to the state economy for every dollar allowed as a tax credit.

● With the two other leading solar states, California and Florida, located on either coast, Colorado is in a good geographic position to expand into the nation's midsection.

CoSEIA will also use the DU study as a lobbying tool in the state legislature, where a push is under way to extend Colorado's 30% solar credit through 1989. An early vote in the Colorado House Finance Committee was unanimous in favor of extension, but CoSEIA will follow this month with a special solar day in the state legislature to help sustain momentum.

Complete copies of the DU study are available for \$10.66 each through the Geography Department, University of Denver, Denver, CO 80208.



Solar Industry BULLETIN

SolarVision, Inc.
7 Church Hill
Harrisville, NH 03450
(603) 827-3347

28 January 1986

Dear SIB Reader:

With the federal tax credits for solar and other forms of renewable energy in jeopardy, incentives from the states become far more important. In the past week, Sharon Mangan of our staff has called all states with income taxes in place to check on the presence or absence of state tax credits. This listing is current as of January 25.

The strongest state-level markets, based on SIB's reading of credits, sunshine levels, prices of competing fuels, economic strength, and market size, are Oklahoma, Massachusetts, Arizona, Michigan, Utah, North and South Carolina, and Indiana.

The most important news items regarding the state credits:

- o Nebraska and Montana both cut off their state credits at the end of 1985. They had been scheduled to last through 1986.
- o California, which used to have one of the richest solar credits, has scaled back to 10% (residential) and 25% (commercial, including multifamily).
- o Massachusetts gave solar a strong vote of confidence in late December by extending its 35% solar credit through the end of 1987.

STATE TAX CREDITS FOR SOLAR ENERGY EQUIPMENT JANUARY 1986

STATE	CREDIT/SECTOR	MAXIMUM CREDIT	ELIGIBLE TECHNOLOGIES	EXPIRATION
Arizona 602/255-3682	20% res. 20% comm. (5% decrease/yr)	\$1000/res. no limit/comm.	active/passive solar	12/31/87
California* 916/324-3522	10% res. 25% comm.	\$1000/res. no limit/comm.	active/passive solar (except pools); wind	12/31/86
Colorado 303/839-5600	30% comm.	\$675,000/comm.	active/passive solar	12/31/86
Delaware 302/736-5644	\$200 flat credit res. only	\$200/res.	solar hot water systems	none
Georgia 404/656-5176	20% active/10% passive, res. & comm.	\$1000/res. \$1000/comm.	active space & water heating, process heat, PV, passive heating	12/31/89
Hawaii 808/548-4080	15% res. 15% comm.	no limit, res. & comm.	active/passive solar, PV, wind, heat-pump water heaters	12/31/92
Idaho 208/334-3560	100% <u>deduction</u> res. only	\$5000/year	solar, wind, wood, geothermal	none
Indiana 317/232-8966	25% res. 25% comm.	\$3000/res. \$10,000/comm. per tech.	solar, wind, hydro, PV, water-source heat pumps, geothermal	12/31/87

Attachment 3
Tax Committee - 2/25/86

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SolarVision, Inc.
7 Church Hill
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(603) 827-3347

STATE	CREDIT/SECTOR	MAXIMUM CREDIT	ELIGIBLE TECHNOLOGIES	EXPIRATION
Kentucky 606/252-5535	15% res. 15% comm.	\$1500/res. \$1500/comm.	active/passive solar, wind, geothermal	12/31/86
Maine 207/289-3811	20% res. only	\$100/res.	active solar, PV wind, TAP's	12/31/88
Massachusetts* 617/727-4732	35% res. only	\$1000/res.	active solar, wind, PV	12/31/87
Michigan 517/373-0480	30% of 1st \$2000, 15% of next \$3000, res. only	\$1050/res.	active/passive solar, hydro, water-source heat pumps, wind	12/31/88
New Mexico	25% irrigation	\$25,000/system		12/31/86
North Carolina 919/733-2230	25%/res. 25%/comm. 20%/IPH	\$1000/res. \$1000/comm.	active/passive solar	none
North Dakota 701/224-2094	15% res. 15% comm.	no limit/res. no limit/comm.	active/passive solar, geothermal, wind	none
Oklahoma** 405/521-3941	55% res. 30% comm.	\$10,000/res. no limit/comm.	active/passive solar, wind	12/31/90
Oregon*** 503/378-4040	25% res. 35% comm.	\$1000/res. \$3.5 mil./comm.	solar, wind, hydro geothermal	12/31/89/r 12/31/90/c
Rhode Island 401/277-3774	10% res. 10% comm.	\$1000/res. \$9000/comm.	active/passive solar, wind	6/30/90
South Carolina 803/656-2267	25% res. 25% comm.	\$1000/res. \$1000/comm.	solar, wind, hydro, biomass, cogen., wood	none
Utah 801/538-5410	25% res. 10% comm.	\$1500/res. \$25,000/comm.	res: solar only; comm: solar, hydro, wind, PV, biomass, cogeneration	12/31/90
Virginia 804/257-6849	15% res. 15% comm. (5% decrease/year)	\$1000/res. \$1000/comm.	active/passive solar	12/31/87
Wisconsin 608/266-1149	\$100/MMBtu energy delivered/year	\$2000/res. \$10,000/comm.	active solar, wind	none

* cumulative credit (federal credit must be taken first)

** Oklahoma's credits will change depending on the fate of the federal solar tax credit.

*** Systems must meet performance minimums to qualify for Oregon's solar tax credit.