Approved May 7, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:20 a.m. on Thursday, FEBRUARY 27, 1992 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Chris Courtwright, Legislative Research; Don Hayward, Revisors; Linda Frey, Committee Secretary; Douglas E. Johnston, Committee Assistant.

Conferees appearing before the committee:

Mark Beshears, Secretary of the Department of Revenue
Ron Smith, General Counsel of the Kansas Bar Association
Representative Joan Adam, sponsor of HB 2938
Claude Shelor, Recycling Coordinator for the Department of Commerce
Bruce Holland, Kansas City Surplus Exchange
Leo Lindeman, Neodesha Oxbow Biomass Engineering
Frank Rowly, Wichita Rowly Company
Donald Meeker, Wellsville, Central Fiber Corporation
Doug Weinbrenner, Packer Plastics
Terry Leatherman, Kansas Chamber of Commerce and Industry
Shaun McGrath, Kansas Natural Resource Council
Joyce Wolf, Kansas Audubon Council

The public hearings were opened on HB 2874.

Mark Beshears, Secretary of the Department of Revenue, testified in favor of HB 2874 (Attachment 1).

Ron Smith, General Counsel of the Kansas Bar Association, testified in favor of HB 2874. In response to a question, Smith said delinquent taxpayers currently suffered a "penalty" by having to pay artificially high interest rates which are above the national rate. He said the bill will eliminate the problem.

Beshears clarified the point that the bill would do nothing to the penalty structure in current law.

The hearings on HB 2874 were closed.

Representative Joan Adam, sponsor of HB 2938, testified in favor of the bill (Attachment 2). She thanked Rep. Welshimer and Campbell for cosponsoring the bill. Rep. Adam said the Dept. of Revenue page 2, line 25 ought to be 1994 not 1997.

Claude Shelor, Recycling Coordinator for the Department of

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, Statehouse, at 9:10 a.m. on Thursday, February 27, 1992.

Commerce, testified in favor of HB 2938 (Attachment 3) and distributed a special report, "Recycling in the States" (Attachment 4).

Bruce Holland, Kansas City Surplus Exchange, testified in favor of HB 2938 (Attachment 5). In response to a question, Holland said his organization did not have to pay sales taxes in Missouri because it is a not for profit organization. He said the organization was active in Missouri and Kansas.

Leo Lindeman, Neodesha Oxbow Bio-Mass Engineering, testified in favor of HB 2938, (Attachment 6). Lindeman distributed to the committee a brochure for pellet stoves which use fuel pellets produced by his business. He also included small packages of the mesquite pellets for committee members.

Frank Rowly, Wichita inventor and manufacturer, testified in favor of HB 2938 (Attachment 7). He showed the committee examples of the products recycled by his machine noted in Attachment 6.

Don Meeker, Wellsville Central Fiber Corporation, testified in favor of HB 2938 (Attachment 8).

Doug Weinbrenner, Vice President of Packer Plastics, testified in favor of HB 2938. He asked that the committee consider allowing the tax credit for all equipment involved in post-manufacturing recycling.

Shaun McGrath, Kansas Natural Resource Council, testified in favor of HB 2938 (Attachment 9).

Joyce Wolf, Legislative Liaison for the Kansas Audubon Council, testified in favor of HB 2938 (Attachment 10).

Terry Leatherman, Kansas Chamber of Commerce and Industry, testified in favor of HB 2938 (Attachment 11).

T. L. Plumler of Roeland Park, Kansas provided the committee with written testimony (Attachment 12).

A fiscal note from the Department of Revenue on HB 2938 was distributed to the committee (Attachment 13).

The public hearings on HB 2938 were closed.

The Chair said the committee would hold hearings and work on SB 515 Friday, February 28, 1992. Hearings for HB 2891 will

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, Statehouse, at 9:10 a.m. on Thursday, February 27, 1992.

be held Tuesday, February 3 and Wednesday, February 4, 1992. She said testimony would be heard from proponents and opponents both days on any issue relative to the bill. The committee will start promptly at 9:00 a.m. on Friday.

She announced the committee agenda for the first week of March and said the committee would act on SB 8 first thing in the morning. A new draft of the bill would be available to committee members before the meeting.

The Chair discussed the second subcommittee report on HB 2738 and HB 2818. She said the subcommittee had a balloon amendment to HB 2738 which would clarify the intent. Copies were distributed to the committee (Attachment 14). A balloon amendment on HB 2816, the Sales Ratio Study. She said the bill constituted a new sales ratio study act. She said the committee discussed what the sales ratio was, what its purpose was and so forth. She said the subcommittee had not worked HB 2834. She reviewed the balloon amendment to HB 2738.

Rep. Shore stated that there should be a penalty for illegally obtaining a sales valuation document. Bill Waters, Chief Attorney for the Property Valuation Department, said the Open Records Law contained penalties for illegally obtaining government documents.

It was stated that sections B and E in the bill were the only amendments to current law.

Rep. Snowbarger made a motion to adoption the balloon amendment to HB 2738. Rep. Ensminger seconded the motion which carried.

Rep. Snowbarger made a motion to report HB 2738 favorably. Rep. Reardon seconded the motion which carried.

Rep. Long made a motion to report HB 2814 adversely. Rep. Snowbarger seconded the motion which carried.

Rep. Snowbarger made a motion to report HB 2850 adversely. Rep. Pottorff seconded the motion.

Rep. Charlton said it was her understanding that opposition to HB 2850 was based on the premise that it would prevent local districts from determining how transient guest tax revenues would be spent. She said SB 484 might be amended into HB 2850 which would alleviate those concerns.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, Statehouse, at 9:10 a.m. on Thursday, February 27, 1992.

Rep. Snowbarger said opposition to HB 2850 was based on the desire to maintain local control. He said he opposed taking away the authority of local districts to choose how they will spend their funds for economic development and tourism.

Rep. Charlton made a substitute motion to table HB 2850, seconded by Rep. Welshimer. The motion failed with 8 votes for and 11 against.

The motion to report HB 2850 adversely carried with 11 votes in favor. The bill is reported adversely.

The Chair brought up HB 2731 for discussion and action.

Rep. Ensminger made a motion to amend HB 2731 so that S & Ls would have the option to choose a plan once every 5 years. Rep. Grotewiel seconded the motion.

Rep. Ensminger said his motion would help savings & loans as well as the Dept. of Revenue. The motion carried.

Rep Ensminger made a motion to report the bill favorably. Rep. Grotewiel seconded the motion which carried.

The meeting adjourned at 10:50 a.m. The next meeting will be February 28.

GUEST LIST

COMMITTEE: Taxation DATE: 2/27/92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Don Meeker	Wellsville, KS	Central Fiber Corporation
Alan Steppat	Topeka	Pete McGill & Associates
Ron Smith	"	Ks Bar Assn
Karen France	Topeka	KAR
William L. Mitchell	Hutchinson	Kans. Reclam. Assn.
Jim Ploger	Topeka	Kansas Corporation Commission
Bruce T. Holland	Shawnee, KS	The Surplus Exchange
Frank F. Rowley Jr	Valley Center, KS	Gradient Force Inc.
Leo Lindeman	Fredonia, KS	Ox-Bow
Bill Waters	Topeka, KS	PVD - KDOR
Janice Marcum	Topeka	KDOR
Steve Stotts	"	"
Mark A. Burghart	"	"
Bob Corkins	"	KCCI
Steve Kelly	Topeka	KDOC
Shaun McGrath	Topeka	KNRC
Joyce Wolf	Lawrence	Ks. Audubon Council
Terry Leatherman	Topeka	KCCI
Nanna Campbell	Topeka	DOC
Ken Bahr	"	Anheuser-Busch
Julie [illegible]	Topeka	Hein, Ebert, Rosen
Jeff Larson	Lawrence	Intern/Bishop
Bev Bradley	Topeka	KS Assoc of Counties
Barbara Butts	Topeka	Dept of Admin.

GUEST LIST

COMMITTEE: TAXATION DATE: 2-27-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Bob Hill	Coffeyville Ks	Resource Recovery
Carol Kinsley	Coffeyville Ks	Resource Recovery
Doug Winebrenner	Lawrence KS	Packer Plastics Inc.
Jim Irish	Topeka, KS	Greater Kansas Chapter APPRAISAL INSTITUTE
Chuck Stones	"	KBA

P MF:3

MEMORANDUM

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: February 26, 1992

FROM: Kansas Department of Revenue

RE: H.B. 2874, As Introduced

BRIEF OF BILL:

In New Section 1., House Bill 2874, as introduced, would amend numerous statutes, changing the present method of computing interest upon delinquent or unpaid taxes to the method prescribed by section 6621 of the United States internal revenue code (26 U.S.C. 6621) as such code existed on January 1, 1992. On January 1 of each year, any interest outstanding would be added to the principal amount of the tax and will accrue interest.

Sections of the bill, statutes affected and the corresponding interest sections are:

Section(s)	Type of Tax	K.S.A. Section Numbers
2 & 3	Transient Guest	12-1694b & 12-1698a
4 & 5	Insurance Co.'s	40-2805 & 40-2806
6	Solid Waste	65-3424e
7, 8 & 9	Inheritance	79-1564, 79-1566, & 79-1567
10, 11, 12 & 13	Income	79-3225, 79-3226, 79-3228 & 79-32,107
14	Cigarette & Tobac.	79-3381
15, 16, 17 & 18	Motor Vehicle Fuel	79-3410, 79-3480a, 79-3495 & 79-34,111
19 & 20	Sales	79-3615 & 79-3638
21	Compensating Use	79-3706
22	Liquor Club Sales	79-41a03a
23 & 24	Mineral Severance	79-4221 & 79-4225
25	Bingo	79-4705
26	Marij.& Contrl. Sub.	79-5204

Section 27 repeals comparable statutes.

This act would take effect January 1, 1993 after publication July 1, 1992.

FISCAL IMPACT:

This 50% decrease in interest charged by the Department would result in an annual estimated loss of about $7.3 million. Because the new interest rates would not be effective until January 1, 1993, it is estimated that only five months of collections at the lower interest rate would apply so the FY 1993 loss estimate is $3.042 million.

In past years, the Department has not maintained separate accounts to distinguish between collections attributable to tax liability, penalty and interest. However, the Department's new computer accounting procedures called "Accounts Receivable Management System" (i.e. ARMS) now make it

House Taxation
Attachment 1
02-27-92

possible to account for interest, penalty and liability collections separately. This system was implemented in July and August of 1991 so we now have a partial year's history of interest collections on most of the taxes from which a fiscal impact may be estimated.

Attached **Table 1.** shows interest assessed by the system for a variety of taxes for the period August 20, 1991 through January 21, 1992. This 5 month period is considered to be reasonably representative of all of these major taxes except for individual income taxes where the figure is considered to be lower than it would have been if a January through May period had been available. As shown at the bottom of Table 1., the assessments made on Corporate income and Sales, Use and other taxes by our Corporate Audit Bureau are not included in the normal assessments made by the ARMS program and must be added to the ARMS total to obtain the annual estimate of lost interest.

Starting with the estimate of annual interest assessed by ARMS of $16.5 million, it is also assumed that the Department will ultimately collect only 50% of that assessed by ARMS. Therefore, interest collections are estimated to be in the neighborhood of $8.3 million. The IRS interest rate beginning January 1, 1992 has been announced at 9% for underpayments. Of course, the true fiscal impact in the future will depend on the interest rates that IRS computes at that time. However, assuming the 9% rate will prevail in 1993, this would represent a nine percentage point or a 50% reduction from the current rate of 18%. As shown in Table 1, a 50% loss in the interest assessed by ARMS would produce an annualized loss of $4.1 million.

Computation of the interest to be assessed by the Audit Services Bureau is slightly different in that historical collections include almost two years of interest that has been accumulating. Therefore, the difference between the the interest collected on the average annual collections (i.e. liability plus interest) at 18% versus 9% represents the average annual interest loss. Table 1. shows this figure to be $3.2 million.

Adding the two sources of interest of $4.1 and $3.2 million, the combined total annual interest loss is estimated to be $7.3 million.

This estimate should be considered to be conservatively low because not all interest and penalties are being assessed by ARMS at this time and even the figure shown for individual income tax is understated.

ADMINISTRATIVE IMPACT:

Tax returns and instructions will need to be revised for sales, corporate income, withholding, excise and motor fuel taxes to reflect the revised rate of interest. Notices will need to be mailed to all business tax registrants notifying them of the change in interest each quarter and the interest being added to the principal on January 1 of each year.

This proposed legislation, if passed in it present form, would have a major impact on most of the systems now supported by the Information Systems Bureau. It would require the writing of new programs or major modifications for most of the tax systems and the rewrite of the P & I module in the ARMS system. The effective date of the bill is 1/1/93 so all programming would have to be written, tested and documentation in place before then.

The following costs would all be incurred in fiscal 1993:

Batch Programming:

1 TSS	80 days/ea/80 days @ $155.00 per day	$12,400
4 CAII	60 days ea./240 days @ $135.00 per day	32,400
2 Prog III	60 days ea/ 240 days @ $135.00 per day	32,400
4 Prog II	60 days/ea/240 days @ $118.00 per day	28,320
Total		$105,520

CICS Programming

1 Prog IV	45 days/ea/45 days @ $148.00 per day	$6,660
2 Prog III	45 days/ea/90 days @ $135.00 per day	$6,075
Total		$12,735

ADABAS

1 CAIII	80 days/ea/80 days @ $148.00 per day	$11,840
1 Prog III	40 days/ea/40 days @ $135.00 per day	5,400
Total		$17,240

1 hr. CPU	@ $ 2,285.00 per hr.	$2,285

Grand Total **$137,780**

ADMINISTRATIVE PROBLEMS AND COMMENTS:

Passage of this bill would result in an estimated 9% interest rate on assessments by the Department for delinquent or unpaid taxes. However, the bill is silent on the interest rate the Department would pay for overpayments. Consideration should be given to amending K.S.A. 79-32,105(e) which currently allows interest payments of 12% per annum.

LEGAL IMPACT:

If the rate of interest is reduced, the legislature should consider repeal of K.S.A. 74-2438 and K.S.A. 79-2970. These statutes stay the running of interest for certain periods after an appeal has been submitted to the Director of Taxation or Board of Tax Appeals.

House Bill No. 2874 would cause interest on delinquent taxes in Kansas to bear interest at the rate equal to rate on underpaid federal income taxes under 26 U.S.C. 6621 (Internal Revenue Code § 6621). The interest rate is "computed...in the manner prescribed by section 6621...as such code existed on January 1, 1992." The quarterly publishing of interest rates by the Secretary under Sec. 1(b) indicates the intent to have the Kansas rate track identically to the federal rates under 6621(b), which are adjusted quarterly. The Kansas interest is compounded annually under Sec. 1(a) as opposed to the federal, which is compounded daily under I.R.C. 6622.

Nothing in this bill would amend the rate of interest on refunds, which is 12% under K.S.A. 79-32,105(e). If underpayment interest is going to follow the federal rate, the rate on refunds should also follow I.R.C. § 6621, which is 1% less than the federal underpayment rate. (See § 6621(a)(1).)

APPROVED BY:

Mark Beshears

Mark Beshears
Secretary of Revenue

Enclosure: Table 1.

KANSAS DEPARTMENT OF REVENUE - RESEARCH AND REVENUE ANALYSIS

TABLE 1.

H.B.2874

ESTIMATED ANNUAL INTEREST REDUCTION

ASSESSED BY THE DEPARTMENT OF REVENUE

TYPE OF TAX	FIVE MONTH'S INTEREST ASSESSED BY ARMS (1)	ESTIMATED ANNUAL INTEREST ASSESSED	INTEREST COLLECTIONS ESTIMATED TO BE ONLY 50% OF THAT ASSESSED	INTEREST @ 9% i.e. ONE-HALF LOSS
ARMS' ASSESSMENTS:				
TRANSIENT GUEST	$10,035.05	$24,084.12	$12,042.06	$6,021.03
INDIVIDUAL INCOME	$535,976.56	$1,286,343.74	$643,171.87	$321,585.94
BINGO	$218.89	$525.34	$262.67	$131.33
CORPORATE	$5,076,758.67	$12,184,220.81	$6,092,110.40	$3,046,055.20
LIQUOR ENFORCEMENT	$7,788.17	$18,691.61	$9,345.80	$4,672.90
COMP. USE: CONSUMERS	$100,080.11	$240,192.26	$120,096.13	$60,048.07
COMP. USE: RETAILERS	$97,198.48	$233,276.35	$116,638.18	$58,319.09
SALES	$991,064.61	$2,378,555.06	$1,189,277.53	$594,638.77
RETAIL LIQUOR	$30,217.36	$72,521.66	$36,260.83	$18,130.42
WITHHOLDING	$41,556.01	$99,734.42	$49,867.21	$24,933.61
TOTAL	$6,890,893.91	$16,538,145.38	$8,269,072.69	$4,134,536.35

PLUS AUDIT BUREAU'S ASSESSMENTS/COLLECTIONS FIVE YEAR AVERAGE ANNUAL:	COLLECTIONS	ANNUAL INTEREST AT 18%	ANNUAL INTEREST AT 9%	ANNUAL 9% LOSS
CORPORATE	$27,251,290.00	$4,905,232.20	$2,452,616.10	$2,452,616.10
SALES/USE & OTHER	$8,241,895.00	$1,483,541.10	$741,770.55	$741,770.55
TOTAL	$35,493,185.00	$6,388,773.30	$3,194,386.65	$3,194,386.65

TOTAL INTEREST - ALL TAXES $\boxed{\$7,328,923.00}$

(1) FROM 8-20-91 THROUGH 1-21-92 (UNLESS OTHERWISE SHOWN).

J.P. 2/26/92 8:39 AM

MEMORANDUM Sec 2 - 26-92 Revision

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: February ~~19~~, 1992

FROM: Kansas Department of Revenue

RE: H.B. 2874, As Introduced

BRIEF OF BILL:

In New Section 1., House Bill 2874, as introduced, would amend numerous statutes, changing the present method of computing interest upon delinquent or unpaid taxes to the method prescribed by section 6621 of the United States internal revenue code (26 U.S.C. 6621) as such code existed on January 1, 1992. On January 1 of each year, any interest outstanding would be added to the principal amount of the tax and will accrue interest.

Sections of the bill, statutes affected and the corresponding interest sections are:

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25	Bingo	79-4705
26	Marij.& Contrl. Sub.	79-5204

Section 27 repeals comparable statutes.

This act would take effect January 1, 1993 after publication July 1, 1992.

FISCAL IMPACT:

This 50% decrease in interest charged by the Department would result in an annual estimated loss of about $7.3 million. Because the new interest rates would not be effective until January 1, 1993, it is estimated that only five months of collections at the lower interest rate would apply so the FY 1993 loss estimate is $3.042 million.

In past years, the Department has not maintained separate accounts to distinguish between collections attributable to tax liability, penalty and interest. However, the Department's new computer accounting procedures called "Accounts Receivable Management System" (i.e. ARMS) now make it possible to account for interest, penalty and liability collections separately. This system was implemented in July and August of 1991 so we now have a partial year's history of interest collections on most of the taxes from which a fiscal impact may be estimated.

Attached **Table 1.** shows interest assessed by the system for a variety of taxes for the period August 20, 1991 through January 21, 1992. This 5 month period is considered to be reasonably representative of all of these major taxes except for individual income taxes where the figure is considered to be lower than it would have been if a January through May period had been available. As shown at the bottom of Table 1., the assessments made on Corporate income and Sales, Use and other taxes by our Corporate Audit Bureau are not included in the normal assessments made by the ARMS program and must be added to the ARMS total to obtain the annual estimate of lost interest.

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Computation of the interest to be assessed by the Audit Services Bureau is slightly different in that historical collections include almost two years of interest that has been accumulating. Therefore, the difference between the the interest collected on the average annual collections (i.e. liability plus interest) at 18% versus 9% represents the average annual interest loss. Table 1. shows this figure to be $3.2 million.

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This estimate should be considered to be conservatively low because not all interest and penalties are being assessed by ARMS at this time and even the figure shown for individual income tax is understated.

<u>ADMINISTRATIVE IMPACT</u>: — Calculate Costs with no Additional positions

Tax returns and instructions will need to be revised for sales, corporate income, withholding, excise and motor fuel taxes to reflect the revised rate of interest. Notices will need to be mailed to all business tax registrants notifying them of the change in interest each quarter and the interest being added to the principal on January 1 of each year.

The change in interest rate will require a potential programming change each quarter on all taxes to compute a new rate of interest. Significant programming changes will also be required to add the remaining interest on January 1 of each year to the principal.

This proposed legislation, if passed in it present form, would have a major impact on most of the systems now supported by the Information Systems Bureau. It would require the writing of new programs or major modifications for most of the tax systems and the rewrite of the P & I module in the ARMS system.

The effective date of the bill is 1/1/93 which means that all programming would have to be written, tested and documentation in place before then. The following costs would all be incurred in fiscal 1993.

Batch* Programming:

1 TSS	80 days/ea/80 days @ $155.00 per day	$12,400
4 CAII	60 days ea./240 days @ $135.00 per day	32,400
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Total		$105,520

CICS Programming

1 Prog IV	45 days/ea/45 days @ $148.00 per day	$6,660
2 Prog III	45 days/ea/90 days @ $135.00 per day	6,075
Total		$12,730

ADABAS

1 CAIII	80 days/ea/80 days @ $148.00 per day	$11,840
1 Prog III	40 days/ea/40 days @ $135.00 per day	5,400
Total		$17,240

Of these positions, twelve would be new positions as follows:
1 CAIII
3 CAII's
4 Prog III's

One Time Costs/Equip. & Hardware

12 desks	@ $0450.00 ea	$ 5,400
12 swivel chairs	@ $0250.00 ea	3,000
12 stack chairs	@ $0050.00 ea	600
12 calculators	@ $0088.00 ea	1,056
12 6 shelf bookcases	@ $0150.00 ea	1,800
12 crt workstations	@ $0110.00 ea	1,320
7 Mainframe Terminals	@ $1,020.00 each	7,140
12 Cable install	@ $ 275.00 each	3,300
12 Terminal Cable	@ $ 125.00 each	1,500
3 Micro Systems	@ $3,261.00 each	9,783
12 phone install	@ $ 283.00 each	3,396
Total		$38,295

Monthly costs:

12 VTAM address	@ $0000.26 EA	$ 3.12
12 Con. to Pre,. Dist. Sys.	@ $0002.25 EA	27.00
12 Telephone	@ $0031.00 EA	372.00
Total		$ 402.12
Total per year	402.12 /month	$ 4,825.44

Computer Costs:

~~2~~ 1 hrs CPU	@$ 2,285.00 per hr.	$ ~~4,570.00~~ 2,285
Grand total for bill		$183,185.44

1-8

ADMINISTRATIVE PROBLEMS AND COMMENTS:

Passage of this bill would result in an estimated 9% interest rate on assessments by the Department for delinquent or unpaid taxes. However, the bill is silent on the interest rate the Department would pay for overpayments. Consideration should be given to amending K.S.A. 79-32,105(e) which currently allows interest payments of 12% per annum.

LEGAL IMPACT:

If the rate of interest is reduced, the legislature should consider repeal of K.S.A. 74-2438 and K.S.A. 79-2970. These statutes stay the running of interest for certain periods after an appeal has been submitted to the Director of Taxation or Board of Tax Appeals.

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Nothing in this bill would amend the rate of interest on refunds, which is 12% under K.S.A. 79-32,105(e). If underpayment interest is going to follow the federal rate, the rate on refunds should also follow I.R.C. § 6621, which is 1% less than the federal underpayment rate. (See § 6621(a)(1).)

APPROVED BY:

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Mark Beshears
Secretary of Revenue

Enclosure: Table 1.

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LIQUOR ENFORCEMENT	$7,788.17	$18,691.61	$9,345.80	$4,672.90
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RETAIL LIQUOR	$30,217.36	$72,521.66	$36,260.83	$18,130.42
WITHHOLDING	$41,556.01	$99,734.42	$49,867.21	$24,933.61
TOTAL	$6,890,893.91	$16,538,145.38	$8,269,072.69	$4,134,536.35

PLUS AUDIT BUREAU'S ASSESSMENTS/COLLECTIONS FIVE YEAR AVERAGE ANNUAL:	COLLECTIONS	ANNUAL INTEREST AT 18%	ANNUAL INTEREST AT 9%	ANNUAL 9% LOSS
CORPORATE	$27,251,290.00	$4,905,232.20	$2,452,616.10	$2,452,616.10
SALES/USE & OTHER	$8,241,895.00	$1,483,541.10	$741,770.55	$741,770.55
TOTAL	$35,493,185.00	$6,388,773.30	$3,194,386.65	$3,194,386.65

TOTAL INTEREST - ALL TAXES $\boxed{\$7,328,923.00}$

(1) FROM 8-20-91 THROUGH 1-21-92 (UNLESS OTHERWISE SHOWN).

J.P. 2/19/92 10:38 AM

STATE OF KANSAS

JOAN ADAM
REPRESENTATIVE, FORTY-EIGHTH DISTRICT
305 NORTH TERRACE
ATCHISON, KANSAS 66002-2526

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: LEGISLATIVE JUDICIAL AND CONGRESSIONAL APPORTIONMENT
MEMBER: APPROPRIATIONS
TAXATION
COMMERCIAL & FINANCIAL INSTITUTIONS

TESTIMONY ON HB 2938

Madam Chair and Members of the Taxation Committee:

Thank you for allowing a hearing on HB 2938, a bill intended to promote the development of markets for recycled products.

The bill would initiate a 20% corporation income tax credit against the purchase or lease of qualified machinery used to manufacture recycled products. The recycled products must be composed of at least 25% post-consumer waste. To qualify for the credit, total capacity of the qualified equipment must be greater on the last day of the tax year claimed than it was on the last day of the "base year" immediately preceeding the tax year and at least 90% of the total capacity of the equipment must have been used. The credit is not refundable but may be carried forward for seven years. Income tax years covered are on and after July 1, 1991 through December 31, 1995. If the tax payer disposes of the qualified equipment the tax payer would refund the following amount of credit:

1st year - 100% of the credit

2nd year - 60% of the credit

3rd year - 30% of the credit

The Department of Revenue would prepare reports on the effectiveness of the tax credit no later than July 1, 1997. Some of the information that the Department of Revenue should provide is listed on page two, lines two through twenty five. The remainder of the bill contains definition of terms used in the bill.

House Taxation
Attachment 2
02-27-92

Anyone familiar with recycling activity in recent years knows that the number one difficulty has been the creation of markets. Although citizens seem surprisingly anxious to collect disposables for recycling, not enough markets exist to turn the collected materials into recycled products. HB 2938 is intended to offer an incentive for purchasers of machinery which will manufacture such products.

Let me add in closing that proposals for providing incentives to stimulate the demand for waste paper and other recycled material was a part of the special committee on Energy and Natural Resources in 1989, a recommendation of the Solid Waste Advisory Task Force in 1990, and most recently, a recommendation of the Commission on Recycling, Waste Reduction and Development. With the passage of HB 2938, Kansas will join a number of other states which are far ahead of Kansas in the initiatives they offer recycling businesses.

I urge the Committees' favorable consideration and would stand for questions.

Joan Finney, *Governor*

KANSAS

DEPARTMENT OF COMMERCE
Industrial Development Division

Bill Thompson
Director

Laura E. Nicholl
Secretary

HOUSE COMMITTEE ON TAXATION

February 27, 1992

Chairperson: Joan Wagnon

Vice Chairperson: Bruce F. Larkin
Members: Joan E. Adam; Kent Campbell; Betty Joe Charlton; Ken Grotewiel; Jesse Harder; Robert E. Krehbiel; William J. Reardon; William R. Roy, Jr.; Gwen Welshimer; Stephen Wiard; Keith Roe; Rex Crowell; Aldie Ensminger; Kent Glasscock; J. C. Long; James E. Lowther; Jo Ann Pottorff; Eugene L. Shore; Marvin E. Smith; Vincent K. Snowbarger; Robert J. Vancrum.

HOUSE BILL NO. 2938
QUALIFIED EQUIPMENT TAX CREDIT

Good morning members of the Committee on Taxation. My name is Claud S. Shelor. I am the Statewide Coordinator of Waste Reduction, Recycling and Market Development. I am here today to present testimony in support of House Bill No. 2938.

In 1990, you as members of the Kansas Legislature, advanced Kansas into an era of source reduction and recyclability in the marketplace by creating a Recycling Commission and the position I fulfill.

In 1991 you resolved the waste tire dilemma by requiring waste tire management regulations. Which by the way, the public hearing for adoption, is to be held March 2, 1992 here in Topeka.

400 S.W. 8th Street, 5th Floor / Topeka, Kansas 66603-3957
(913) 296-3483 / FAX (913) 296-5055

House Taxation
Attachment 3
02-27-92

As you all know, hearings have been held on House Bill 2801 updating the Kansas Solid Waste Act that adopts subtitle D regulations of RCRA to allow Kansas to design landfills approved by Federal standards.

Throughout Kansas there are individuals and businesses that are quite anxious to protect our environment. My office receives calls daily advising me of their efforts and interests to reduce the wastestream and produce markets. Perhaps the most gratifying actions are those of Kansas youth determined to protect "Mother Earth", asking "where can we go with recyclables"?

By passing House Bill No. 2938 you will establish national recognition that Kansans are serious about the environment and willing to assist and promote markets within our great state.

The Department of Commerce provides information nationwide that Kansas business climate is excellent and quality of our employees is outstanding!

In 1990 there were 16 states offering sales tax exemptions for <u>any type of equipment</u> utilized in recycling. Several states offer deductions of 50 to 100 percent of expenses incurred in the purchase and installation of recycling equipment.

It is a proven fact that tax incentives allowed by states within EPA Region VII, Missouri, Iowa, Nebraska and Kansas (MINK), have created markets. The sample passed among you today is but one vivid evidence of tax incentives creating a market. If time provides, I will offer you others.

House Bill No. 2938 is very implicit in allowing an income taxation credit to purchasers of "qualified equipment" to be utilized in the manufacturing of products composed of postconsumer waste. It reflects the sponsors dedication to progress Kansas into the next phase of Reduce, Reuse and Recycle.

Within my testimony I have included a copy of a special report entitled "Recycling in the States", a 1990 review compiled by the National Solid Waste Management Association of Washington, D.C. I implore each of you to review this report. You, as legislators, will be pleased to learn of the progress of Kansas legislation since the 1990 printing. I have been contacted by its author for an updating of Kansas legislation, and needless to say it will reveal that Kansas is active in recycling and wastestream reduction. It will also reveal Kansas as a leader in assisting market development, especially by your approval of House Bill 2938.

House Bill No. 2938 is conservative by comparison with a number of other states offering state incentives for recycling and market development. But aren't we a conservative class of people? <u>And I say that with pride</u>!

Thank you for allowing me to appear before your honorable committee.

SPECIAL REPORT:

Recycling in the States

1990 Review

More than 140 recycling laws were enacted by 38 states in 1990. All but two states, Idaho and South Carolina, enacted some type of recycling law in 1989-1990. Thirty-three states and D.C. have comprehensive laws, which require detailed statewide recycling plans and/or separation of recyclables, and which contain at least one other provision to stimulate recycling.

National Solid Wastes Management Association
1730 Rhode Island Avenue, NW
Suite 1000
Washington, DC 20036
(202) 659-4613

House Taxation
Attachment 4
02-27-92

NSWMA

Significant trends in 1990 recycling legislation included mandates to product manufacturers and the growth of disposal bans for common recyclables, not just "problem wastes" such as used oil, batteries and appliances. States are beginning to go to the source — the product maker — with requirements to use recycled content, reduce toxins, avoid unsubstantiated environmental claims on packaging, and even collect and recycle problem materials. This trend is likely to continue as states look for ways to share the financial burdens of establishing a recycling infrastructure. States are also emphasizing recycling in their own procurement policies by allowing price preferences for recycled products and setting goals for recycled product purchases.

The drive to recycle is a result of many forces:

- The rising costs of waste disposal as old landfills are closed and new state-of-the art landfills and waste-to-energy plants are built according to stringent new environmental regulations.
- The drive to conserve natural resources and existing landfill capacity.
- The difficulty of siting new waste disposal facilities.

Comprehensive laws make recycling part of statewide waste management practices through detailed planning requirements and/or separation mandates. These laws also commonly include recycling goals, grants, education programs and market development incentives. Seven states (**Arizona, Delaware, Georgia, Indiana, Missouri, New Mexico, and Oklahoma**) enacted new comprehensive recycling laws in 1990, compared to 11 states that did so in 1989. The number of new comprehensive laws enacted each year will probably continue to decline since the states with the greatest incentives to pass them have already done so.

Also in 1990, **Connecticut** and **Wisconsin** enacted significant revisions of earlier comprehensive laws. Connecticut dropped its 1987 disposal ban on recyclables, which had not yet taken effect, in favor of source separation requirements. Wisconsin beefed up its 1983 "opportunity to recycle law" with a major legislative package that banned common recyclables from landfills unless communities implement source separation programs. The new 1990 comprehensive recycling laws are summarized below.

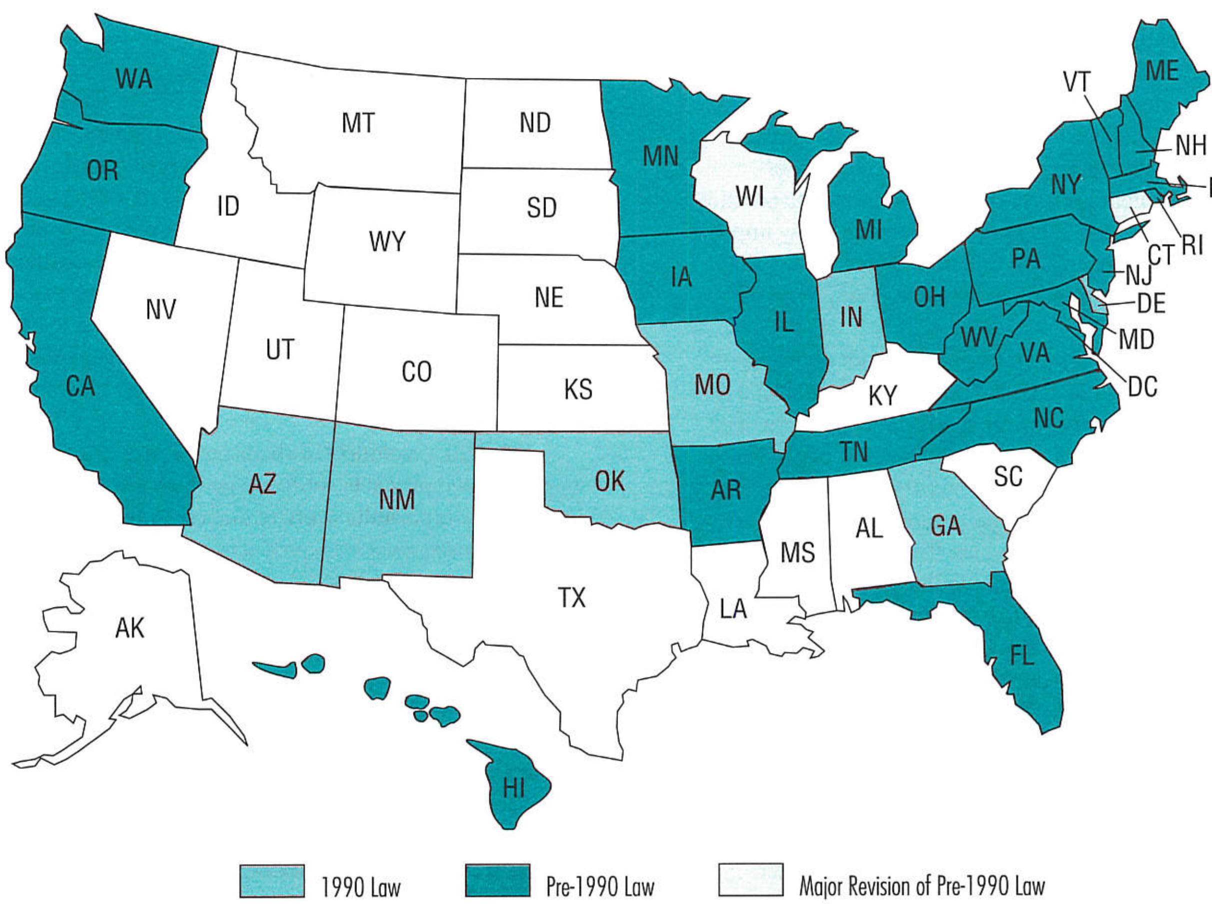
Arizona. Chapter 378 requires local governments to provide residents with the opportunity to recycle and practice waste reduction. A recycling program is created within the Department of Environmental Quality that will be funded in part from a landfill disposal fee. Recycling program responsibilities include public education, technical assistance, status reports, market studies and developing a recycling emblem. The law also grants a five percent price preference to recycled paper products, requires plastic bottles to be coded and requires newspapers to use recycled content. By November 1, 1991, state

WHAT IS RECYCLING?

Recycling involves four basic steps:

- Separating reusable products from other trash, often at curbside, but sometimes at a central facility.
- Processing them so that they can be substituted for virgin raw materials at manufacturing plants.
- Returning them to commerce, usually as part of other products. Common examples include newsprint, which can be reprocessed to make new newsprint or tissue, and aluminum cans, which can be melted to make new containers.
- Having recycled products bought and used by consumers.

COMPREHENSIVE RECYCLING LAWS* AS OF DECEMBER 31, 1990



*Comprehensive recycling laws require detailed statewide recycling plans and/or separation of recyclables, and contain at least one other provision to stimulate recycling.

government agencies and universities must separate at least 50 percent of their waste paper for recycling.

Delaware. S.B. 424 directs the Delaware Solid Waste Management Authority to establish drop-off centers for recycling in each county, and to provide for the collection and marketing of the material brought to the centers. Any profits are to be used to create economic incentives for delivery of the materials to the centers. The Authority must also revise its statewide solid waste management plan to include recycling.

Georgia. The "Georgia Comprehensive Solid Waste Management Act" (S.B. 533) sets a goal of reducing the amount of municipal solid waste received at disposal facilities by 25 percent of 1992 per capita waste amounts by July 1, 1996. A new state waste management plan was due in January 1991. Counties must then create their own plans modeled after the state document. After July 1992, if a county wants to transport its waste to other jurisdictions, it must be "actively involved" in a plan to meet the state recycling goals. Grants and loans for new solid waste equipment and facilities are also linked to county participation in waste reduction efforts. Other features of the law include plastic bottle coding, state procurement measures and battery recycling.

Indiana. This law (H.B. 1240) establishes a state policy that favors source reduction, recycling and "other alternatives" over incineration and land disposal. Goals for reducing the amount of waste incinerated and landfilled are 35 percent by January 1, 1996, and 50 percent by January 1, 2001. Both state and local waste management plans must include provisions for recycling. The state waste management board is directed to develop rules restricting the disposal of recyclables. The law also creates a fund to provide economic development assistance to businesses that either convert recyclable material into useful products or help create recycling markets. Finally, a state waste reduction task force will be formed to create voluntary guidelines for reducing packaging and increasing the use of recycled paper.

Missouri. S.B. 530 establishes a goal of 40 percent weight reduction in solid waste by 1998 through recycling and waste minimization. Each district or county must have a solid waste management plan that includes specified recycling and waste reduction strategies. Solid waste districts must submit plans within 18 months of their formation; counties not in districts must submit plans by

June 1995. Lead-acid batteries, major appliances, waste oil, and whole waste tires are banned from landfills effective January 1991; yard waste is banned in January 1992, and small quantities of hazardous waste are banned in January 1994. A 50-cent tax on new tire sales will help fund a tire cleanup program. Market development initiatives include setting mandatory content standards for newspapers, allowing minimum recycled and post-consumer content levels to be increased for state procurement programs, and using waste tires in highway improvement projects. One million dollars in grant money for market development will be available during FY 1992-1997.

New Mexico. Signed by the governor on March 6, 1990, S.B. 2 relies on detailed planning to establish a new "environmentally safe" waste management system. The plan must set a goal of diverting 25 percent of the waste stream from disposal facilities by July 1, 1995, and 50 percent by July 1, 2000. Other components include a waste characterization study, landfill capacity assessments, provisions for siting disposal facilities, and a public education program. The state regulatory board must adopt regulations to establish source reduction and recycling programs to meet the state recycling goal. The law gives municipalities the authority to impose environmental taxes on businesses to help finance programs.

Oklahoma. H.B. 1905 directs the State Department of Health to prepare a detailed integrated waste management plan by July 1, 1993. The plan will set 5-, 10- and 20-year waste reduction and recycling goals. Other department responsibilities include providing technical assistance for recycling, creating a secondary materials market database, conducting public education programs, and providing an agenda for studies. An annual fee of up to $3.00 per waste generator and a $1.50 per ton surcharge at disposal facilities will help fund new programs. The fee will be reduced in communities that substantially reduce their waste streams.

Source Reduction: The First Step

The first priority of the U.S. Environmental Protection Agency's recommended national waste management strategy is reducing the amount and toxicity of the waste stream. While this goal sounds straightforward, creating new policies to implement it has proved to be a challenge because source reduction involves changes in the manufacturing process. States have tried bans on the sale and disposal of products, and taxes on products that are not recycled, which mostly impact products after they are part of the waste stream.

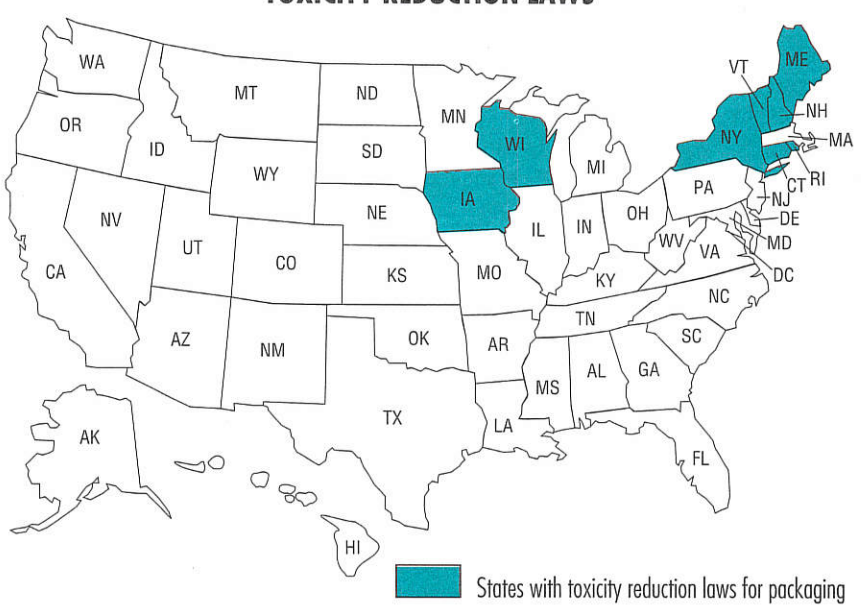
Outright, unconditional bans on the sale of certain manufactured products were among the earliest legislative attempts to implement waste reduction. A few states have enacted bans against such products as plastic bags, polystyrene food packaging, aseptic beverage containers and plastic bags with metal components.

Recently, more state legislatures have begun using the *threat* of a ban as leverage to force either reduction or recycling of wastes. The threats have been used to try to limit the sale of products that contain certain toxins and to require stronger proof of environmental claims.

The first true "source reduction" laws were enacted in 1990 by eight states (**Connecticut, Iowa, Maine, New Hampshire, New York, Rhode Island, Vermont,** and **Wisconsin**) that set limits for certain toxins in packaging and banned the sale of products that exceed those limits. Packaging in these states cannot be sold if it contains more than 600 parts per million by weight of lead, cadmium, mercury or hexavalent chromium, which are used in red and yellow pigments and in plastic as stabilizers. Permissible concentration levels decline to 100 parts per million by weight by the mid-1990s. After 1992, these metals cannot be intentionally added to a product or packaging. Packaging that contains recycled material may have longer to comply.

Some states have considered placing a disposal tax or fee on products to create incentives for people to reduce waste and to buy recyclable materials. The product taxes and fees that have been enacted to date, however, function more as sources of revenue for state waste management programs than as mechanisms for changing consumer behavior. **Florida** passed a law in 1988 that imposes a one cent per container retail tax on

TOXICITY REDUCTION LAWS



4-4

containers made from glass, aluminum, metal, plastic, and plastic-coated paper if recycling rates for the products do not exceed 50 percent by 1992 and two cents if the 50 percent rate is not achieved by 1992. The tax is refundable if the containers are brought to a drop-off center for recycling.

A study required by a 1989 **California** law recommends levying a fee on all products at the point of first sale in California (when the finished product is sold to a distributor or retailer). The amount of the fee would be based on the monetary and environmental costs of solid waste management for the product. (Legislation based on these findings was introduced in 1991.)

Problem wastes, such as tires and batteries, are more likely to be subject to a disposal tax or fee than is packaging[1]. In **Wisconsin,** retailers may place a $5.00 deposit on new lead-acid batteries, although that fee will be refunded if the consumer brings in a used battery. Consumers bringing in used batteries without making a purchase must pay retailers a $3.00 handling charge. **Utah** and **Kansas** both place fees on new tire sales to fund tire recycling programs.

Supply Side Mandates

Of the 33 states with comprehensive recycling laws, 21 and the District of Columbia have "supply side" mandates, i.e., they essentially require separation of recyclables. The other 12 states require state and/or local governments to prepare recycling plans. Separation requirements generally take one of four forms:

- Opportunity to recycle — municipalities must offer all citizens the opportunity to recycle, by supplying either curbside collection or drop-off centers. **Wisconsin** and **Oregon** first adopted these laws in the early 1980s.
- Community separation — municipalities may choose whether to implement a curbside collection program or to have the materials separated from other trash at a central location. Municipalities are often required to meet a recycling goal as well.
- Mandatory goals — the state sets a mandatory recycling goal, but imposes no particular requirement on how a municipality meets it.
- Source separation — generators (residences and/or businesses and institutions) must separate recyclables from their other trash. These laws are usually carried out through curbside collection.

Separation mandates create a large supply of secondary material, which helps to show manufacturers that they can count on secure supplies for producing goods with recycled content. Many municipalities require source separation; however, only **Connecticut, Rhode Island, New Jersey, New York,** and **Pennsylvania,** plus the **District of Columbia** have state-wide source separation laws. **Maine** has a limited source separation law that applies only to offices. Most separation mandates will take effect over the next four years. If statutory deadlines are

TYPES OF RECYCLING LAWS

State	Year Enacted	Type of Plan
Arizona	1990	Opportunity to recycle only
Arkansas	1989	Recycling plans only
California	1989	Mandatory goals*
Connecticut	1990	Source separation
Delaware	1990	Opportunity to recycle only
District of Columbia	1989	Source separation
Florida	1988	Mandatory goals*; community separation
Georgia	1990	Community separation
Hawaii	1988	Opportunity to recycle only
Illinois	1988	Community separation
Indiana	1990	Recycling plans only
Iowa	1989	Recycling plans only
Maine	1989	Source separation**
Maryland	1988	Mandatory goals*; community separation
Massachusetts	1987	Recycling plans only
Michigan	1988	Recycling plans only
Minnesota	1989	Mandatory goals*; community separation
Missouri	1990	Recycling plans only
New Hampshire	1988	Recycling plans only
New Jersey	1987	Mandatory goals*; source separation
New Mexico	1990	Recycling plans only
New York	1988	Source separation
North Carolina	1989	Community separation
Ohio	1988	Mandatory goals*; community separation
Oklahoma	1990	Recycling plans only
Oregon	1983	Opportunity to recycle only
Pennsylvania	1988	Source separation
Rhode Island	1986	Mandatory goals*; source separation
Tennessee	1989	Recycling plans only
Vermont	1987	Recycling plans only
Virginia	1989	Mandatory goals*
Washington	1989	Community separation
West Virginia	1989	Recycling plans only
Wisconsin	1990	Community separation

*Note: "Mandatory" can be subject to different interpretations.

**For offices only

1. This report does not cover bottle bills, which place a deposit on beverage containers and refund the money to customers that return the containers to retailers. Between 1972 and 1983, bottle bills took effect in nine states. While the laws were enacted to reduce roadside litter, they are now being promoted as a method of encouraging recycling. California enacted a modified bottle bill in 1987 that requires manufacturers to pay a processing fee for containers which are brought back to recycling centers across the state.

SOURCE SEPARATION REQUIREMENTS

State	Who Must Separate	Materials
District of Columbia	Residences, businesses	Glass containers, metal cans, newspapers, yard waste[1], paper[2]
Connecticut	All generators	Glass and metal food containers, newspaper, cardboard, office paper, used oil, car batteries, nickel cadmium batteries, leaves, scrap metal
Maine	Businesses	Office paper, corrugated cardboard
New Jersey	Residences, businesses, institutions	Three materials[3] + leaves
New York	Residences, businesses, institutions	Paper, glass, metal cans, plastic containers, yard waste[4]
Pennsylvania	Residences	Three materials + leaves
	Businesses, institutions	High-grade office paper, corrugated cardboard, aluminum cans[5]
Rhode Island	Residences, businesses	Glass food & beverage containers, newspaper, tin & steel cans, aluminum, some plastics, large appliances
	Businesses	Cardboard, office paper

Note: This chart does not include separation requirements that only apply to state government agencies and institutions.
1. Residential separation only.
2. Separation by offices only.
3. Municipalities choose three materials to be recycled from a state list.
4. If "economically feasible."
5. Municipalities may require businesses to separate additional recyclables.

met, programs in **New Jersey**, **Connecticut** and **Pennsylvania** should be fully implemented by the end of 1991.

As comprehensive laws have spread inland from the East and West Coasts, states have been more likely to require plans and to ban selected materials from disposal facilities than to require communities to implement source separation programs. Reasons for the fall-off in separation mandates may include:

- A reaction to flooded markets and low prices for newspaper and colored glass — two staples of curbside programs.
- Less opportunity to recycle as a result of lower population densities and distant markets, which make source separation programs more expensive.
- Less pressure to recycle as a result of less severe landfill capacity shortages.
- Less economic incentive to recycle as a result of low disposal costs.

Disposal Bans

Disposal bans are becoming increasingly common as a method of preventing bulky or toxic products from entering landfills and incinerators and of increasing the recycling of such products. The burden of complying with a ban is usually placed on the disposal facility and the hauler, even though neither one has any control over what is put in the trash. For some products (lead-acid batteries, tires, etc.), retailers may be required to accept and recycle banned products. Separation laws, on the other hand, place responsibilities on the generators and communities to do the recycling. Since disposal is usually the last resort for products that can't be recycled, care must be taken to ensure that a well-publicized and well-enforced alternative for handling the restricted wastes exists, or illegal dumping may result.

In 1990, 45 product disposal bans were enacted by 12 states (**Georgia, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New York, Vermont, Virginia,** and **Wisconsin**). To date, at least 100 product disposal bans have been enacted by 29 states and the District of Columbia. Ten of the bans took effect in 1989, 26 took effect in 1990, and 22 bans are scheduled to take effect in 1991. Many of the disposal bans are on products coming from automobiles: 27 states ban lead-acid batteries; 14 states ban tires; 12 states and D.C. ban used oil. Product retailers are usually required to accept these items from customers when replacements are purchased, although tires may often be landfilled if they are shredded. Other banned materials include yard waste (13 states)[2] and large appliances (8 states). Yard waste is likely to be collected separately at curbside in the Northeast (because of source separation laws for other materials), but people living in the Midwest and the South may have to transport the material to central compost facilities themselves or else start backyard compost piles.

The large number of product disposal bans enacted in 1990 is due in part to a new **Wisconsin** law and a new **Massachusetts** regulation that target common recyclables, such as glass, plastic and metal containers, and many paper products, in addition to problem wastes. The Wisconsin bans take effect between 1991 and 1995, but

2. In addition, New York and the District of Columbia require yard waste to be source separated.

4-6

communities can be exempted from the law if they implement source separation programs approved by the state. The Massachusetts ban takes effect in 1992 for all but undefined "de minimis" quantities of aluminum, glass and metal containers and in 1994 for plastics and paper. Disposal facilities must file plans for complying with the restrictions. The state is scheduled to provide more information about how to comply with the bans six months before they take effect.

Capturing the Commercial Waste Stream

The nation's attention has been focused on recycling programs for residential waste. But about half of a municipality's waste comes from businesses, schools and government agencies. For a locality to reach a high recycling goal, the commercial sector will have to recycle its waste as well.

At least seven states (**Connecticut, Maine, New Jersey, New York, Pennsylvania, Rhode Island**, and **Wisconsin**) plus the **District of Columbia** already have laws that will require commercial businesses to separate recyclables. Businesses may also be required to recycle in 11 other states that either ban most recyclables from landfills or require municipalities to set up programs or to meet a recycling goal.

Many businesses have been recycling for years because it saved them money and markets were readily available. More than half of the 23 million tons of material recycled in 1988 was corrugated boxes, office paper and lead-acid batteries recovered from businesses. Now, legislation will require more businesses to begin separating and more materials to be separated. Since new manufacturing capacity for recycled printing and writing

DISPOSAL BANS

State	Lead-acid Batteries	Yard Waste	Unprocessed Tires	Used Oil	Large Appliances	Other
California	■					
Connecticut	■	■[1]		■		A
D.C.				■		
Florida	■	■[2]	■	■	■	B
Georgia	■					
Hawaii	■					
Illinois	■	■	■			
Iowa	■	■	■	■		C
Kansas	■		■			
Kentucky	■					
Louisiana	■		■	■	■	
Maine	■					
Massachusetts	■	■	■	■	■	D
Michigan	■	■		■		
Minnesota	■	■	■	■	■	E
Missouri	■	■	■	■	■	
New Hampshire	■					
New Jersey		■[1]				
New York	■					
North Carolina	■	■[2]	■	■	■	
Ohio	■	■	■			
Oregon	■		■			F
Pennsylvania	■	■[1]				
Rhode Island			■[3]			G
Tennessee	■					
Vermont	■		■	■	■	
Virginia	■					
Washington	■					
Wisconsin	■	■	■[4]	■[4]	■	H
Wyoming	■					

Notes:
1. Yard waste disposal bans only apply to leaves.
2. Ban applies to lined landfills only.
3. Banned only from incinerators.
4. Can be incinerated with energy recovery.

Other:
A. Nickel-cadmium batteries.
B. Construction & demolition debris.
C. Non-degradable grocery bags; beverage containers returned to wholesalers through the state's mandatory deposit law.
D. Aluminum, glass, and metal containers, single polymer plastics, and recyclable paper.
E. Dry cell batteries that contain mercuric oxide or silver oxide electrodes, nickel-cadmium, or sealed lead-acid. Mixed unprocessed waste in metro area.
F. Recyclable material that has already been separated.
G. Loads of commercial waste containing more than 20 percent recyclables.
H. Non-degradable yard waste bags plus aluminum, plastic, steel and glass containers, cardboard, foam polystyrene packaging, magazines, newspaper and office paper are banned from disposal unless municipalities are certified as having an "effective" source separation program.

PRODUCTS RECYCLED 1988

Product	Millions of Tons Recycled	% of Product Generated
Corrugated boxes	10.5	45.4
Newspapers	4.4	33.3
Office paper	1.6	22.5
Lead-acid batteries	1.5	90.0
Glass beer & soda bottles	1.1	20.0
Aluminum cans	0.8	55.0
Books & magazines	0.7	13.2
Junk mail	0.6	14.6
Compost	0.5	1.6
Steel food & beverage cans	0.4	13.8
Glass food containers	0.3	8.1
Folding cartons	0.3	7.7
Paper bags & sacks	0.2	7.0
Major appliances	0.2	7.0
Glass wine & spirits bottles	0.1	5.0
Plastic soft drink bottles	0.1	21.0
Rubber tires	0.1	4.8
Other	0.1	—
TOTAL	**23.5**	

Source: *Characterization of Municipal Solid Waste in the United States: 1990 Update.* Prepared for the U.S. Environmental Protection Agency by Franklin Associates, Prairie Village, Kansas, June 1990.

paper is not expected to come on-line for at least three to four years, the increased collections will likely flood the markets for office waste paper, just as the residential programs glutted the old newspaper market. In addition, many smaller companies are likely to face higher waste disposal bills because the cost of additional collection service for recyclables will be much greater than the revenue from materials sales and avoided disposal costs.

Two 1990 laws go beyond requirements for business to recycle their own waste: **Connecticut** and **Rhode Island** require telephone book distributors to make their product recyclable and also hold them responsible for both *collecting* and recycling the used books. Previous such laws for beverage can redemption and problem wastes like tires, lead-acid batteries and used oil only required retailers to *accept* the used items from their customers.

Creating an Infrastructure

In the mid-1980s it was not clear whether the American public would accept recycling. The first laws and mandates focused on public participation. Many parts of this country have fervently embraced recycling, so states increasingly face the problem of figuring out what to do with all of the material being collected. Recycling has become a major component of the waste management system, and it requires new facilities, processes, machinery and markets. Developing this infrastructure is a costly process. On the collection and sorting level, trucks, containers, balers, materials recovery facilities (MRFs) for processing, demonstration projects and market studies all take capital. Using collected material will require new manufacturing capacity (e.g., deinking plants for newsprint) but businesses are unlikely to make the investment unless people demand products with recycled content.

Grants and Loans

Most states provide grant money to local governments to help them contract for or establish recycling programs. Low-interest loans are less common, and directed primarily to businesses. State grant and loan programs may be financed through federal oil overcharge funds, surcharges on disposal facilities, taxes on problem wastes, taxes on businesses or a combination of such sources.

At least 40 states provide grant money for recycling. Most of the funds are earmarked for municipalities to help them prepare plans, conduct market studies, buy equipment and create public education programs. The total amount of money available in FY 1990 ranged from approximately $.03 per person in **Nevada** to $5.80 per capita in **Maine**. The median expenditure was 50 cents per capita. At least 11 states (**Arizona, Illinois, Iowa, Michigan, Minnesota, New Jersey, New Mexico, New**

WHY ARE THESE PROBLEM WASTES?

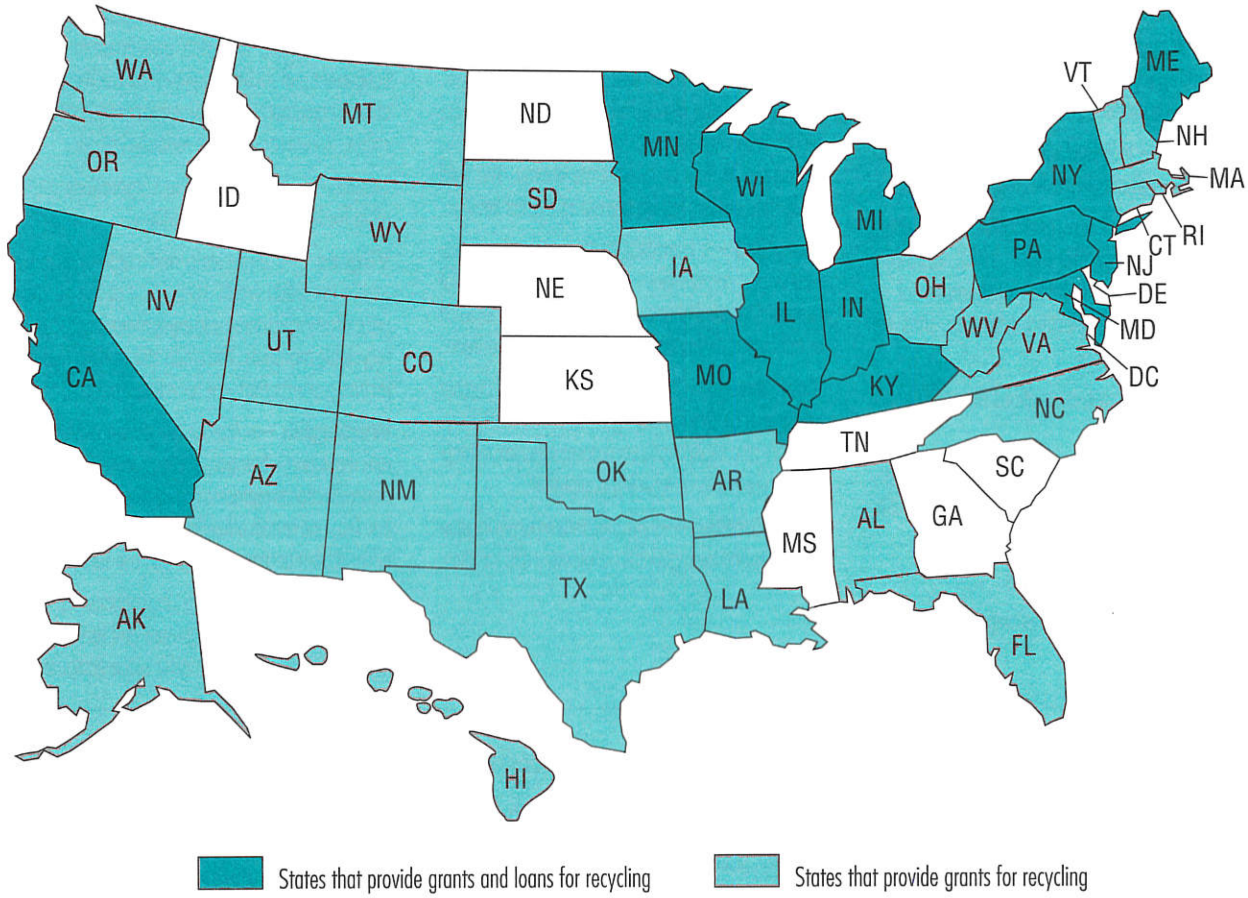
- About 180 million gallons of used motor oil and 390 million gallons of oil from businesses are thrown in the trash or poured down sewers each year (an amount 57 times greater than the Exxon Valdez spill). Cheap oil prices and liability concerns have resulted in only a 10 percent recycling rate for used motor oil in recent years.

- Only 14 percent of the 234 million vehicle tires discarded each year are recycled or incinerated with energy recovery. An additional 44.5 million tires are reused. The remainder, about 200 million tires a year, are thrown in stockpiles, joining the estimated two to three billion tires already there. Such stockpiles can be breeding grounds for disease-carrying mosquitoes. Another hazard is tire pile fires, which send noxious gases into the air and can take months to extinguish.

- Even though about 90 percent of the lead acid batteries sold in the U.S. are recycled each year, a recent EPA report found that the discarded ones are still a major source of lead in municipal waste. New laws aim to capture the remaining 10 percent for recycling.

- Only seven percent of the three million tons of large appliances, e.g., stoves, washing machines and refrigerators, discarded each year are recycled. Scrap dealers are often reluctant to accept appliances because some older models contain PCBs, which make them too expensive to handle.

GRANTS AND LOANS



PROFILES: GRANT AND LOAN PROGRAMS

California — Eight communities will win recycling market development zone status from the state. To qualify, the municipality must have an adequate supply of secondary materials, suitable land and infrastructure, and must provide tax and regulatory incentives to attract manufacturers. Businesses within these zones are eligible for up to $1 million in low-interest loans from the state and are given preference for R&D money. Revenues from the Beverage Redemption Act fund $8 million in grants to local conservation groups and $10 million worth of incentive payments to glass manufacturers that use recycled content.

New Jersey — Municipalities receive up to $10 per recycled ton in rebates from the state. Recycling processors and manufacturers are eligible for $50,000 to $3 million in low-interest loans depending on the type of material processed. Processors and manufacturers of post-consumer plastics, tires and low grade paper are eligible for the higher amounts.

Michigan — A Quality of Life bond issue provides businesses in Michigan with $100,000 to $5 million in low-interest loans for processing and manufacturing equipment, research and development and product marketing. Some matching funds are required.

Utah — The state will pay tire recyclers $21 per ton for tires that are made into new products or incinerated with energy recovery.

Vermont — Municipalities that adopt source separation ordinances before July 1993 are eligible for grants to reimburse some of the capital costs of implementing collection and processing systems. If the law is adopted before July 1991 and contains enforcement provisions, up to 80 percent of costs may be reimbursed.

Wisconsin — Manufacturers that use waste as a raw material are eligible for rebates up to $300,000 per facility. Separate grants up to $75,000 are available to demonstrate the feasibility of an innovative technique for waste recycling (50% matches are required).

4-9

TAX INCENTIVES FOR RECYCLING

California — Banks and corporations may take a 40 percent tax credit for the cost of equipment used to manufacture recycled products. Development bonds for manufacturing products with recycled materials.

Colorado — Individual and corporate income tax credits for investments in plastics recycling technology.

Florida — Sales tax exemption on recycling machinery purchased after July 1, 1988. Tax incentives to encourage affordable transportation of recycled goods from collection points to sites for processing and disposal.

Illinois — Sales tax exemptions for manufacturing equipment.

Indiana — Property tax exemptions for buildings, equipment and land involved in converting waste into new products.

Iowa — Sales tax exemptions.

Kentucky — Property tax exemptions to encourage recycling industries.

Maine — Business tax credits equal to 30 percent of cost of recycling equipment and machinery. Subsidies to municipalities for scrap metal transportation costs. Taxpayers are also allowed a credit equal to $5.00 per ton of wood waste from lumber production that is incinerated for fuel or to generate energy. The total credit may not exceed 50 percent of the tax liability.

Maryland — From their state income taxes, individuals and corporations can deduct 100 percent of expenses incurred to convert a furnace to burn used oil or to buy and install equipment to recycle used freon.

New Jersey — Businesses may take a 50 percent investment credit for recycling vehicles and machinery. They are also eligible for a six percent sales-tax exemption on purchases of recycling equipment.

North Carolina — Industrial and corporate income tax credits and exemptions for equipment and facilities.

Oregon — Individuals and corporations receive income tax credits for capital investment in recycling equipment and facilities. Special tax credits are available for equipment, property or machinery necessary to collect, transport or process reclaimed plastic.

Texas — Sludge recycling corporations are eligible for franchise tax exemptions.

Virginia — Individuals and corporations may take a tax credit worth 10 percent of the purchase price of any machinery and equipment for processing recyclable materials. The credit also applies to manufacturing plants that use recycled products.

Washington — Motor vehicles are exempt from rate regulation when transporting recovered materials from collection to reprocessing facilities and manufacturers. Tires and certain other hard-to-dispose materials are exempt from portions of sales and use taxes.

Wisconsin — Sales tax exemptions for waste reduction and recycling equipment and facilities; business property tax exemptions for some equipment.

York, Pennsylvania, Vermont, Wisconsin) give grants to the waste services industry as well as manufacturers, but not all types of companies are eligible in all states. For example, **Utah, Minnesota** and **Rhode Island** give grants to businesses that can recycle problem wastes.

Twelve states (**California, Illinois, Indiana, Kentucky, Maine, Maryland, Michigan, Minnesota, New Jersey, New York, Pennsylvania, Wisconsin**) make recycling loans available — mostly to businesses — for research and development, equipment purchases and market studies.

Grant and loan money for recycling in FY 1991 is contingent on favorable resolution of the current budget crises in many states. By recent estimates, 30 states had revenue shortfalls or accumulated deficits for fiscal 1991, and state budgets were projected to be even tighter during 1992. Several states cut recycling program staff early in 1991. Without state subsidies, communities will have to focus on how much recycling they want to pay for, and recovery goals may be re-evaluated.

Tax Incentives

Some states provide tax incentives — reductions in sales, income and property taxes — to encourage new private sector investment in recycling. In 1990, **Virginia** created tax credits for manufacturers that use secondary materials, while **Maine** and **Maryland** provided tax credits for businesses that recycle problem wastes.

States Demand Recycled

The recent glut of old newspapers in many parts of the country illustrated the dangers of collecting recyclables before finding markets for them. New state laws are addressing the demand side of the equation with a variety of market-stimulating measures.

Seven states now require manufacturers to use recycled materials. **Connecticut** and **California** were the first states to enact these laws with mandates that responded to the glut of old newspapers in 1989. In 1990, mandates spread to five other states and four other products. Now, **Arizona, California, Connecticut, Illinois, Maryland, Missouri** and **Wisconsin** all require newsprint publishers to use specific amounts of recycled newsprint; **California** also requires recycled content in trash bags and in glass food and beverage containers. Telephone books in **Connecticut** and plastic containers in **Wisconsin** are also required to have recycled content.

Forty states plus the District of Columbia have now passed laws (and the rest have other, non-legislative provisions) to stimulate markets by encouraging state agencies to purchase products with recycled content. (State and local expenditures account for about 12 percent of our country's GNP.) **Arizona, Hawaii, Kansas, Kentucky, Georgia, Nebraska, New Mexico** and **Utah** passed such laws for the first time in 1990. New procurement laws are much stronger than their predecessors from the 1970s, which simply encouraged state agencies to buy recycled products whenever feasible. Twenty-three states now allow agencies to spend from 5 percent to 10 percent more for products with recycled content; however, in almost half of these states, the price preference applies only to paper and/or paper products. Sixteen states have set goals for the amount of recycled products (usually paper) that must be purchased. In **California, Louisiana,** and **Vermont**, the procurement goals apply to all products purchased by the state. In **Oregon**, state agencies may only purchase recyclable and/or degradable products.

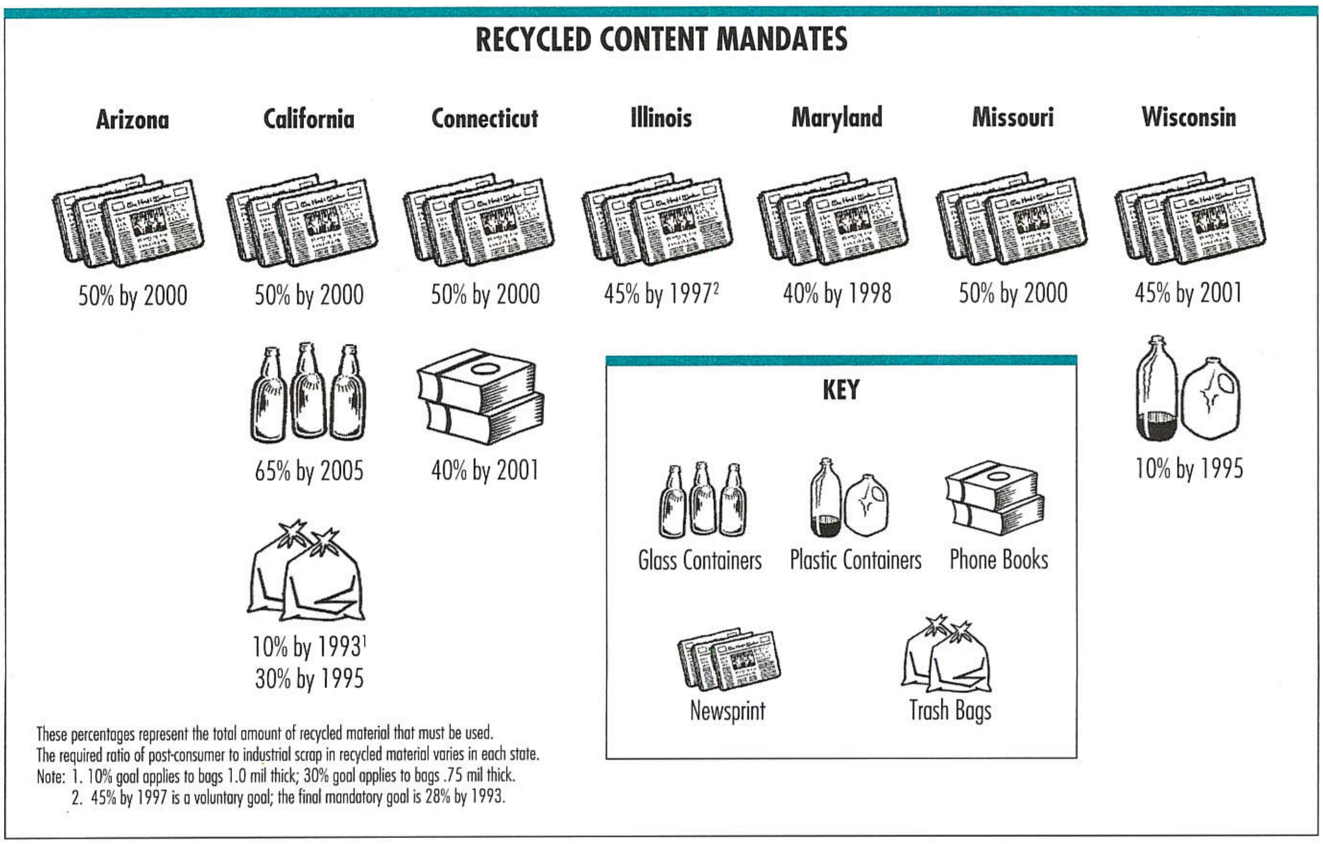
In the rush to inform consumers about products that contain recycled content or are otherwise "environmentally friendly," some companies ran afoul of regulators. Eleven states (**Arizona**, **California, Connecticut**, **Illinois**, **Iowa, New Hampshire**, **New York**, **North Carolina**, **Rhode Island**, **Washington**, **Wisconsin**) have passed laws that affect the type of environmental claims that can be used on product labels. The laws typically allow or require the state to develop definitions and logos. Only three states have developed any final standards. **New York** is the first state to develop logos for recycled, reusable and recyclable products as well as conditions for their use. The terms "degradable," "biodegradable," "photodegradable," "environmentally safe," and their equivalents can't be used on retail packaging in **Rhode Island** after September 1, 1990. **California** requires manufacturers claiming that products are "green," "earth friendly," "environmentally safe," etc., to document any significant environmental impacts created during the product's life cycle and any measures taken by the company to reduce those impacts. The information must be available to the public upon request. Claims such as "ozone friendly," "bio- and photo-degradable," "recyclable" and "recycled" must also meet state definitions.

One impediment to adding plastics to the recycling infrastructure has been the many types of resins used to make plastic products. At least 27 states now require codes on plastic containers to identify the types of resin they are made from so that consumers and industry can readily sort them for recycling. Ten states (**Alaska, Arizona, Georgia, Hawaii, New Hampshire, New Jersey, Oklahoma, Rhode Island, Tennessee, Virginia**) enacted such laws in 1990. The deadlines for coding range from January 1990 to July 1992.

Are Recycling Goals Being Reached?

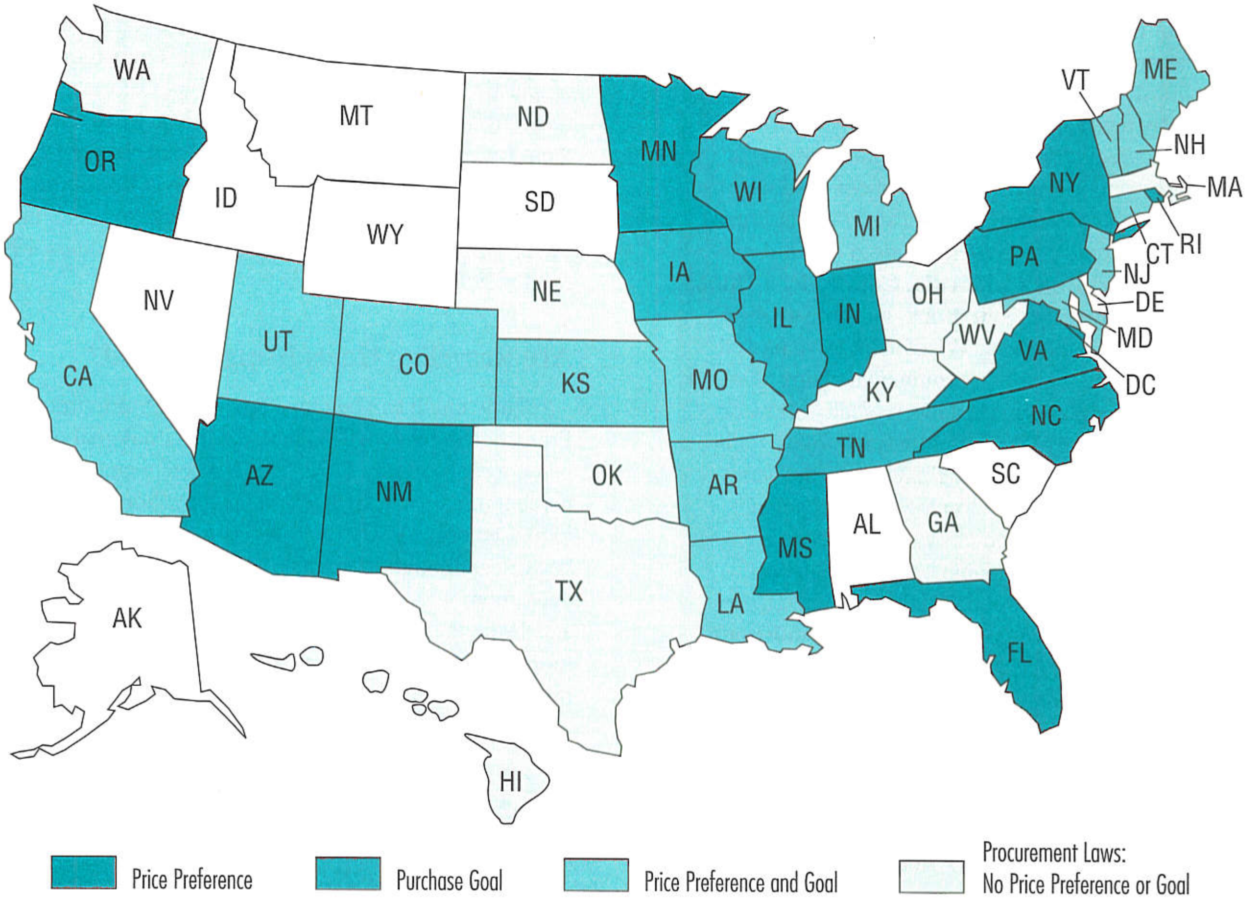
How much can be recycled? The U.S. Environmental Protection Agency (EPA) has set a national goal of 25 percent recycling by 1992. The U.S. recovered about 13 percent of its waste in 1988.[3] This recycling rate has increased only slowly over the last ten years, partly because, although more material has been recycled each year, more waste has also been generated. Between 1980 and 1988, the amount of waste we recycled increased by more than 60 percent from 14.5 million tons to 23.5 million tons, but the amount of waste we produced rose by 20 percent, from 150 million tons to 180 million tons per

3. The term "recovery" is used interchangeably with "recycling" throughout this report. Statistics for recycling actually report the amount of material recovered from the waste stream for recycling, not the amount of material made into new products, which would be a lower figure.

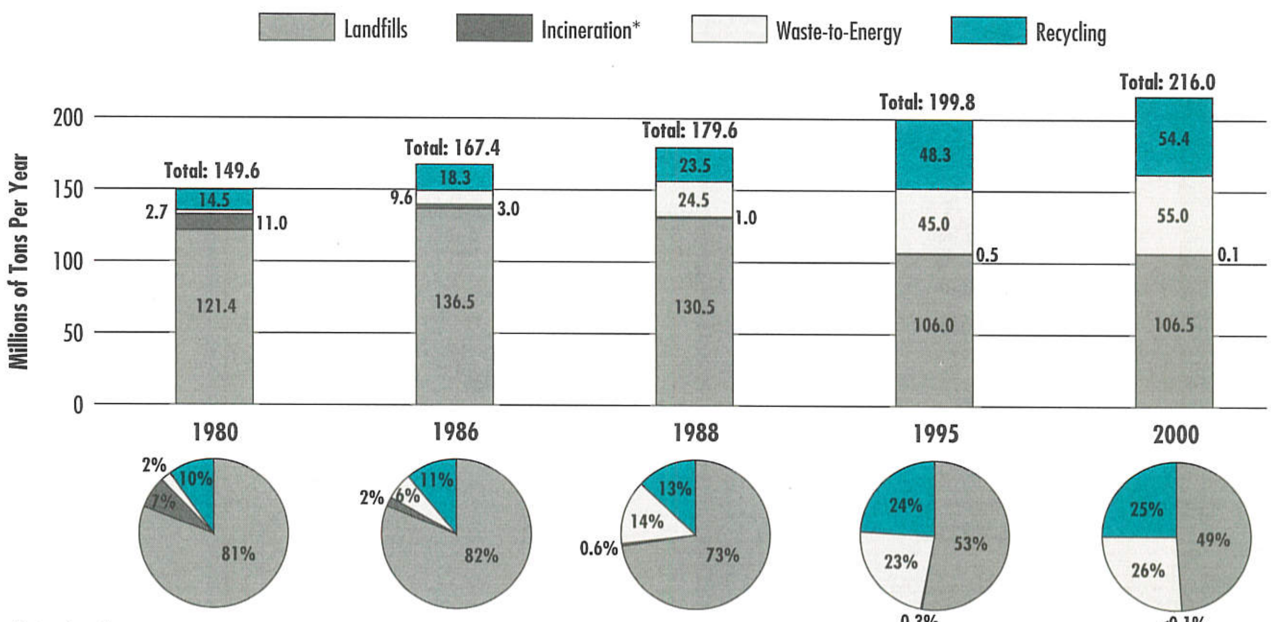


4-11

STATE PROCUREMENT LAWS



HOW OUR WASTE IS MANAGED



*Incineration without energy recovery

Source: "Characteristics of Municipal Solid Waste in the United States: 1990 Update." Prepared for the Environmental Protection Agency by Franklin Associates, Prairie Village, Kansas. Adapted for publication by NSWMA.

4-12

year. To reach our national recycling goal, waste generation rates must be stabilized or the amount of waste we recycle dramatically increased.

States Set More Ambitious Goals

Twenty-nine states and D.C. have laws that set recycling goals, many of which exceed the national target (e.g., Maine requires 50 percent by 1994 and Washington 50 percent by 1995). Most of these goals were established without any data on state recycling activities. According to a January 1991 *Recycling Times* survey, 24 states reported recycling rates ranging from 5 percent to 41 percent, but just 14 of these states based their recycling rates on quantified data. Only six states have compiled data from municipalities to show tonnages of each material recycled.

Lack of uniform standards and definitions for municipal waste and recycling make very difficult any comparisons between states, or between state and national data. State waste generation rates are usually greater than the national average of four pounds per person per day because sewage sludge, construction and demolition debris, non-hazardous industrial waste and scrap metal are accepted at some municipal waste landfills. States also count different materials when calculating recycling rates. Some items, like junked cars, can boost averages because they are very heavy and have such traditionally high recycling rates that many people don't consider them part of the "waste stream."[4] Thus, recycling percentages may not reflect material diverted from disposal facilities.

The six states that could provide detailed breakouts by material recycled were **California, Florida, Minnesota, New Jersey, Pennsylvania** and **Washington**. All except California and Pennsylvania reported recycling rates higher than the national average. These high rates are due to a combination of factors: all six states report that at least 30 percent of their population receives curbside collection service for recycling; most of the data is more recent than the national figures, and most of the states count at least some non-municipal waste (as measured against the EPA definition) such as food processing waste, C&D material, junked cars and other

4. Junked cars usually go to dismantlers and scrap yards, where usable parts are reclaimed and the remainder is shredded so that metals can be collected for recycling. (About 80% of the average 3,200 lb. car is recyclable metal.)

HOW ARE WE DOING?

State	Goal	Percent Recycled	Millions of Tons Recycled
California	50% by 2000	11% in 1990	5.486
Connecticut	25% by 1991		
District of Columbia	45% by 1994	8% in 1989/90	0.064
Florida	30% by 1994	15% in 1990	2.8
Georgia	25% by 1996[1]		
Illinois	25% by 2001[2]	5% in 1989/90	0.717
Indiana	50% by 2001		
Iowa	50% by 2000		
Louisiana	25% by 1992		
Maine	50% by 1994	17% in 1988	0.227
Maryland	20% by 1994[3]		
Massachusetts	56% by 2000[4]		
Michigan	40-60% by 2005		
Minnesota	25% by 1993[5]	23% in 1989/90	0.985
Mississippi	25% by 1996		
Missouri	40% by 1998	7% in 1987	0.347
Nebraska	25%		
New Hampshire	40% by 2000		
New Jersey	25%[6]	39% in 1990	5.485
New Mexico	50% by 2000		
New York	50% by 1997[7]	15% in 1989	3.0
North Carolina	25% by 1993		
Ohio	25% by 1994	1% in 1989	0.144
Pennsylvania	25% by 1997	4% in 1989	0.378
Rhode Island	15%	12% in 1990	0.043
South Dakota	20% by 1995		
Vermont	40% by 2000	18% in 1990	0.070
Virginia	25% by 1995		
Washington	50% by 1995	28% in 1990	1.574
West Virginia	30% by 2000		
Wisconsin	—	41% in 1988[8]	2.0

This chart only lists final recycling goals; many states have interim goals as well. Most states do not have separate targets for source reduction or composting; exceptions are noted below. Recycling rates are listed for states that could provide actual tonnage figures.

Notes: 1. 25% of 1992 per capita waste generation.

2. This goal only applies to counties with populations less than 100,000. For counties with populations greater than 100,000 and metro areas with populations greater than one million, the goal is 25% by 1997.

3. 20% recycling is the optimum goal. Counties with populations greater than 150,000 must recycle at least 15% of their waste. Counties with populations under 150,000 must recycle at least 5% of their waste.

4. The goal calls for a 46% recycling rate and a 10% reduction in 1990 per capita waste generation rates by 2000.

5. Metro area counties must recycle 35% by 1993. Tons recycled in 1989/90 were projected to one year totals based on data collected over a nine month period.

6. A law is pending that will change the goal to 60% recycling of the entire waste stream within five years. The 39% recycling rate is projected for 1990 based on 1988 data and includes the "entire" waste stream. The DEP has also reported that 6.3 million tons of waste were recycled in 1989 (a 42 percent recycling rate), but tonnage breakouts by materials were not available at time of publication.

7. The goal combines a 10% source reduction target and a 40% recycling target. Amount recycled includes 1 million tons of ferrous scrap and auto bodies.

8. Tonnage includes auto bodies.

MATERIALS RECYCLED: SELECTED STATES

Material	California tons	California %	Florida tons	Florida %	Minnesota tons	Minnesota %	New Jersey tons	New Jersey %	Pennsylvania tons	Pennsylvania %	Washington tons	Washington %
Yard Waste	219,616	0.4	247,000	1.3	124,304	3.9	439,000	3.1	49,169	0.5	64,090	1.1
Food Waste	98,259	0.2	4,000	<.1	*		43,000	0.3				
Wood Waste	20,854	<.1			*		162,000	1.1			1,320	<.1
Total Organics	**338,729**	**0.7**	**251,000**	**1.3**	**124,304**	**3.9**	**644,000**	**4.5**	**49,169**	**0.5**	**65,410**	**1.2**
Newsprint	843,526	1.7	376,000	1.9			389,000	2.8	94,765	1.0	160,600	2.9
Corrugated	982,723	2.0	282,000	1.5			316,000	2.2	81,694	8.9	272,820	4.8
Office Paper	177,418	0.4	77,000	0.4			149,000	1.1	12,086	1.3	53,670	0.1
Mixed Paper	418,518	0.8	28,000	0.1			0	0			64,100	1.1
Total Paper	**2,422,185**	**4.8**	**763,000**	**3.9**	**162,272**	**3.7**	**854,000**	**6.1**	**188,545**	**2.0**	**551,190**	**8.9**
Glass Containers	236,237	0.5					131,000	0.9	27,222	0.3	60,820	1.1
Other Glass	39,760	0.1					0	0			0	0
Total Glass	**275,997**	**0.6**	**88,000**	**0.5**	**28,786**	**0.9**	**131,000**	**0.9**	**27,222**	**0.3**	**60,820**	**1.1**
Plastic Containers	3,884	<.1	9,000	<.1			2,000	<.1	7,944	0.1	410	<.1
Other Plastic	1,040	<.1	6,000	<.1			0	0	925	<.1	180	<.1
Total Plastic	**4,925**	**<.1**	**15,000**	**<.1**	**1,468**	**<.1**	**2,000**	**<.1**	**8,869**	**0.1**	**590**	**<.1**
Aluminum Cans	114,236	0.2	69,000	0.4			12,000	0.1	8,252	0.1	18,100	0.3
Steel/Bi-metal Cans							17,000	0.1	18,644	0.2	5,700	0.1
Major Appliances	3,360	<.1	82,000	0.4	*						26,720	0.5
Other Metal Scrap	1,121,917	2.4	704,000	3.6			1,899,000	13.5	*		740,670	13.2
Total Metal	**1,239,513**	**2.4**	**855,000**	**4.4**	**64,218**	**4.8**	**1,928,000**	**13.7**	**26,896**	**0.3**	**791,190**	**14.1**
C&D Debris	606,733	1.2	683,000	3.5			1,884,000	13.4	0	0	0	0
Tires	48,858	0.1	60,000	0.3			5,000	<.1	*		13,400	0.2
Car Batteries							37,000	0.3	*		33,280	0.6
Used Oil									0	0	51,360	0.9
Total Special Wastes	**655,591**	**1.3**	**743,000**	**3.8**	*		**1,926,000**	**13.7**	*		**98,040**	**1.7**
Other	**549,929**	**1.1**	**111,000**	**0.6**	**604,199**	**14.0**	**0**	**0**	**77,551**	**0.8**	**6,821**	**0.1**
Total Recycled	**5,486,869**	**10.9**	**2,826,000**	**14.5**	**985,247**	**27.3**	**5,485,000**	**38.9**	**381,292**	**4.0**	**1,574,061**	**27.1**
Percent of population served by curbside collection		31%		40%		51%		60%+		50%		30%

* = Amount recycled is included in general "other" category.
0 = Although this material may be recycled, it is not included in the state recycling rate calculations.
Source: Interviews with state recycling officials and state recycling reports.

4-14

TRASH TOTALS: WHO COUNTS WHAT

	CA	FL	MN	NJ	PA	WA
Total Waste Generated*	**50.0**	**19.4**	**4.4**	**14.1**	**9.2**	**5.6**
Per Capita (lbs/person/day)	**7.0**	**8.0**	**5.5**	**10.2**	**4.2**	**6.6**
Residential	●	●	●	●	●	●
Commercial	●	●	●	●	●	●
Auto Bodies	◒	○	○	●	○	●
White Goods	●	●	●	●	◒	●
Other Metal Scrap	◒	◒	◒	●	◒	●
Auto Batteries	●	●	●	●	○	●
Used Oil	●	●	●	○	○	●
Tires	●	●	●	●	◒	●
C&D Debris	●	●	◒	●	○	●
MSW Ash	●	●	○	●	●	○
Agricultural	○	○	○	●	○	●
Municipal Sludge	○	○	○	○	○	○
Industrial Non-Hazardous Sludge	○	○	○	●	●	**

* In millions of tons per year
● = All the waste generated included in tonnage figure
◒ = Some of the waste generated included in tonnage figure
○ = None counted
** = Information not available

industrial metal scrap. Communities in these states also surveyed recycling in the commercial sector, which may account for the inclusion of non-municipal material. As states develop more detailed guidelines for reporting recycling figures, the quality of the data should improve. Of course, data from different states are not likely to be comparable until national guidelines for measuring recycling are agreed upon.

Here are the results from the states that could provide detailed breakouts on the material they recycle.

- States documenting the most tons recycled are **California** (5,486,868 tons) **New Jersey** (5,485,000 tons) and **Florida** (2,826,000 tons).
- States with the highest documented percentages of their waste recycled are **New Jersey** (38.9 percent) **Washington** (28 percent) and **Minnesota** (22.6 percent).
- Scrap metal contributes 14 percent of the total tons recycled in **New Jersey** and 13 percent of the total in **Washington** (both of which count junked cars). **California** also includes some scrapped autos in its recycling tonnage.
- **New Jersey** recycles almost three times more C&D waste than the other two states that report recycling the material. The 1.9 million tons of material recycled represent 13 percent of the total waste stream recycled.
- Amounts of common recyclables recovered vary greatly. **California** recovers almost three times as much paper (2.4 million tons) and more than twice as much glass (275,997 tons) as other states. **Florida** recycles twice as much plastic (15,000 tons) as the next leading state and **New Jersey** composts twice as much yard waste (439,000 tons) as the other states.
- The amount and type of material reclaimed will be far more important to market development than the recycling percentage reported by the states. **California**, which reports only a 10.9 percent recycling rate, recovers the most material (5.5 million tons). **Pennsylvania**, whose accounting most resembles EPA's, had the lowest documented recycling rate among the six states profiled, but recovered the most steel cans.

Conclusion

State legislators showed continued strong interest in recycling in 1990, as laws from previous years were revised and new statutes were enacted. The 1990 legislation illustrated diverging approaches to building a waste reduction and recycling infrastructure.

- The growth of disposal bans symbolizes the "supply side" approach — a belief that markets will develop to reclaim recyclables that have nowhere else to go. These laws typically do not rely on community involvement through separation mandates, and they may spur illegal dumping if suitable disposal alternatives are not found.
- On the demand side, states are paying more attention to markets by providing grants, loans and tax incentives for processing and manufacturing facilities, enacting mandatory recycled content laws and strengthening their procurement policies.

Finally, if 1990 trends continue, businesses will be held increasingly responsible for reducing the impact of their products and services on waste management systems. So far, the relative successfulness of different states' recycling laws has been difficult to measure due to inconsistency in how recycling has been counted. And by including material that does not normally go to municipal disposal facilities in recycling statistics, states may give an exaggerated impression of accomplishment which indirectly helps to perpetuate shortages of disposal capacity. Nevertheless, the nineties are likely to represent a new era in waste management, where responsibilities for reducing the amount and toxicity of our trash, and safely disposing of the remainder, are shared among many groups — manufacturers, retailers, consumers, local governments, and the waste industry.

For more information, contact:

National Solid Wastes Management Association
1730 Rhode Island Avenue, NW
Suite 1000
Washington, DC 20036
(202) 659-4613

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September, 1991

NSWMA

TESTIMONY FROM BRUCE T. HOLLAND OF THE SURPLUS EXCHANGE ON HOUSE BILL #2938

The Surplus Exchange is a Kansas not-for-profit organization which was incorporated in March of 1984. Our purpose is to divert usable materials away from the waste stream and to recondition these materials so that they can be reused by local charities.

We currently work with over 550 charities in the Kansas City area and have received donated surplus goods from hundreds of local businesses. In 1991 we saved the charitable community approximately $500,000, saved the business community $300,000, and kept 12,000 cubic yards of usable material out of the landfill. This is equivalent to filling the Chiefs' football field to the height of the goalpost crossbars.

One of the most important environmental and energy savings issues we stress is the importance of being able to recycle materials within a reasonable proximity of their source of generation. We strongly feel that any large metropolitan area should have the capability of recycling and reprocessing the majority of its own waste stream.

This not only allows the city to recapture the resources that normally end up in the landfills, but also creates new jobs and boosts the overall economic health of the community. The other benefits include: extended landfill life, environmental benefits, energy savings, and the promotion of true recycling by closing the loop.

One problem with today's recycling programs is that all the emphasis is on the collection and sorting of post consumer waste such as newspapers, plastic bottles, glass and aluminum. A lot of the taxpayers money and the municipalities funds have been spent to provide curbside collection or drop-off centers for the collection of these "recyclables."

In most cases, those collecting and sorting the materials are relying on out-of-state markets for the purchase of their recyclables. Many local recycling concerns have experienced the wide fluctuation in market prices and have even seen cases where they could not sell their material at all. This has caused many of the pioneers of the recycling business to become disenchanted or has forced them to close their doors.

Consequently, there are only a few companies which are actually creating an end product out of recyclable

House Taxation
Attachment 5
02-27-92

materials. Once those collecting the materials learn of these companies, they are flooded with requests to buy the scrap materials. Since the cost of transportation is so important to the price of any recyclable materials, those firms closest to the manufacturing plant will receive the first and best bids. If other recycling operations further from the manufacturer are able to sell their materials, the price is often so low that they cannot make a profit and eventually quit collecting the recyclables altogether.

The key to true and long term recycling programs is the ability of a municipality to attract entrepreneurs to create local businesses which use recycled materials to produce an end product which can be consumed by the surrounding population. House Bill 2938 is the first step in making this necessary step in the recycling process a reality.

Once a state is willing to pass legislation which encourages business to utilize recycled materials, the overall efficiency and economics of recycling programs within that state will greatly improve.

I, therefore, applaud those responsible for introducing this recycling bill and wish to thank those in advance who vote for passage of this bill. I also feel that it is vital to the growth of the recycling industry in the state of Kansas that this bill be passed this year and as quickly as possible.

In summation, the passage of House Bill No. 2938 is the environmentally, financially and "politically correct" thing to do.

Cordially

Bruce T Holland

Bruce T. Holland
President, The Surplus Exchange, Inc.

Oxbow *Custom Fuel Pelleting*
BIO-MASS ENGINEERING

1201 W. Granby • P.O. Box 115
Neodesha, Kansas 66757
316 325-2311 or 316 633-5388

February 26, 1992

Representatives:

Reference: House Bill No. 2938

We at Ox-Bow Bio-Mass Engineering believe that we are at the brink of propelling a new Industry into being.

We presently are manufacturing hard wood fuel pellets out of industrial wood waste materials. We have been blessed with finding a large market for our wood pellet fuel.

Not only are we producing one of the best fuel pellets for the pellet stove industry, we are finding other products that can be generated through wood waste materials, such as absorbents, insulation, packing material, meat smoking, and fertilizer to name a few.

We at Ox-Bow are presently pelleting six different types of hard woods for a northern Kansas company which is canning these pellets for sale in grocery stores and Wal-Mart for meat smoking.

Another product that we are developing is a pellet that consists of wood and chicken litter. With the help of the Kansas Forestry Division we believe that, by using selected Kansas hardwoods, we can develop a fertilizer pellet with a natural herbicide and pesticide.

We at Ox-Bow are not limited to wood waste materials as a base material. We found through experimentation agricultural waste can also be used as a base for pellet formation.

The most exciting development that we are involved in, at present, is the pelleting of general municipal waste to be used as a new industrial fuel. Until recently, the machinery that is required to reduce a wide range of

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materials down to a useable state (powder) has not existed. The machines that are required are not on the market as yet. The exciting thing is that this functional, experimental equipment is a direct product of our own state.

We have located a material that goes to the landfill on a daily basis that has a BTU out-put of 20,166.40 per pound. This material is one of many and is why, with the help of the machinery that is now available, we feel that we have embarked on a whole new fuel source.

With our state being the focal point of this new industry, as it spreads nation and possibly world wide, we stand to gain a great deal. We will not only be creating jobs on a local, state, and federal level, but also reduce our dependency on foreign oil, clean up our environment, and give industry a new, renewable fuel source for heating, generating electricity etc. We feel that with the help of our government on a state or federal level we could greatly accelerate our research and development and make this new fuel source a reality in short order.

The recycling industry in the State of Kansas is in real need of this bill. Not only our own company, but many other recycling companies will be able to find new markets and products through this bill. Glen Jones, our County Commissioner, is endorsing our product and process to help eliminate the need for a county landfill.

Thank you,

Leo L. Lindeman

Leo L. Lindeman
Owner

A tornado at work

Rowley's invention has possible application for numerous industries

A friend who needed a way to grind grain for his special diet to fight Hodgkin's Disease more than 17 years ago got Frank Rowley Jr. to thinking.

A short time later, while watching a television program on natural catastrophes, Rowley was awestruck as he studied a tornado on the screen.

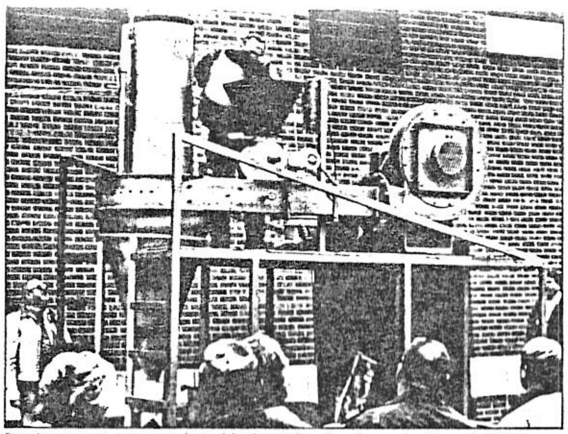
"I thought, 'If I could build a tornado I could control, I'd have a heck of a grinder,'" said Rowley, a farmer and entrepreneur who lives north of Valley Center.

Rowley chuckles and admits that he's often been accused of creating a storm around Valley Center. This time, though, he's confident that he's successfully harnessed that tornadic process with a machine that he's been tinkering with these past 17 years.

Called a comminuter/dehydrator, Rowley's invention fractures materials ranging from tires to grain into fine particles. The machine uses gradient air currents—like those he watched at work in the tornado on television—to grind the materials.

Rowley said his machine can be powered by gasoline or diesel engines, or electrical motors, and can be adapted to fit a particular industry. Since no actual grinding occurs, there is little or no wear on parts because there is little or no contact with metal parts of the machine, he

See "Rowley," Page 5



Rowley pours compost into his invention in demonstration at WSU.

★ROWLEY

Continued from Page 1

said.

The fracturing process also removes moisture, which permits rapid conversion of wet materials into fine, dry particles that can be used as mulch, food products or base ingredients. One of the most useful applications for the machine may be in the waste disposal industry.

"Tires, for example, are a big problem at landfills," he said, opening a small plastic container of rubber particles and dumping them into his hand. "This machine can break tires up into parts so the rubber can be used again—in asphalt, for example.

"The same is true for newspapers," he added, showing a plastic bottle of newspaper bits. "As all of our environmental problems continue to escalate, this could have a real application in that area."

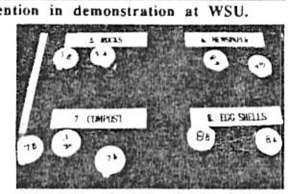
Besides the waste disposal industry, Rowley said his machine can be used in mining, agriculture and food industries. His method of reducing the product size is cheaper than conventional milling and grinding methods, he said.

Monday at Wichita State University's Institute for Aviation Research, Rowley took the machine that simulates a tornado public. Before the demonstration, he warned about 50 spectators not to be alarmed when he turned the machine on.

"When we crank it up, you'll think it'll fly apart completely," he said, following quickly with one of his trademark chuckles.

During the demonstration outside the institute, onlookers watched as Rowley's invention pulverized charcoal, sugar cubes, corn, soybeans, newspapers, compost and rocks.

A display table inside the institute showed the results of the machine's work. A tray of cinnamon rolls, baked by Louise



Rowley's display shows before-and-after results for four items.

coming from flour that had been ground in the comminuter/dehydrator.

"We ground the flour before the compost," Rowley reassured the crowd with another chuckle before the demonstration.

Rowley said he plans to locate a manufacturing plant in Sedgwick County. He anticipates production of the comminuter will create 40 new jobs in 1992, and as many as 300 jobs in the next four years.

The protoype demonstrated Monday at WSU was built at the farm of Pete Nusz near Rose Hill. Nusz is Rowley's partner in the business venture, called Gradient Force Inc.

Kansas Technology Enterprise Corp. and the Innovative Technology Enterprise Corp., both in Topeka, have assisted Rowley in patenting his invention and also with funding for development. The engineering department at WSU will conduct testing on the comminuter/dehydrator to verify Rowley's assumptions about its cost effectiveness and capabilities.

Rowley said he's always known his machine would work, and stuck with it, "either through stupidity or persistency."

A few months ago, Rowley said he and the friend who was battling Hodgkin's back in 1975 were together at a party. That friend, who's now on Rowley's company's board of directors, is an engineer for Boeing in Seattle. His friend apparently has whipped his disease and Rowley finally has his machine working.

Vada Snider

Rowley shows spectators results of grinder that works like a tornado.

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THE KANSAS LEGISLATURE

KANSAS HOUSE OF REPRESENTATIVES

Committee

on

Taxation

HOUSE BILL No. 2938

Testimony

of

Donald W. Meeker
Central Fiber Corporation
Wellsville, Kansas

February 27, 1992

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I. CENTRAL FIBER CORPORATION.

Central Fiber Corporation is located in Wellsville, Kansas, about forty miles southwest of Kansas City, Missouri. Central Fiber is a diversified manufacturer of various fiber products. Through its manufacturing processes, Central Fiber produces building materials and mulch and lawn and garden products. In addition, Central Fiber produces cellulose industrial fiber products which are used in numerous industrial processing applications. Certain of these industrial fibers are now being used where asbestos fibers were once used. The Company has plants in Wellsville and in North Canton, Ohio.

The business was founded by John Pollock in 1980. In 1986, our Company had 20 employees. Today we have eighty employees.

The primary raw materials used by Central Fiber in its manufacturing processes are certain recyclable, post-consumer wastepaper, most of which consists of old newspapers, magazines, and corrugated containers.

During 1991, Central Fiber processed 35,000 tons, or 70 million pounds, of wastepaper that would have otherwise been placed in landfills in east central Kansas. The majority of this was old newspapers. In 1992, we anticipate processing about 40,000 tons of wastepaper.

Central Fiber has an active research and development program to find new uses for cellulose fibers and other recyclable materials and to further refine our existing

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products.

Central Fiber has three, separate production lines at its Wellsville Plant. The products manufactured on these lines are composed of at least 70% postconsumer wastepaper.

II. THE PROPOSED LEGISLATION.

The purpose of House Bill No. 2938 is to provide a credit against the income tax liability of a taxpayer for purchases of qualified equipment used in connection with the manufacture of products composed of postconsumer waste. As can be seen from the description of Central Fiber above, we are a manufacturer who could benefit if this Bill should become law.

III. FINANCING OF SMALL BUSINESSES.

A. General.

For small businesses in the manufacturing sector who are experiencing growth in sales volume, the need for financing is always paramount. The expenses of aggressive product development and marketing programs and the capital needed to add plant and equipment require financing, usually at a commercial bank. Few small businesses are able to borrow at the prime rate of interest, and it is very common for the interest rate to be from two to four percentage points above prime. Venture capital financing is sometimes available, but it is generally very expensive for a small business.

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B. State Income Tax Credits

One very important method to help in financing the cost of equipment for a small business is the use of a tax credit. This approach has been used quiet successfully at times as part of the federal income tax system. By allowing such a tax credit as proposed in this Bill, Central Fiber would use the cash flow from the reduced income tax payable to help in the purchase and financing of equipment to be used in the manufacture of products from postconsumer wastepaper.

Not only will such a tax credit enable Central Fiber to expand its production capacity, but it will also cause the creation of more jobs in order to handle the increased volume of production. With the economy in a state of recession, job creation is most important to the State of Kansas.

C. A Specific Example.

One of Central Fiber's three core businesses is the production of cellulose insulation products using postconsumer wastepaper as the principal raw material. Our primary competition is fiberglass insulation, which has no recycled content. The fiberglass insulation industry is dominated by large, publicly-owned companies that are extremely well financed, with ready access to the financial markets, both debt and equity. They engage in broad-based product development programs, and they spend millions of dollars annually on media advertising, including extensive network television campaigns. The cellulose insulation industry, on the other

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hand, consists of a multitude of small businesses, and the combined group does not spend nearly as much for product development, marketing, and sales as the single largest manufacturer of fiberglass insulation. Thus, any financial assistance, such as an income tax credit, is most helpful.

IV. CONCLUSION

We believe House Bill No. 2938 is most important, and we strongly support it. I am most appreciative for the opportunity to appear before this Committee and to present our views on this proposed legislation.

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Kansas Natural Resource Council

Testimony by the Kansas Natural Resource Council

To: House Taxation Committee

From: Shaun McGrath
Executive Director

Re: HB2938 Tax credits for recycling machinery

Date: February 27, 1992

The Kansas Natural Resource Council is a private, non-profit organization devoted to the advocacy of sustainable energy and natural resource policies for the state of Kansas. Our statewide membership is 850.

KNRC strongly supports HB2938. As a member of the State Commission on Waste Reduction, Recycling and Market Development, and in reviewing the notes of my predecessor who served on KDHE's Solid Waste Advisory Task Force, it became clear that there is a great need for market development incentives to promote recycling. Collection of recycled material is only the first step in recycling. To close the so-called 'loop', that material must be reused or reconstituted into another product and purchased by consumers. But until the manufacturing processes and end products can compete on a cost effective basis, recycling will remain a problem of "all stacked up, and no place to go."

HB2938 gives manufacturers in Kansas the incentive to purchase the recycling equipment, and encourages a more even playing field in competing against conventional production. At least 17 states already use some form of tax incentives. Maine, for example, gives a tax credit for 30 percent of the purchase price of recycling equipment. The Office of Waste Reduction and Recycling in the Maine Waste Management Agency determines whether the recycling equipment meets the eligibility criteria and provides the state's Bureau of Taxation with certification. California gives tax credits of up to 40% for machinery or equipment used to manufacture products made of recycled materials. Credit is capped at $250,000 for each piece of equipment. And Oregon has developed tax credit programs to promote recycling. The largest credit - 50% - is available for the recycling equipment to make plastic products. Tax credits for the purchase of any other equipment solely or principally used for a recycling activity are worth 35% of the cost of the equipment.

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The biggest stumbling block that this bill will probably face is its fiscal note. But when considering the cost, it is appropriate to think of it as an investment. An investment in jobs. Jim Quigley of the Center for the Biology of Natural Systems has surveyed various recycling operations to determine how much material it takes, per year, to create one job. Assessing programs in several states, he found that recycling programs vary widely in their labor intensity, but generate on average one job for ever 465 tons of materials handled annually. Put differently, for each million ton of waste, approximately 2,000 jobs are created. Thus under current conditions - with 13% of the 180 million tons of US municipal solid waste recycled in 1988 - more than 50,000 people may be employed. Recycling creates far more jobs than do either landfills or incinerators. For each 1 million tons of materials processed, recycling facilities in Vermont, for example, generate 550-2,000 jobs, depending on the kind and size of the facility. But for incinerators, the range is 150-1,100, and for landfills, 50-360 jobs.

A few years ago, I was the Trade Manager for the Kansas Department of Commerce's European Office. I remember reading an article while in Germany that 70% of the new environmental technologies were coming out of Germany. I believe it is imperative for the US to begin investing in technologies that will allow us to compete in the world market, and clearly, investing in recycling technology is investing in a market which will be around for a long while.

KNRC commends Representative Adam and the co-sponsors of HB2938 for introducing this bill, and we urge this committee to pass it favorably.

Kansas Audubon Council

February 27, 1992
Testimony on HB 2938 before the
House Taxation Committee

My name is Joyce Wolf and I am the legislative liaison for the Kansas Audubon Council (KAC). The Council is comprised of National Audubon Society members who reside in areas served by the ten chapters (Kansas City, Leavenworth, Lawrence, Topeka, Manhattan, Salina, Hutchinson, Emporia, Wichita, and Southeast Kansas) as well as others who live in areas not served by these chapters. Audubon members share a desire to promote a sustainable society through the conservation, protection, and wise use of the earth's natural resources.

The Kansas Audubon Council supports HB 2938 which helps provide market development for recyclables through tax incentives to businesses. The familiar 3-arrow symbol which designates that an item is either recyclable or made from recycled materials was designed to illustrate the three phases of recycling: 1) accumulation and collection of postconsumer materials that are 2) processed and manufactured into products which are then 3) purchased by individual consumers, businesses or governmental units.

Having served on the State Commission on Waste Reduction, Recycling and Market Development, I have become keenly aware of the overwhelming interest that most Kansans have in participating in recycling. Not only are individuals enthusiastic about diverting recyclables from the waste stream, many manufacturers realize that consumer demand for products made from recycled materials will continue to increase. Those perceptions, coupled with the fact that more and more communities are promoting curbside recycling and other waste reduction strategies, make the concept of HB 2938 a timely and appropriate step for state government to take to foster these efforts.

An article from the August 1991 issue of "Governing" made the following observation:

> The effort to balance supply and demand, to match materials and markets, has fostered an unexpected partnership between government and industry. Governments find themselves locating, creating and nurturing markets for the recyclables they collect. Business is under pressure to provide those markets, to close the loop of production, use, reprocessing and reuse. If they succeed, recycling will become a permanent part of the solution to our solid waste problem.

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Eighteen states have already passed some sort of tax incentive to encourage recycling (CA, FL, IL, IN, IA, KY, LA, ME, MT, NJ, NC, OK, OR, RI, TX, UT, VA, WI). Only 10 states use no tool to promote recycling; the other states use a variety of other mechanisms including: rebates, grants and loans, enterprise zones etc.

EPA's subtitle D regulations on municipal solid waste and landfills provide considerable pressure for Kansas to have an approved plan for how it will manage its municipal solid wastes and permit and regulate its landfills. Clearly, landfill permitting, operating and monitoring costs under these new federal regulations will increase dramatically. Those increased costs of landfilling will also provide addition economic incentives to divert materials from the waste stream. KDHE has estimated that approximately 2 to 2.5 million tons of trash are generated annually in Kansas. Landfill closures and increased tonnage fees will promote waste stream reduction; however, merely accumulating materials is not recycling. Kansas will need to develop the markets to absorb these recyclables and HB 2938 will help accomplish that goal.

The Kansas Audubon Council urges this committee to vote for HB 2938. I appreciate this opportunity to share our views with the committee and I would be glad to try to answer your questions.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV 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

HB 2938

February 27, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Taxation

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Madam Chairperson and members of the Committee:

I am Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to appear today in support of HB 2938.

> The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.
>
> KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.
>
> The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

It is the policy of the Kansas Chamber to support efforts of business, industry and government to assist in providing workable solutions to the problems of solid waste

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control and disposal. Further, KCCI supports initiatives to encourage industry to seek alternatives to ground disposal when the alternatives are cost effective, including the providing of tax incentives to encourage industry to convert to alternative technologies. By providing business with a tax incentive which could make a recycling endeavor more cost effective, HB 2938 is an excellent example of government/industry cooperation which should benefit all Kansans.

Last fall, KCCI surveyed its members about their efforts to reduce waste and recycle. The responses we received showed the business community is developing innovative approaches to reducing and reusing the waste they produce.

* A manufacturer reduced its waste by 90% by sending fabric scraps from their manufacturing process to a Nebraska firm, rather than a landfill. The Nebraska company used the scrap material in the production of pillows and stuffed toys.

* A Kansas utility has begun shredding tree trimmings they collect when working on utility lines for use as wood chips for landscaping. In addition, the utility has begun a pilot project of reusing wood pallets as compost bins.

* A plastics manufacturer has reduced in-house scrap by 90% by reprocessing the material into plastic products, like lawn furniture and trash bags.

* A cement company reports they have replaced 15% to 30% of the solid fuel used in their production process by initiating an energy recovery program with waste tires.

* A major manufacturer has programs in place to recycle and reuse thousands of gallons of hydraulic oil, lube oil and solvents.

Still, the same survey also produced several examples where deterrents existed which kept recycling initiatives from occurring. Several survey respondents indicated cardboard recycling efforts stalled when the market value for recycled cardboard dropped. A plastics manufacturer has been unable to initiate using recycled polyethylene and polypropylene in his manufacturing process because of economic and volume concerns. Others indicated concerns over transportation expense, insurance needs, and market availability stifled potential recycling and reuse operations. Passage of HB 2938 could reverse this trend. By making it more attractive to purchase equipment needed to produce a product utilizing post-consumer waste would increase the need for a recyclable material, which would stimulate existing collection efforts.

Through their own initiative, many Kansas businesses have joined the "green movement" to reduce the waste they produce and recycle where they can. Sometimes these initiatives save dollars by reducing waste hauling costs. Typically, the programs are carried out in the hopes the business will break even on costs. All too often, a recycling and reuse project is scrapped because it will cost too much. Passage of HB 2938 could help tip that scale in many cases to make an initiative economically viable.

Thank you for the opportunity to explain why the Kansas Chamber supports passage of HB 2938. I would be happy to attempt to answer any questions.

2-26-92

To The Honerable Women and Men of the Kansas Legislature,

It has come to my attention that House Bill 2938 is due for a vote.

I am very much in favor of any encouragement to our state to recycle.

I thank you very much for any support you could give this Bill.

T.L. Plumlee
4764 Skyline Dr.
Roeland Park Ks. 66205

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MEMORANDUM

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: February 25, 1992

FROM: Kansas Department of Revenue

RE: House Bill 2938
as Introduced
REVISED: to Include
Legal Impact

BRIEF OF BILL:

House Bill 2938 as Introduced is an independent act that creates a credit against income tax liability of 20% of the cost of purchase or lease of qualified equipment to manufacture products that contain at lease 25% postconsumer waste. To qualify: the total capacity of the equipment must be greater on the last day of the tax year claimed than it was on the last day of the "base year," (defined as the year preceding the tax year); at least 90% of the total production capacity of the equipment must be used; and the equipment must have a least an estimated three-year useful life.. If the credit exceeds the liability, the balance can be carried forward as a deduction from liability for successive years, through the seventh tax year succeeding the tax year of the claim.

The bill provides that if qualified equipment is disposed of or ceases to be qualified within three years of the year for which credit is allowed, the taxpayer will refund: 100% of the credit the first year; 67% the second year; and 33% the third year.

The Department will prepare a report on the effectiveness of the tax credit, to be submitted to the Legislature no later than January 1, 1997. The report will include:

1. number of taxpayers allowed credit and dollar amount of allowable credits
2. volume of postconsumer waste utilized by equipment for which the credit was allowed and the percent that the volume of waste constitutes of the total volume of materials used in the manufacture of products
3. number of new employees resulting from the use of qualified equipment
4. amount of property tax revenues attributable to qualified equipment
5. types and quantity of products produced from qualified equipment

Taxpayers receiving the credit must make available, upon request by the Department, the information necessary to prepare the mandated report.

Definitions are provided, including: (1) base year; (2) capacity; (3) collection; (4) cost; (5) energy conservation; (6) postconsumer waste; (7) product; (8) purchase; and (9) qualified equipment.

The bill is effective for tax years beginning after December 31, 1991 but prior to January 1, 1996, and publication in the statute book.

FISCAL IMPACT:

The effect on the State General Fund for Fiscal Year 1993 is indeterminable, but should not exceed $100,000 per year. The number of taxpayers who would purchase qualifying equipment after January 1, 1991 and the cost of such equipment is not known.

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ADMINISTRATIVE IMPACT:

The annual cost is estimated for six months at $12,954 and the one-time expense is estimated at $6,367 for a total of $19,321 in Fiscal Year 1993. The annual expense is estimated at $25,908 for Fiscal Year 1994. The credit is effective beginning with tax year 1992, which is filed in Fiscal Year 1993. A detailed cost sheet is attached.

For cost purposes, it is assumed that the credit would be entered on the back of the form and not entered onto the mainframe computer. Otherwise, costs would be incurred by the Bureau of Information Services. Forms and instructions must be designed and a space must be made available on the income tax form to claim the credit, at an estimated cost of $100 which could be absorbed. The Business Tax Bureau would need one Tax Examiner III position to handle the phone calls, examinations, letters, reports to the legislature, etc. related to this credit. This position would need a terminal, telephone and personal computer for the research and reporting of this credit.

ADMINISTRATIVE PROBLEMS AND COMMENTS:

Audit of this tax credit would need to be close and could be difficult. Rules would need to be established, because the bill requires reporting on various facets relating to the credit.

LEGAL IMPACT:

Because this is a complex bill, the principal legal ramification will be the additional administrative proceedings needed to determine eligibility for the credit.

APPROVED BY:

Mark Beshears

Mark Beshears
Secretary of Revenue

Kansas Department of Revenue

House Bill 2938

Annual Expenses

		FY 1993	FY 1994
A. Operating Expenses			
1 Salaries and Wages: 6 months, FY 1993			
(1) Tax Examiner III, R-18, Business Tax	$25,536	$12,768	$25,536
Total Salaries and Wages		$12,768	$25,536
Total Operating Expenses		$12,768	$25,536
B. Other Operating Expenses			
1 Contractual Services: 6 months, Fy 1993			
Telephone Line	$31.00 month	$186	$372
Total Other Operatibg Expenses		$186	$372
Total Annual Expenses		$12,954	$25,908

One-Time Expenses

		FY 1993	FY 1994
B. Other Operating Expenses			
1 Contractual Services			
Telephone Set: Single Line	$28 each	$28	
Telephone Installation	$168 each	$168	
Electrical Outlet	$78 each	$78	
(2) Electrical Outlet, dedicated	$87 each	$174	
Computer Cable Installation	$275	$275	
Teminal Cable	$125	$125	
Total Contractual Services		$848	$0
2 Capital Outlay			
Microcomputer (CPU, keyboard, software)	$3,261 each	$3,261	
Terminal, Telex	$1,020 each	$1,020	
Workstation, Herman Miller	$1,000 each	$1,000	
Chair, Steno, ergonomic	$150 each	$150	
Calculator, 12 column	$88 each	$88	
Total Capital Outlay		$5,519	$0
Total Other Operating Expenses		$6,367	$0
Total One-Time Expenses		$6,367	$0
Total Annual and One-Time Expenses	Business Tax	$19,321	$25,908

Session of 1992

HOUSE BILL No. 2738

By Representative Wagnon

1-22

AN ACT relating to property taxation; concerning accessibility to contents of real estate sales validation questionnaires; amending K.S.A. 1991 Supp. 79-1437f and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1991 Supp. 79-1437f is hereby amended to read as follows: 79-1437f. The contents of the real estate sales validation questionnaire shall be made available ~~to the county clerk for~~ the purpose of preparing the report to the director of property valuation as provided for in K.S.A. 79-1436 and amendments thereto, any property owner who has ~~appealed and~~ *property the appraised value of which was determined upon the basis of comparison with property similar thereto* for the ~~sole purpose~~ *purposes* of prosecuting ~~such~~ *an* appeal of the valuation of *such* property pursuant to K.S.A. 79-1448, 79-1606, 79-1609, and 79-2005, and amendments thereto, or ~~such owner's representative as evidenced by such owner's affidavit, and~~ *determining whether to make such an appeal, but* only to the extent of the contents of those certificates concerning the same constitutionally prescribed subclass of property as that of ~~the~~ *such owner's comparable* property ~~being appealed~~, the county appraiser and appraisers employed by the county for appraisal of property located within the county, appraisers licensed or certified pursuant to K.S.A. 58-4101 *et seq.*, and amendments thereto, and the board of county commissioners, but such contents shall not be otherwise disclosed by any party having access to anyone other than the director of property valuation, the county appraiser or the appraiser's designee, hearing officers or panels appointed pursuant to K.S.A. 79-1602, and amendments thereto, or to the board of tax appeals or county board of equalization in the event of proceedings before such boards, except that appraisers licensed or certified pursuant to K.S.A. 58-4101 *et seq.*, and amendments thereto, may ~~consider and include such contents in an appraisal report~~.

Sec. 2. K.S.A. 1991 Supp. 79-1437f is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas register.

only to the following people for the purposes listed hereafter:

(a) The county clerk for preparing the report to the director of property valuation as provided for in K.S.A. 79-1436, and amendments thereto;

(b) any property owner, or the owner's agent, for prosecuting an appeal of the valuation of such owner's property or for determining whether to make such an appeal, but access shall be limited to the contents of those questionnaires concerning the same constitutionally prescribed subclass of property as that of such owner's property;

(c) the county appraiser and appraisers employed by the county for the appraisal of property located within the county;

(d) appraisers licensed or certified pursuant to K.S.A. 58-4101 et seq., and amendments thereto, for appraisal of property and preparation of appraisal reports;

(e) financial institutions for conducting appraisals as required by federal and state regulators;

(f) the county appraiser or the appraiser's designee, hearing officers or panels appointed pursuant to K.S.A. 79-1602, and amendments thereto, the state board of tax appeals and county board of equalization for conducting valuation appeal proceedings; and

(g) the director of property valuation for conducting any of the director's statutorily prescribed duties.

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