

Approved: 1-27-99
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on January 25, 1999, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Dan Hermes, Office of the Governor
Bernie Koch, Wichita Area Chamber of Commerce
Natalie Bright, Kansas Chamber of Commerce & Industry
Kirk Putman, Hill's Pet Nutrition, Inc.
Jeff Berke, CJS Industries
Hal Hudson, National Federation of Independent Business

Others attending: See attached list.

Senator Langworthy called attention to two handouts regarding retail wheeling furnished by Matthew Brown, National Conference of State Legislatures, who testified on retail wheeling issues on January 19. (Attachments 1 and 2).

The minutes of January 20, 1999, were approved.

SB 44—Income taxation; concerning credit for property tax paid upon certain commercial and industrial machinery and equipment.

Dan Hermes, Director of Governmental Affairs, Office of the Governor, testified in support of **SB 44**. The Governor recommends an increase from 15 to 20 percent in the refundable income tax credit businesses receive for property taxes paid on machinery and equipment. The recommendation continues progress toward eliminating Kansas' competitive disadvantage with surrounding states. Mr. Hermes also updated the Committee on the fiscal impact of the proposal. (Attachment 3)

Bernie Koch, Wichita Area Chamber of Commerce, testified in support of **SB 44**, stating that it would benefit the Wichita area in particular as it has a strong manufacturing community; however, the credit will help all businesses that pay business personal property tax. Mr. Koch discussed statistics attached to his written testimony regarding the percent of Sedgwick County property tax base composed of commercial and industrial property, pointing out that from 1992 to 1998 there has been a gradual shift of the property tax load to business. In his opinion, the proposed increase from 15 to 20 percent tax credit will slow the shift to business. (Attachment 4)

Natalie Bright, Kansas Chamber of Commerce and Industry, followed with further testimony in support of **SB 44** as a means to improve the Kansas business climate. She noted that property tax on business machinery and equipment continues to be singled out as the most burdensome tax on Kansas businesses. She emphasized the importance of tax relief for business machinery and equipment to the economic development of the state. (Attachment 5)

Kirk Putman, Hill's Pet Nutrition, Inc., urged the Committee to support **SB 44**. He informed the Committee that Hill's regularly evaluates where to focus its expansion efforts, and one of the critical factors is the tax structure of the states in which they have plants. In his opinion, the bill represents a positive step in the on going effort to create a more equitable tax structure in Kansas which will facilitate the expansion of the business base in Kansas. (Attachment 6)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE, Room 519-S Statehouse,
at 11:10 a.m. on January 25, 1999.

Jeff Berke, CJS Industries of Topeka, testified in support of **SB 44**, noting that reducing the tax burden is one way the state can help his company continue to grow. His company has been in business for five years with twenty employees. The 15 percent income tax credit the 1998 Legislature approved resulted in a savings of approximately \$3,600 for his company. Increasing the credit to 20 percent could mean an estimated savings of \$6,900 for the following year. The savings in tax dollars would enable his company to compete better in the regional market. (Attachment 7)

Hal Hudson, National Federation of Independent Business, gave final testimony in support of **SB 44**. He stated that the bill provides an opportunity to reduce the overall tax burden on Kansas' businesses without impacting local tax revenue receipts. Furthermore, providing a refundable income tax credit based on the property tax paid on machinery and equipment will help many small, growing businesses stay in business. In conclusion, Mr. Hudson suggested that the proposal could be improved by indexing the credit by five percent a year until it equals fifty percent of the property tax paid by Kansas businesses on machinery and equipment. (Attachment 8)

Frances Kastner, representing the Kansas Food Dealers Association, stood in support of **SB 44** and called the Committee's attention to her written testimony previously distributed. (Attachment 9)

Others submitting written testimony in support of **SB 44** are as follows: Jack Paradise of Jayhawk Plastics, Inc. (Attachment 10); Bob Vancrum, representing the Greater Kansas City Chamber of Commerce (Attachment 11); Christy Caldwell, representing the Greater Topeka Chamber of Commerce (Attachment 12); and G. Eugene Troehler, representing the Overland Park Chamber of Commerce (Attachment 13).

There being no others wishing to testify, the hearing on **SB 44** was closed.

The meeting was adjourned at 11:35 p.m.

The next meeting is scheduled for January 26.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: January 25, 1999

| NAME | REPRESENTING |
|------------------|--------------------------------|
| George Welch | Barbee + Associates |
| S. Sicilian | Ks. dept. Revenue |
| Gheila Walker | " |
| BUD GRANT | KCCU |
| Natalie Budget | KCCU |
| Jacene Clark | Hallmark Cards |
| MARK BECK | KDOR |
| SCOTT SUMNER | McGill, Granger & Assoc. |
| Greg Tugman | DOB |
| Hal Hudson | NFIB/Kansas |
| Martha Ann Smith | KCMHA |
| Bernie Koch | Wichita Chamber |
| John Zelenick | Boeing |
| Ashley Sherard | Overland Park Chamber |
| Kara Heston | Johnson County |
| EDWARD ROWE | LEAGUE OF WOMAN VOTERS/KS |
| MARK BURGHAULT | WESTERN ASSN. |
| Lucky DeVries | Goffman DeVries & Northern PA. |
| LEE EISENHAUER | Propane Marketers Assn. of KS |

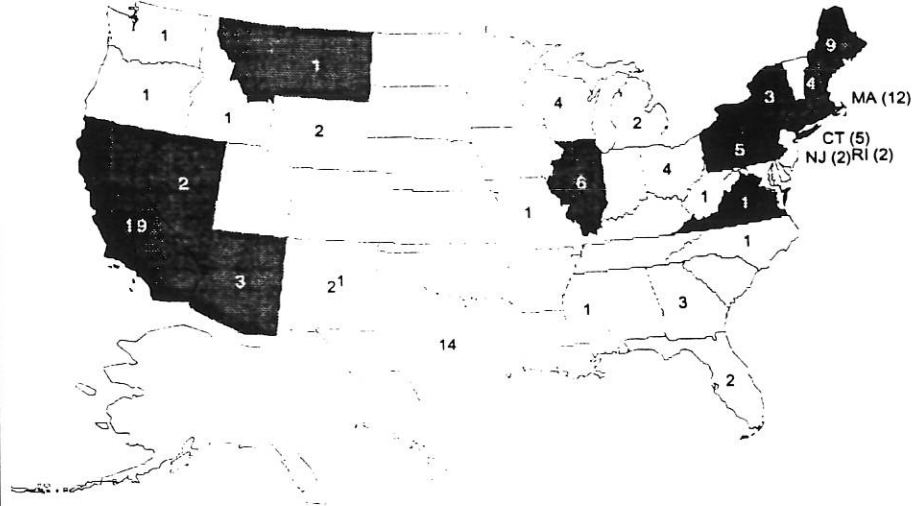
Merchant Plant Boom in Restructuring States and Elsewhere . . .

Competition among electric generating plants is a primary driver for lowering prices in state efforts to restructure the industry from vertical monopolies. If a state restructures the industry, will the new competitive or "merchant plants" be built? The answer appears to be "yes" in the states that began restructuring as well as a number of other states.

The plant list by state shown below as of Dec. 10 is from the Electric Power Supply Assn. (EPSA) based on information from its members and trade press articles. The EPSA is the national trade assn. representing competitive power suppliers active in U.S. and global power markets. EPSA is on the web at: <<http://www.epsa.org>>.

The 30 states on the map below show announcements of 114 merchant plants totalling 68,488 MW. Most or 72 plants are in 12 of the 14 (shaded) states that began electric industry restructuring during 1996 through 1998.

Across the northern US border, however, the lack of new generating plants in Alberta, Canada which also began electric industry restructuring in 1995 is recently causing concern, however (see Canada article on p. 11).



| Parent Company | MW | City | NERC Region |
|--|------|------------------|-------------|
| Arizona** - 1650 MW | | | |
| Calpine Corporation | 500 | Mojave County | WSCC |
| Houston Industries | 500 | Casa Grande | WSCC |
| PP&L Global | 650 | Kingman | WSCC |
| California** - 12230 MW | | | |
| AES Corporation* | 563 | Huntington Beach | WSCC |
| AES Corporation* | 2083 | Long Beach | WSCC |
| AES Corporation* | 1310 | Redondo Beach | WSCC |
| Bock Energy | 113 | Livingston | WSCC |
| Calpine Corporation | 480 | Yuba City | WSCC |
| Calpine Corporation, Bechtel Enterprises | 600 | Pittsburg | WSCC |
| Constellation Power Development, Inland Energy | 700 | Victorville | WSCC |
| Dynegy Power* | 1020 | EL Segundo | WSCC |
| Dynegy Power, NRG* | 530 | Long Beach | WSCC |
| Enron Capital & Trade | 500 | Pittsburg | WSCC |
| Houston Industries* | 628 | Cool Water | WSCC |
| Houston Industries* | 48 | Ellwood | WSCC |
| Houston Industries* | 1030 | Etiwanda | WSCC |
| Houston Industries* | 570 | Mandalay | WSCC |
| Nations Energy | 177 | Belridge | WSCC |
| Sunlaw Cogeneration | 550 | Vernon | WSCC |
| Thermo Ecotek* | 154 | Highgrove | WSCC |
| Thermo Ecotek* | 126 | San Bernadino | WSCC |
| U.S. Generating Company | 1048 | La Paloma | WSCC |
| Colorado - 80 MW | | | |
| Citizens Power | 80 | Rifle | WSCC |
| Connecticut** - 3384 MW | | | |
| Duke Energy Power Services, United Illuminati | 520 | Brigeport | NPCC |
| Power Development Co. | 1000 | | NPCC |
| Power Development Co., El Paso | 544 | Milford | NPCC |
| PP&L, Stone & Webster Development | 500 | Wallingford | NPCC |
| U.S. Generating Company | 820 | Killingly | NPCC |

*Senate Assessment & Taxation
1-25-99
Attachment 1*

| Parent Company | MW | City | NERC Region |
|---|------|------------------------|-------------|
| Florida - 1350 MW | | | |
| Constellation Power Development | 850 | Brevard County | FRCC |
| Duke Energy Power Services | 500 | New Smyrna Beach | FRCC |
| Georgia - 1265 MW | | | |
| Dynergy Inc. | 500 | Jacksonville | SERC |
| Sonat Energy Services | 680 | Columbus | SERC |
| World Energy Systems | 85 | Dalton-Calhoun area | SERC |
| Idaho - 260 MW | | | |
| Cogentrix Energy | 260 | Crow Tribe Coal Reserv | WSCC |
| Illinois** - 3288 MW | | | |
| Dominion Energy* | 1108 | | MAIN |
| Dominion Energy, Peoples Energy | 600 | Elwood | MAIN |
| Dynergy Inc. | 236 | Chicago | MAIN |
| Houston Industries | 634 | Roxana | MAIN |
| Indeck Energy Services | 160 | McHenry County | MAIN |
| Polsky Energy Corp., Alliant Utilities | 550 | Northbrook | MAIN |
| Maine** - 2948 MW | | | |
| American National Power | 600 | Gorham | NPCC |
| Calpine Corporation, Energy Management, Inc | 265 | Rumford | NPCC |
| Duke Energy Power Services | 520 | Veazie | NPCC |
| Energy Mangement, Inc. | 350 | Harrison or Waterford | NPCC |
| FPL Group* | 500 | Wiscasset | NPCC |
| FPL Group* | 500 | Yarmouth | NPCC |
| Indeck Energy Services, Ridgewood Power | 24 | West Enfield | NPCC |
| Indeck Energy Services, Ridgewood Power | 24 | Jonesboro | NPCC |
| Polsky Energy Corp. | 165 | Jay | NPCC |
| Massachusetts** - 7812 MW | | | |
| American National Power | 550 | Bellingham | NPCC |
| American National Power | 550 | Blackstone | NPCC |
| American National Power | 150 | Milford | NPCC |
| Berkshire Power (Power Development and EI | 272 | Agawam | NPCC |
| Calpine Corporation, Energy Management, Inc | 170 | Dighton | NPCC |
| Indeck Energy Services | 38 | Pepperell | NPCC |
| Infrastructure Development Corp. | 700 | Bellingham | NPCC |
| Power Development Corp. | 272 | Westfield | NPCC |
| Sithe Energies | 1750 | Charlestown | NPCC |
| Sithe Energies, Inc | 1500 | West Medway | NPCC |
| Sithe Energies, Inc. | 1500 | Weymouth | NPCC |
| U.S. Generating Company | 360 | Charlton | ERCOT |
| Michigan - 1480 MW | | | |
| Nordic Electric | 480 | Wyandotte | ECAR |
| U.S. Generating Company | 1000 | Covert | ECAR |
| Mississippi - 800 MW | | | |
| LS Power | 800 | Batesville | SPP |
| Missouri - 250 MW | | | |
| Duke Energy Trading & Marketing, AECI | 250 | Dunklin County | MAIN |
| Montana** - 220 MW | | | |
| Cogentrix Energy | 220 | Rathdrum Power Project | WSCC |
| Nevada** - 536 MW | | | |
| Biogen Partners | 56 | | |
| Houston Industries, Sempra Energy | 480 | Boulder City | WSCC |
| New Hampshire** - 1410 MW | | | |
| AES Corporation | 700 | Londonderry | NPCC |
| Indeck Energy Services | 15 | Alexandria | NPCC |
| Sothern Company | 525 | Newington | NPCC |
| Tractabel Power, Sprague Energy | 170 | Newington | NPCC |
| New Jersey - 1900 MW | | | |
| U.S. Generating Company | 1100 | Linden | MACC |
| U.S. Generating Company | 800 | West Deptford | MACC |

| Parent Company | MW | City | NERC Region |
|---|------|-------------------|-------------|
| New Mexico - 291 MW | | | |
| Deming Power Partners | 217 | Deming | WSCC |
| Williams Field Services | 74 | Bloomfield | WSCC |
| New York** - 2530 MW | | | |
| Sithe Energies, Inc. | 700 | Ramapo | NPCC |
| Sithe Energies, Inc. | 750 | Scriba | NPCC |
| U.S. Generating Company | 1080 | Athens | NPCC |
| North Carolina - 800 MW | | | |
| Dynegy Power Corp. | 800 | Rockingham County | SERC |
| Ohio - 1340 MW | | | |
| Columbus Power Partners | 220 | Columbus | ECAR |
| Duke Energy Power Services | 640 | Middletown | ECAR |
| Ohio National Energy | 280 | Shadyside | ECAR |
| Trigen-Cinergy Solutions | 200 | | ECAR |
| Oregon - 240 MW | | | |
| PaciCorp | 240 | Klamath Falls | WSCC |
| Pennsylvania** - 2120 MW | | | |
| AES Corporation | 700 | South-Eastern | MAAC |
| Columbia Electric, Westcoast Power | 500 | Philadelphia | NPCC |
| Panda Energy International | 70 | Archibald | MAAC |
| PP&L Global | 600 | Martins Creek | MAAC |
| Williams Energy Group | 250 | Hazleton | MAAC |
| Rhode Island - 750 MW | | | |
| Calpine Corporation, Energy Management, Inc | 250 | Tiverton | NPCC |
| Houston Industries | 500 | Johnston | NPCC |
| Texas - 8805 MW | | | |
| American National Power | 1100 | Midothian | ERCOT |
| American National Power | 250 | | ERCOT |
| American National Power, U.S. Generating Co | 1000 | Edinburg | ERCOT |
| Calpine Corporation | 700 | Edinburg | ERCOT |
| Calpine Corporation | 750 | Pasadena | ERCOT |
| CSW Energy | 500 | Mission | ERCOT |
| CSW Energy | 330 | Old Ocean | ERCOT |
| CSW Energy | 78 | Wharton | ERCOT |
| Dynegy Power | 617 | Channel View | ERCOT |
| LG&E Energy, Columbia Electric | 500 | Corpus Christi | ERCOT |
| Occidental Energy Ventures, Conoco Global P | 440 | Ingleside | ERCOT |
| Panda Energy International | 740 | Marion | ERCOT |
| Panda Energy International | 1000 | Paris | ERCOT |
| PECO Power Team | 800 | Grimes County | ERCOT |
| Virginia** - 300 MW | | | |
| AES Corporation and Commonwealth Chesap | 300 | Accomack County | SERC |
| Washington - 710 MW | | | |
| National Energy Systems CO. | 710 | Sumas | WSCC |
| West Virginia - 276 MW | | | |
| AYP Energy | 276 | Ft. Martin | ECAR |
| Wisconsin - 983 MW | | | |
| Mid-Atlantic Power, LLC | 53 | Cassville | MAPP |
| Polsky Energy Corp. | 255 | DePere | MAPP |
| PolskyEnergy Corp. | 375 | | MAPP |
| Southern Energy | 300 | Neehan | MAPP |
| Wyoming - 480 MW | | | |
| North American Power Co. | 240 | Two Elk | WSCC |
| Zeiger Coal Holding | 240 | Wright | WSCC |

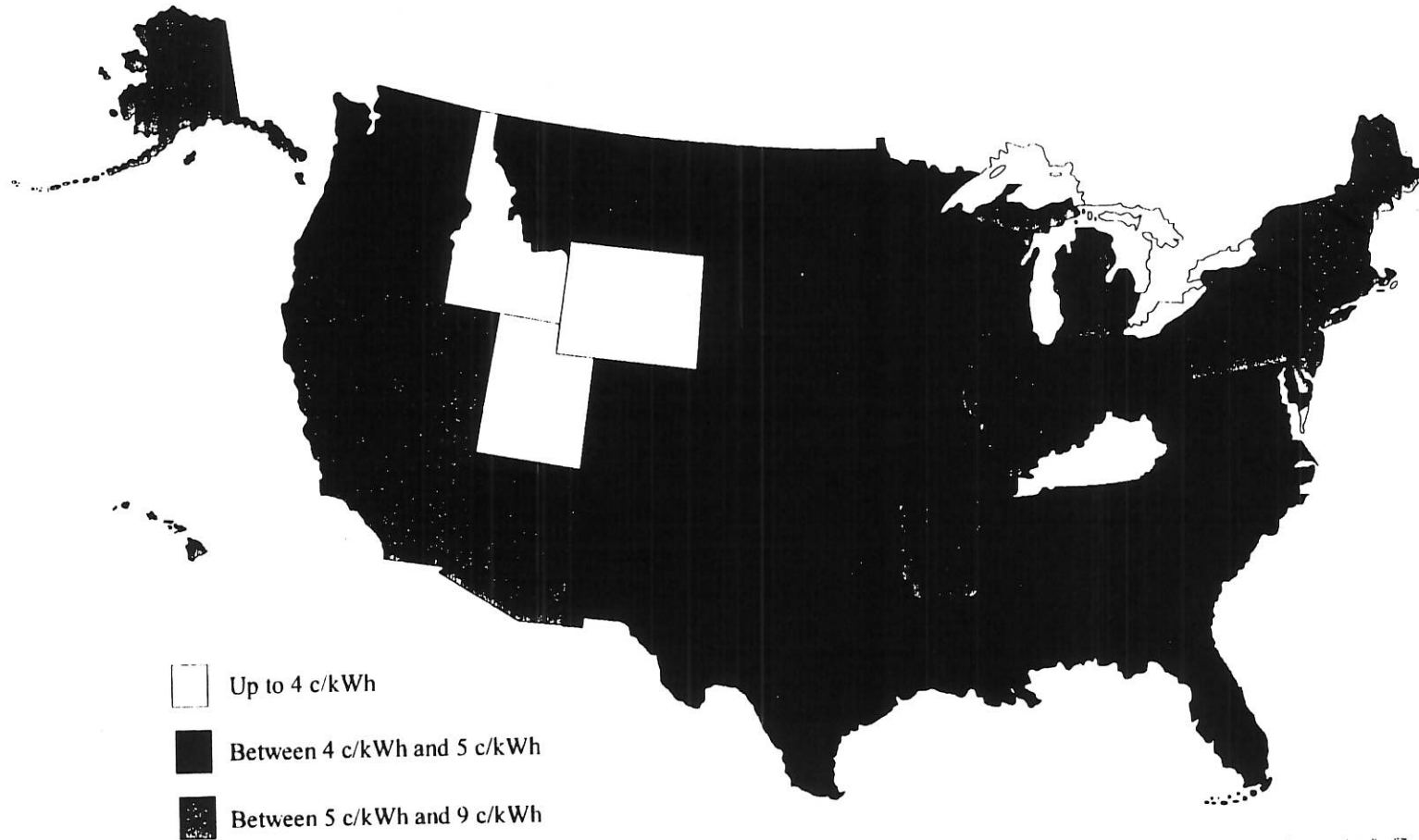
60,488 TOTAL MW

* Plants acquired through utility divestiture expected to become merchant capacity

** States implementing electric industry restructuring by law and/or regulation

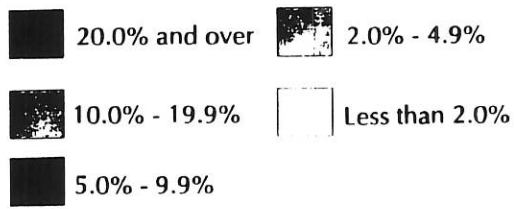
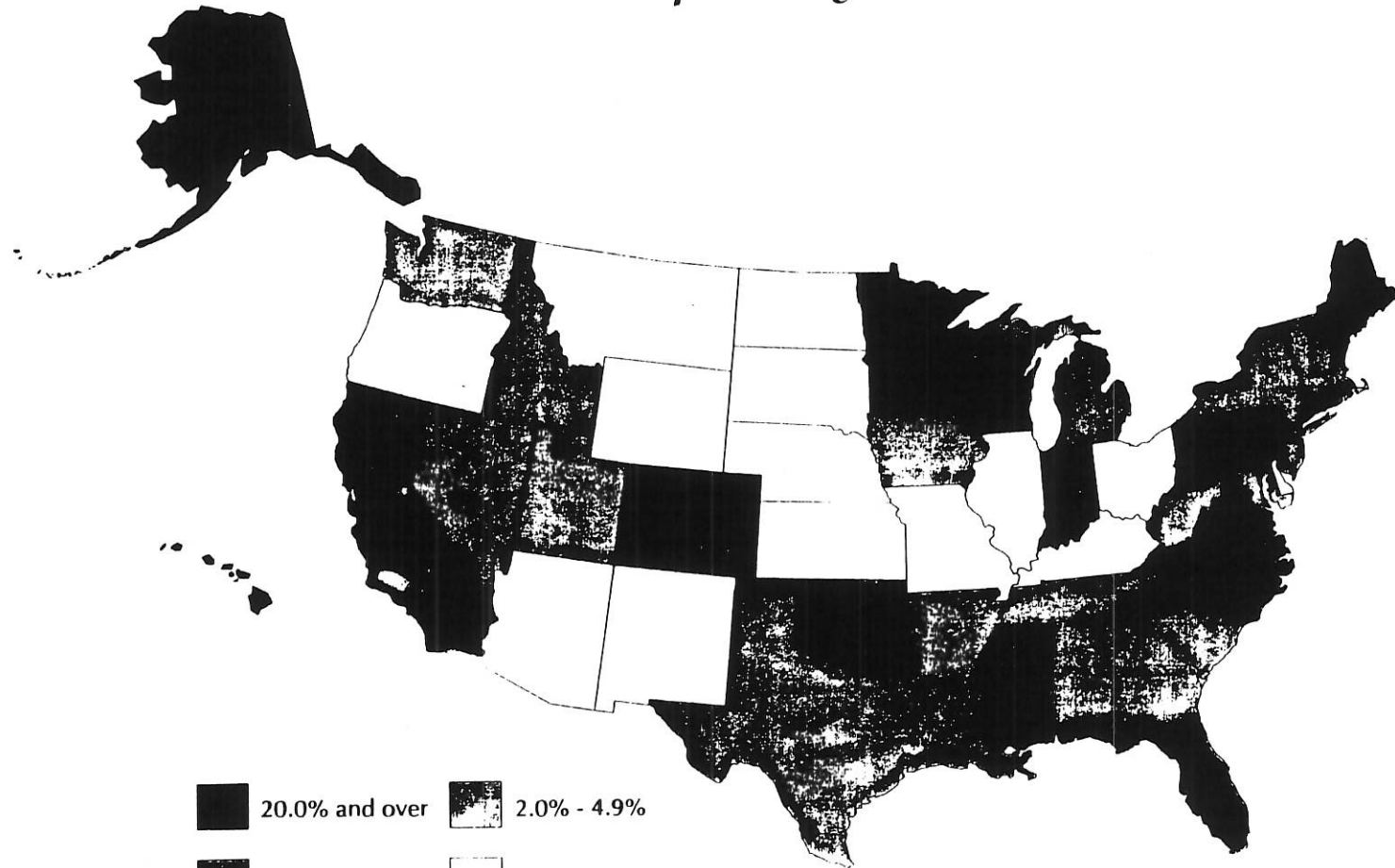


U.S. Industrial Power Prices

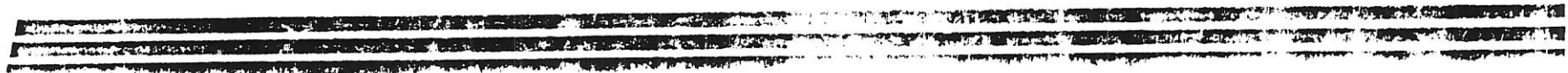


Senate Assessment & Taxation
1-25-99
Attachment 2

Non-Utility Capacity by State as a Percent of Each State's Total Capacity - December 31, 1994

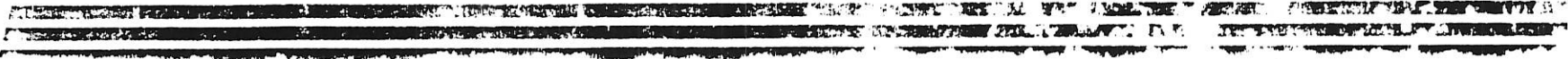
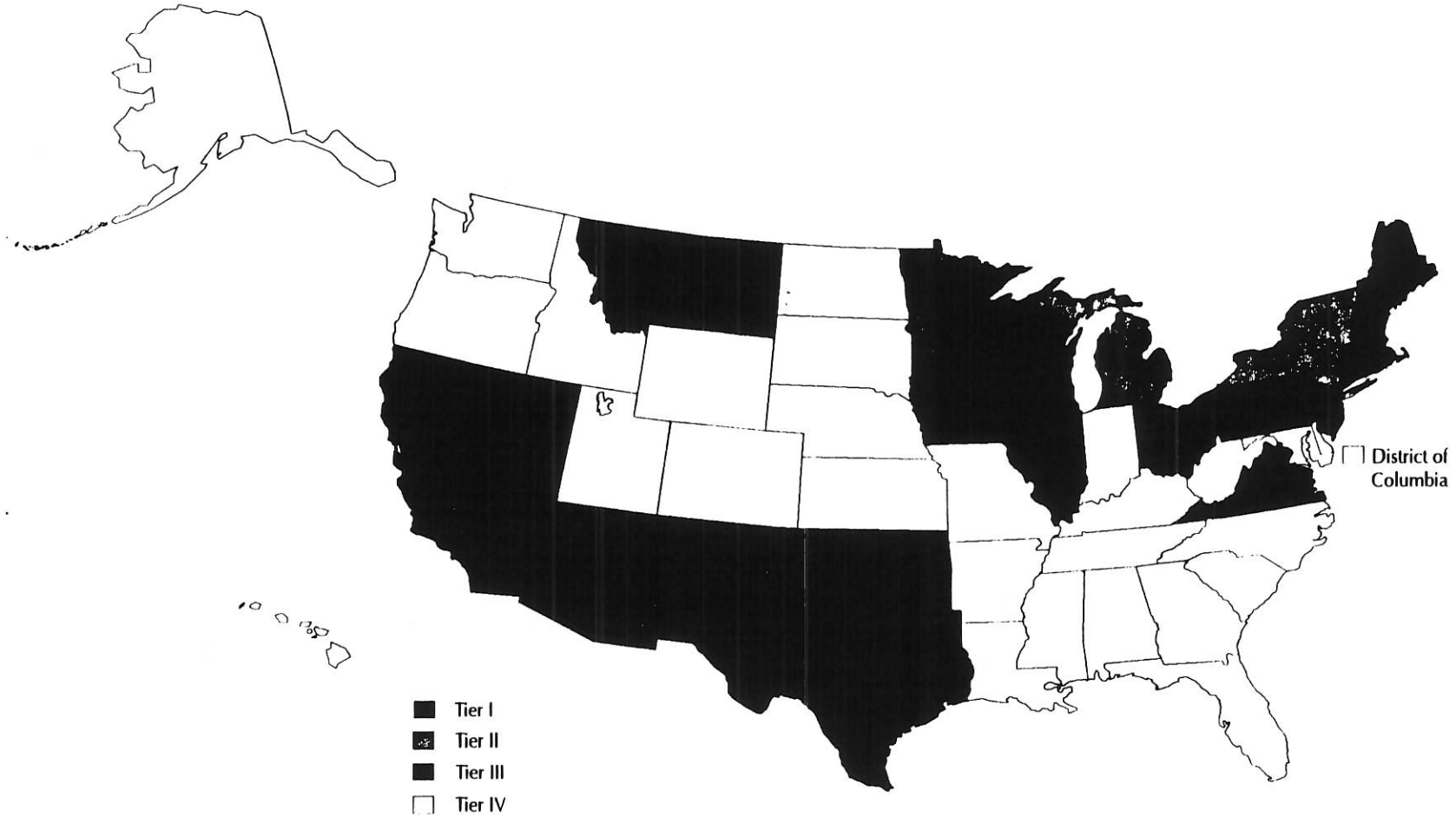


United States Average = 8.0%



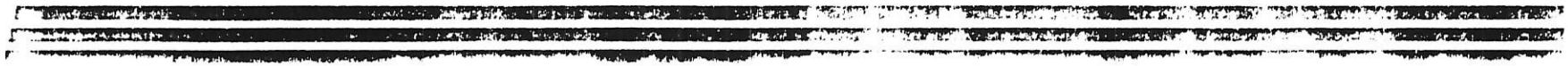
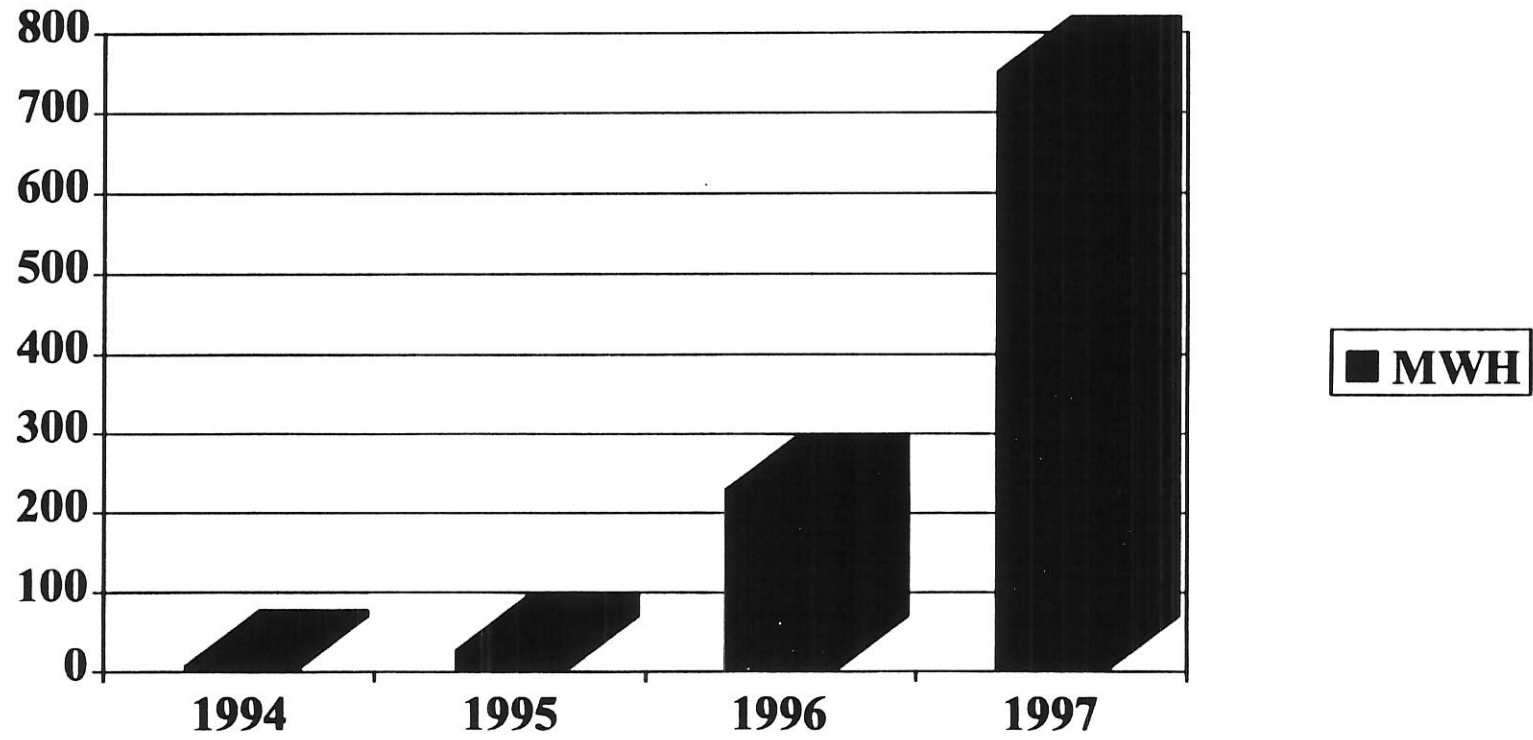


Update on Restructuring Activity

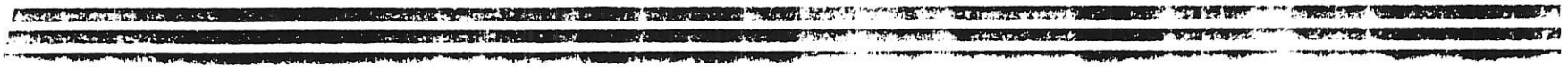
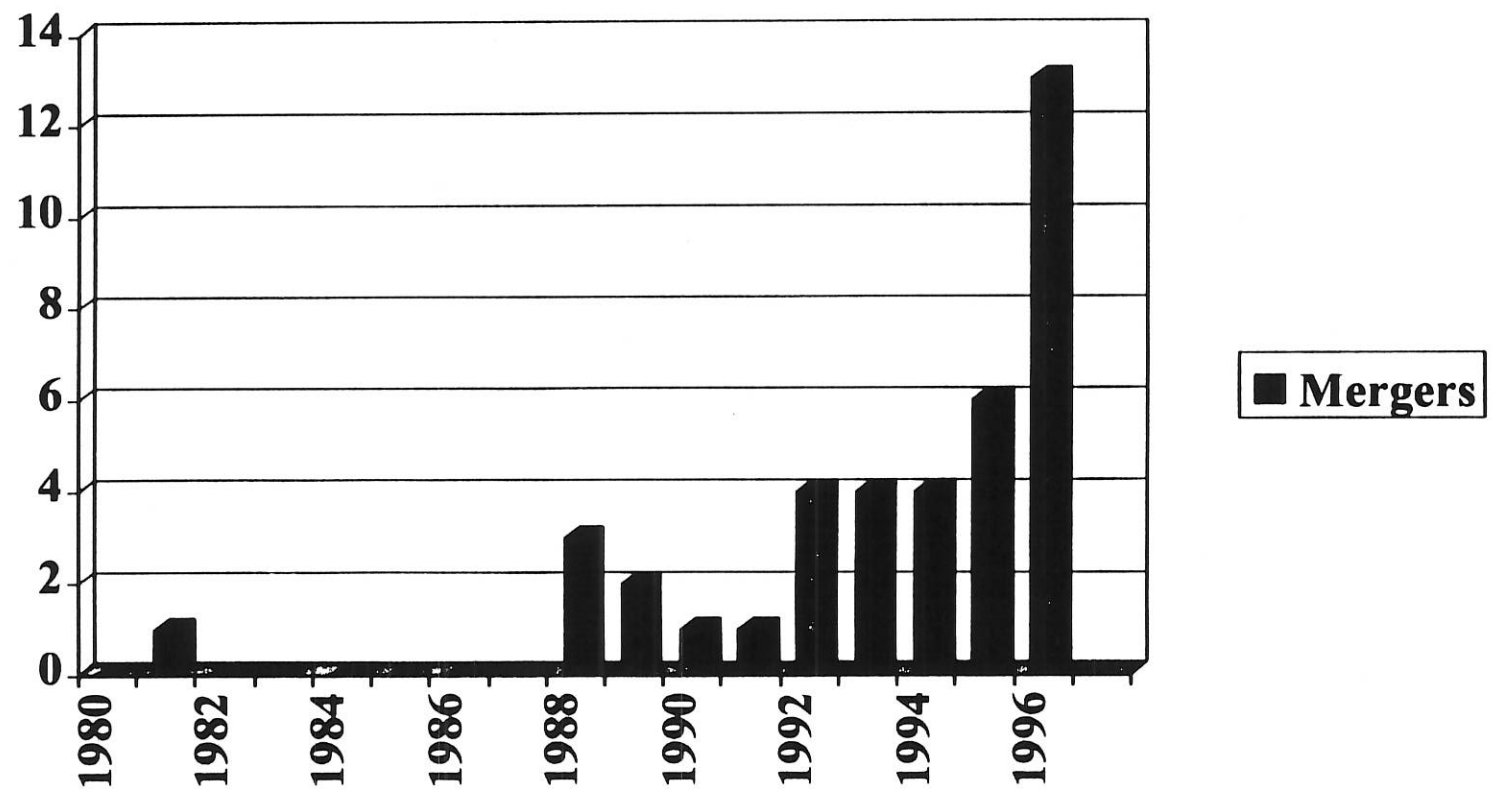


Power Marketer Sales

(In thousands)



Proposed and Completed Electric Utility Mergers



United Kingdom Electric Buyouts



1. NORWES PLC
Buyer: North West Water
(now United Utilities PLC)
\$2.8 billion

2. NORTHERN ELECTRIC PLC
Buyer: CalEnergy Inc.,
Omaha, Neb.
\$1.54 billion

3. YORKSHIRE ELECTRICAL GROUP, Leeds
Buyer: Public Service (Colo.) and
American Electric Power
\$2.8 billion (pending)

6. LONDON ELECTRIC
Buyer: Entergy, New Orleans, La.
\$2 billion

7. SEABOARD PLC
Buyer: Central and Southwest Corp.,
Dallas, Texas
\$2.58 billion

8. SOUTH WESTERN ELECTRICITY, Bristol
Buyer: Southern Co., Atlanta, Ga.
\$1.62 billion

9. SOUTH WALES ELECTRICAL, Wales
Buyer: Welsh Water PLC (now Hydro PLC)
\$1.35 billion

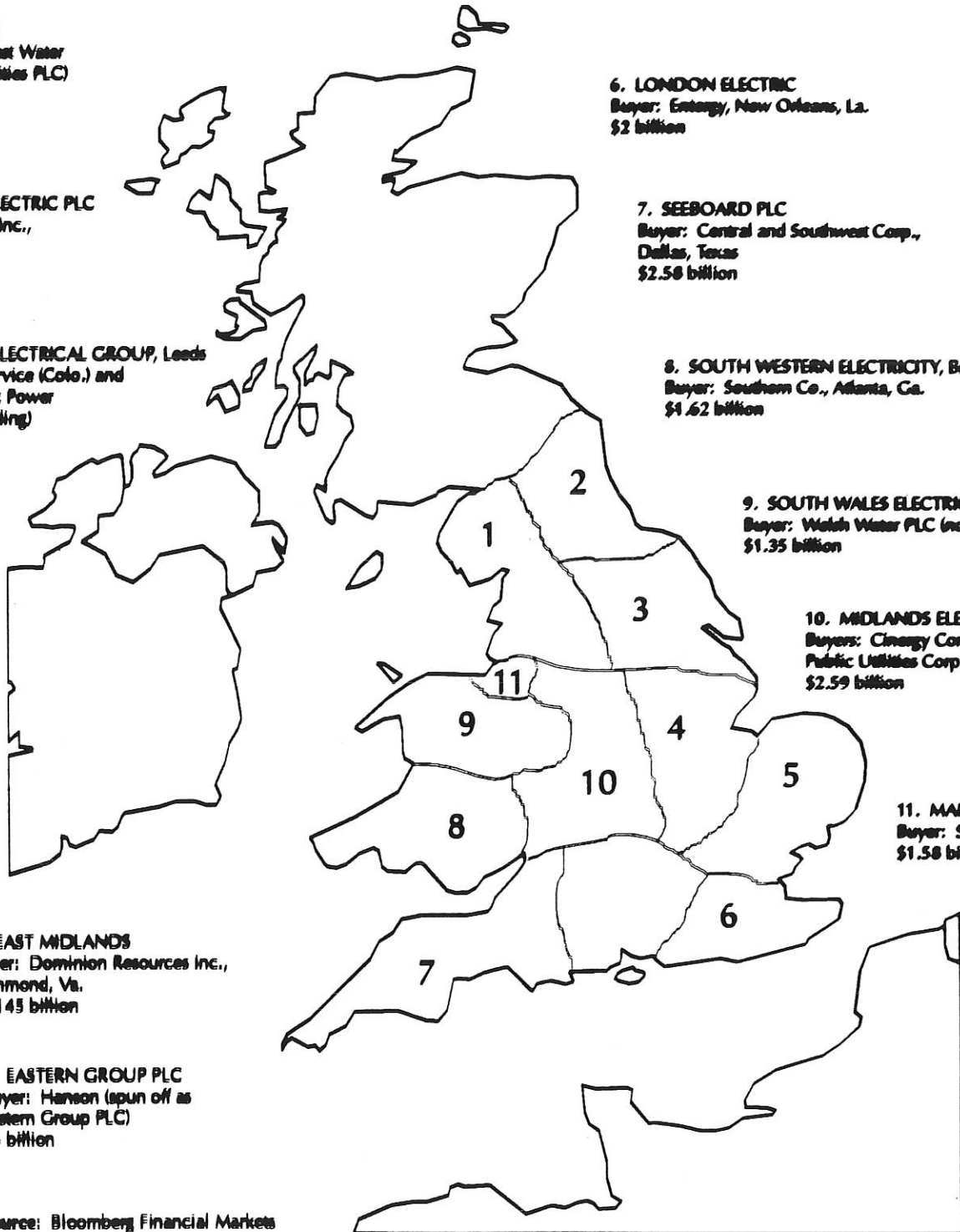
10. MIDLANDS ELECTRICAL
Buyers: Cinergy Corp. and General
Public Utilities Corp., Cincinnati, Ohio
\$2.59 billion

11. MANWEB
Buyer: Scottish Power
\$1.58 billion

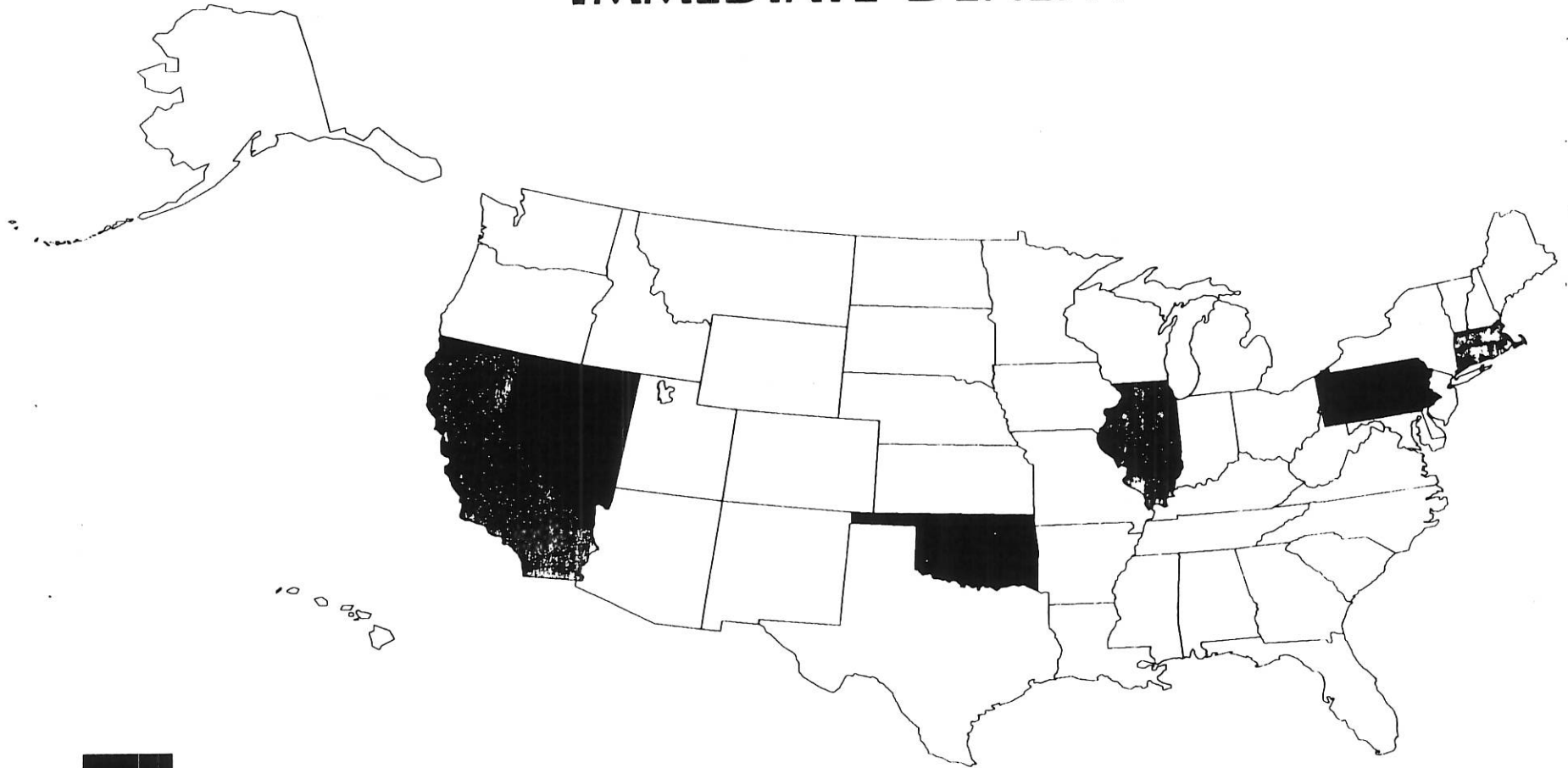
4. EAST MIDLANDS
Buyer: Dominion Resources Inc.,
Richmond, Va.
\$2.145 billion

5. EASTERN GROUP PLC
Buyer: Hanson (spun off as
Eastern Group PLC)
\$4 billion

Source: Bloomberg Financial Markets



IMMEDIATE BENEFIT



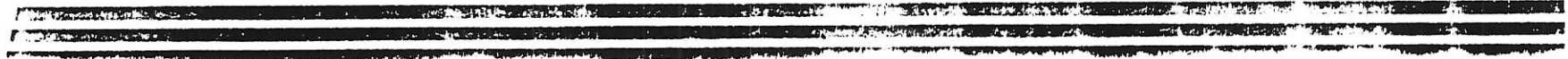
Rate freeze



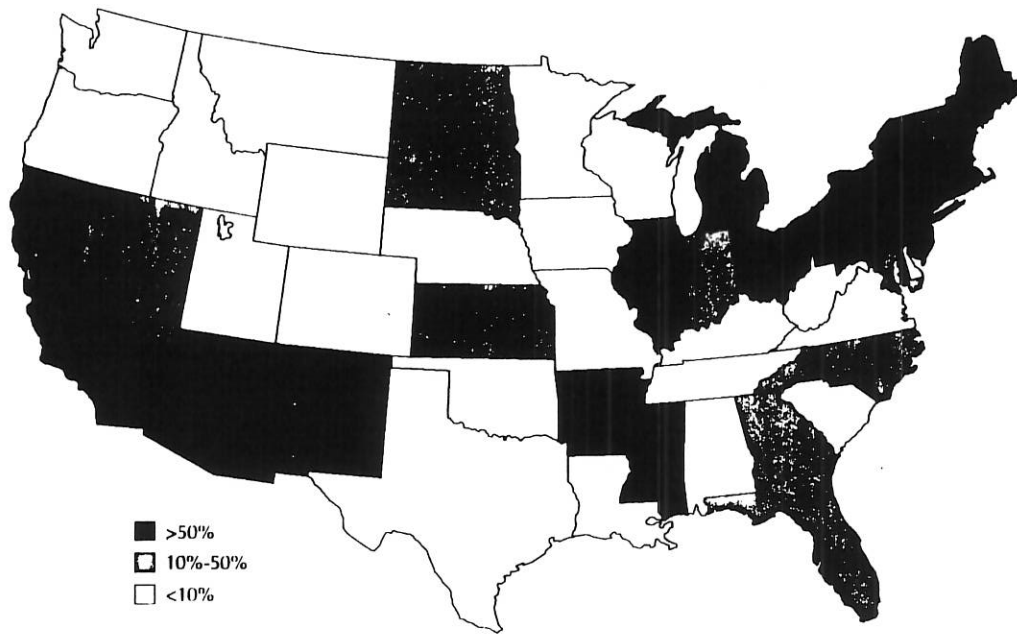
Rate cut

██████ *California Customers Switched*

| Utility | Base | Switched | Percent |
|---------|----------|----------|---------|
| PG&E | 4.2 Mill | 34,889 | 0.83% |
| SCE | 4.1 Mill | 49,197 | 1.2% |
| SDG&E | 1.1 Mill | 13195 | 1.2% |

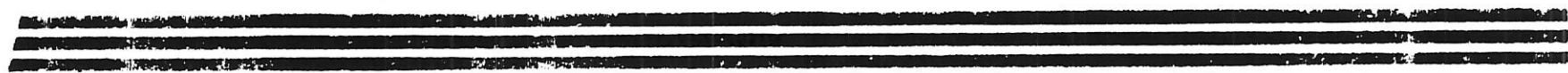


Strandable Costs



● National: \$16 Billion to \$238 Billion in Strandable Costs

Source: L. Baxter and E. Hirst, *Estimating Potential Stranded Commitments for U.S. Investor-Owned Electric Utilities* (ORNL/CON-406), Oak Ridge, Tenn.: Oak Ridge National Laboratory, 1995.





JANE SAMPLE
JJQ 99 99999-9

ELECTRIC ACCOUNT DETAIL

Rate Schedule: E1 XB Bundled Service
Service: From 05/11/98 To 06/10/98 Billing Days: 30 Electric Meter #: J99999

| | Prior Meter Read | Current Meter Read | Difference | Constant | Usage |
|----------|------------------|--------------------|------------|----------|---------|
| ELECTRIC | 86467 | 86967 | 500 | 1 | 500 Kwh |

| | |
|--------------------------|---------|
| Total Electric Charges | \$60.99 |
| Legislated 10% Reduction | 6.10- |
| Net Charges | \$54.89 |

The net charges shown above include the following components. Please see definitions on Page 2 of the bill.

| | | |
|-------------------------------------|------------|---------|
| Electric Energy Charge | \$0.02400* | \$12.00 |
| Transmission | | 2.03 |
| Distribution | | 17.72 |
| Public Purpose Programs | | 2.10 |
| Nuclear Decommissioning | | 0.26 |
| Competition Transition Charge (CTC) | | 12.70 |
| Trust Transfer Amount (TTA) | | \$8.08 |

* This rate is based on the weighted average costs for purchases through the Power Exchange. This service is subject to competition. You may purchase electricity from another supplier. (Call 1-800-743-0040 for a supplier list).

| ELECTRIC | Kwh | Price |
|---------------------|-----|-------------|
| Baseline Quantities | 324 | |
| Baseline Usage | 324 | @ \$0.11589 |
| Over Baseline Usage | 176 | @ 0.13321 |

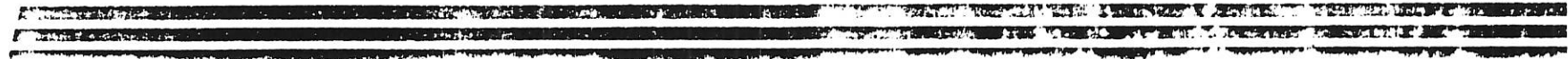
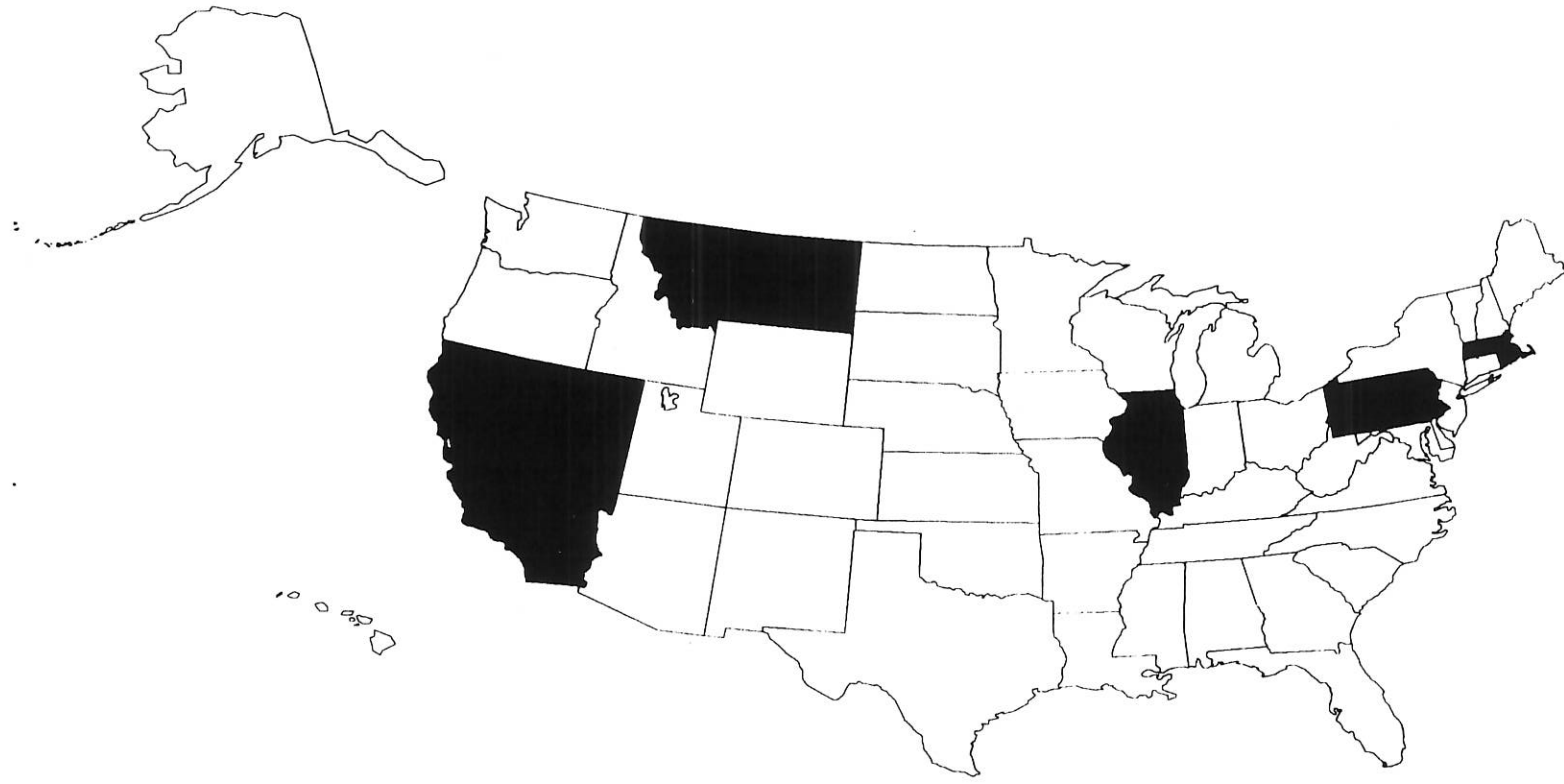
| Usage Comparison | Days | Kwh Billed | Kwh per Day |
|------------------|------|------------|-------------|
| This Year | 30 | 500 | 16.7 |
| Last Year | 29 | 493 | 17.0 |

Note: All customers pay a Competition Transition Charge as part of the charges above, including those who choose an electricity supplier other than PG&E.

JJQ 99 99999-9



Securitization Provisions



ELECTRICITY FACTS

XYZ Company

Generation Price

Average price per kWh at different levels of use. Prices do not include regulated charges for customer service and delivery.

| Average Use per Month | 250 kwh | 500 kwh | 1000 kwh | 2000 kwh |
|-----------------------|-----------|-----------|-----------|----------|
| Average Price per kWh | 4.5 cents | 4.5 cents | 4.5 cents | 5 cents |

Your average generation price will vary according to when and how much electricity you consume. See your most recent bill for your monthly use and your Terms of Service for the actual prices.

Contract

- Minimum Length: 3 Years (30-day notice required for termination. Penalties may apply).
- Contract Terms: Fixed price over contract period.

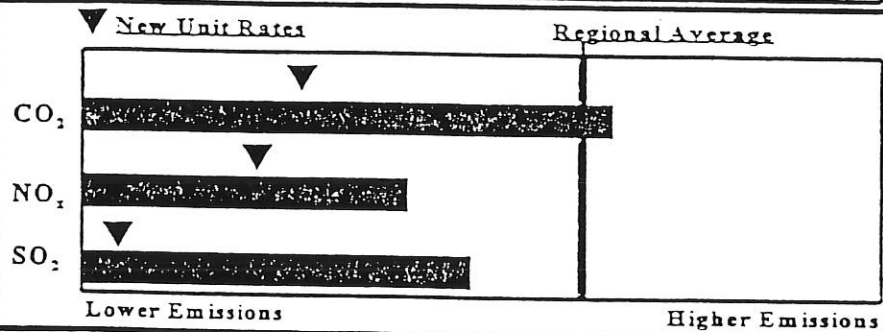
Power Sources

Demand for this electricity product in the period 3/1/97-2/28/98 was assigned generation from the following sources.

| Power Sources | Known Resources | System Power | Total |
|-----------------|-----------------|--------------|-------|
| Biomass | 5% | 3% | 8% |
| Coal | 0% | 10% | 10% |
| Hydro: Large | 11% | 5% | 16% |
| Hydro: Small | 0% | 2% | 2% |
| Imported Power | 0% | 5% | 5% |
| Municipal Trash | 0% | 15% | 15% |
| Natural Gas | 5% | 0% | 5% |
| Nuclear | 0% | 4% | 4% |
| Oil | 0% | 24% | 24% |
| Other Renewable | 4% | 0% | 4% |
| Solar | 5% | 0% | 5% |
| Wind | 2% | 0% | 2% |

Air Emissions

Carbon dioxide (CO₂), nitrogen oxide (NO_x), and sulfur dioxide (SO₂) emission rates from these sources, relative to the the regional average, and to the emission rates of a new generating unit.



Labor Information

95 % of the electricity assigned to this electricity product came from power sources with union contracts with their employees.

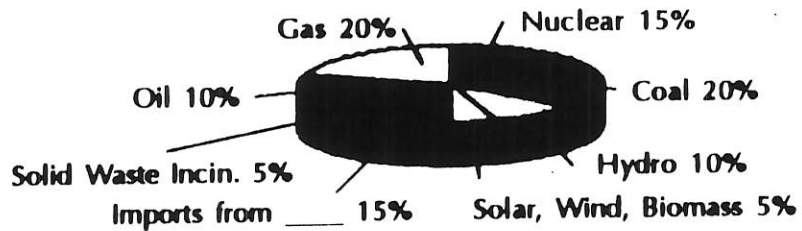
0% of the electricity assigned to this electricity product came from power sources that used replacement labor during labor disputes between 3/1/97 and 2/28/98.

NOTES

1. Electricity customers in New England are served by an integrated power grid, not particular generating units. The above information is on generating units assigned to this electricity product. To obtain information on all generating units owned by, or under contract to XYZ Company, call 1 (800) 123-4567.
2. See reverse side and your contract terms and conditions for further information on this label. You may also call XYZ Company at 1 (800) 123-4567, or the Massachusetts Division of Energy Resources at 1 (800) 727-1234.

Supply Mix

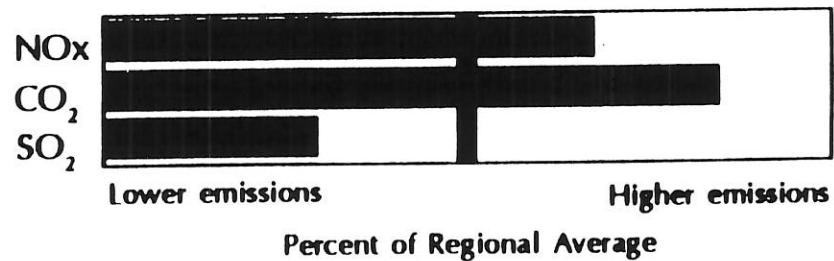
We used these sources of electricity to supply this product from 6/96 to 5/97.



Air Emissions

Nitrogen oxides (NOx), sulfur dioxide (SO₂) and carbon dioxide (CO₂) emissions from this generation relative to regional average.

Regional Average

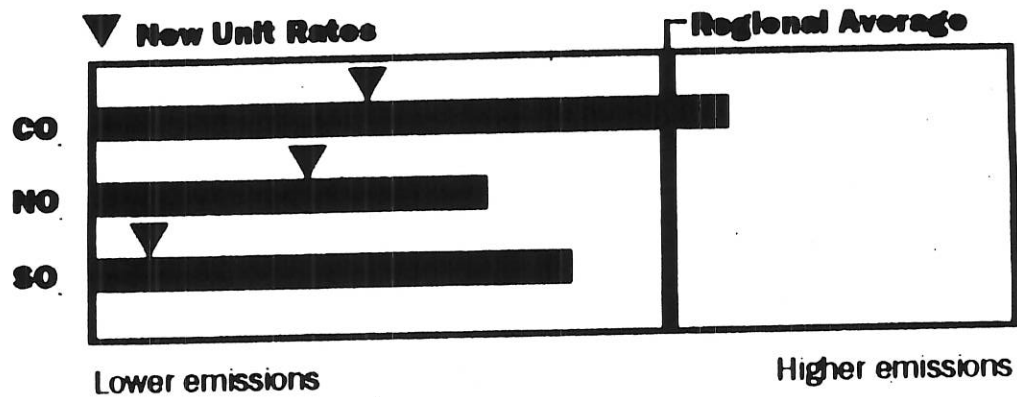


See your Disclosure Statement for further information regarding this label and your electricity service. You may also call XYZ Energy Supply for additional information or a copy of the Disclosure Statement at 1-800-555-1234.

2-14

Air Emissions

Carbon dioxide (CO), Nitrogen oxide (NO), and sulfur dioxide (SO) emissions rates from these sources, relative to the regional average and to the emission rates of a new generating unit



Sample Electricity Facts Label

| | | | | | |
|---|---------------------------------|---------|-----------|-----------|-----------|
| Generation Price Average price (cents per kWh) for varying levels of use. Prices do not include regulated charges for delivery service. | Monthly Use | 250 kWh | 500 kWh | 1,000 kWh | 1,500 kWh |
| | Average Generation Price | 5 cents | 4.5 cents | 4 cents | 3.5 cents |

Your average generation price will vary according to when and how much electricity you use. See your most recent bill for your monthly use and Terms of Service or your bill for actual prices.

Contract
See your contract or Terms of Service for more information.

- **Minimum Length: 2 Years**
- **Price Variability: Fixed over contract period**

Labor Information

95% of the electricity assigned to this electricity product came from power sources with union contracts with their employees.

0% of the electricity assigned to this electricity product came from power sources that used replacement labor during labor disputes between 3/1/97 and 2/28/98.

NOTES

1. Electricity customers in New England are served by an integrated power grid, not particular generating units. The above information is on generating units assigned to this electricity product. To obtain information on all generating units owned by, or under contract to XYZ Company, call 1(800)123-4567.
2. See reverse side and your contract terms and conditions for further information on this label. You may also call XYZ Company at 1 (800) 123-4567, or the Massachusetts Division of Energy Resources at 1(800)727-1234.

2-16

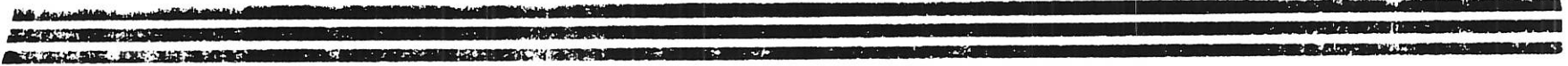
States Requiring Disclosure

● By Legislation

- MA
- ME
- MT
- NV
- IL
- CA
- PA
- CT

● By Commission

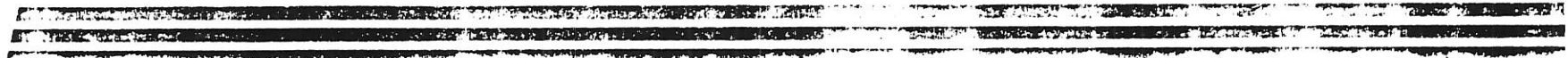
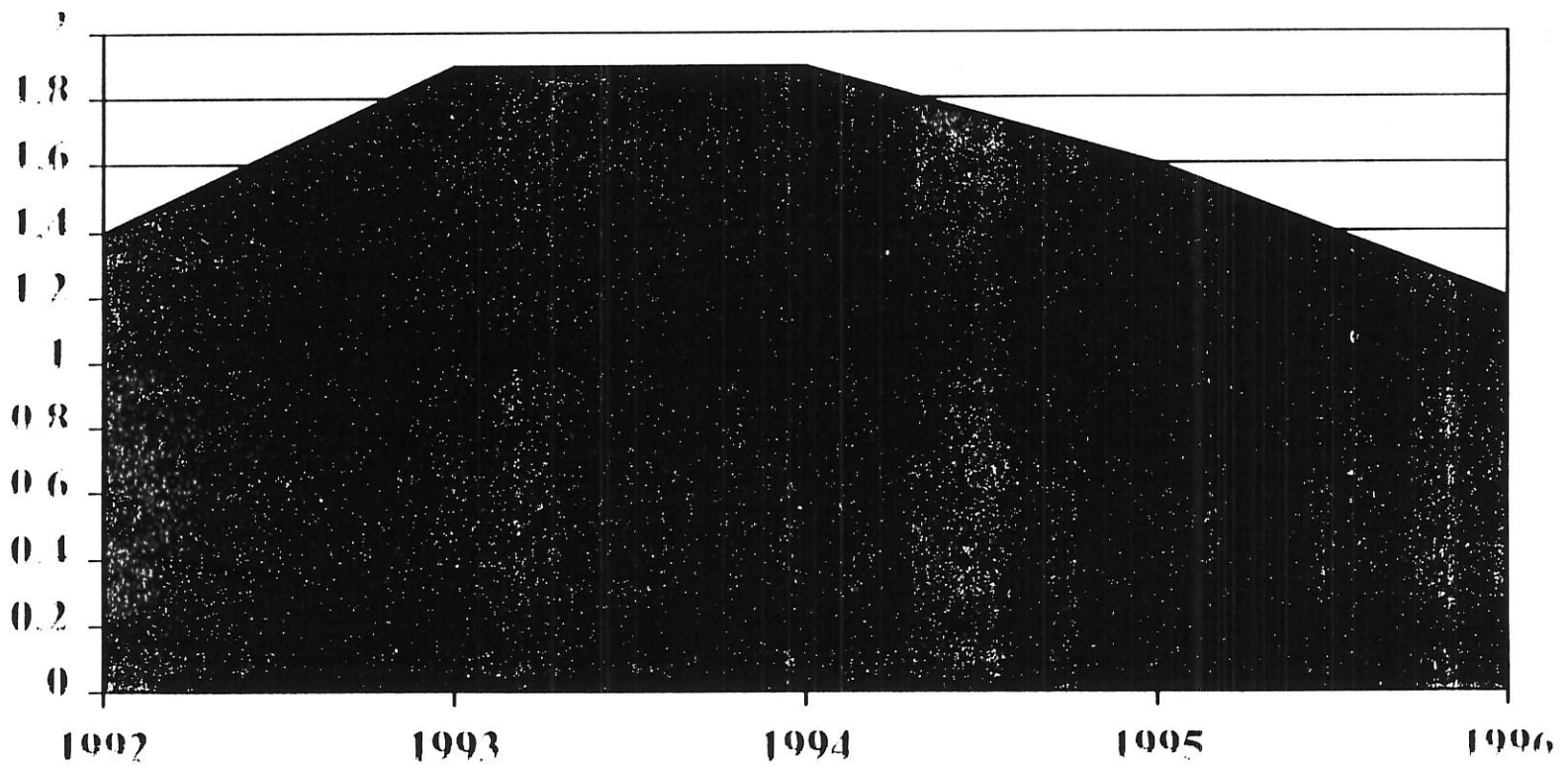
- VT
- RI
- NH
- NY
- NJ



Consumer Education Efforts

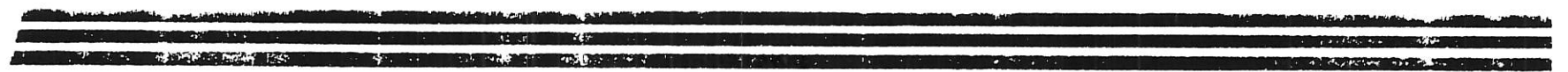
| | |
|---------------|---------------------------------------|
| CALIFORNIA | \$ 90 M Consumer Education Plan |
| PENNSYLVANIA | \$ 5 Per Customer |
| NEW HAMPSHIRE | \$ 1.7 M Comprehensive Education Plan |
| MAINE | \$ 1.6 M Education Plan |

Utility Spending on Energy Efficiency (in \$ billions)



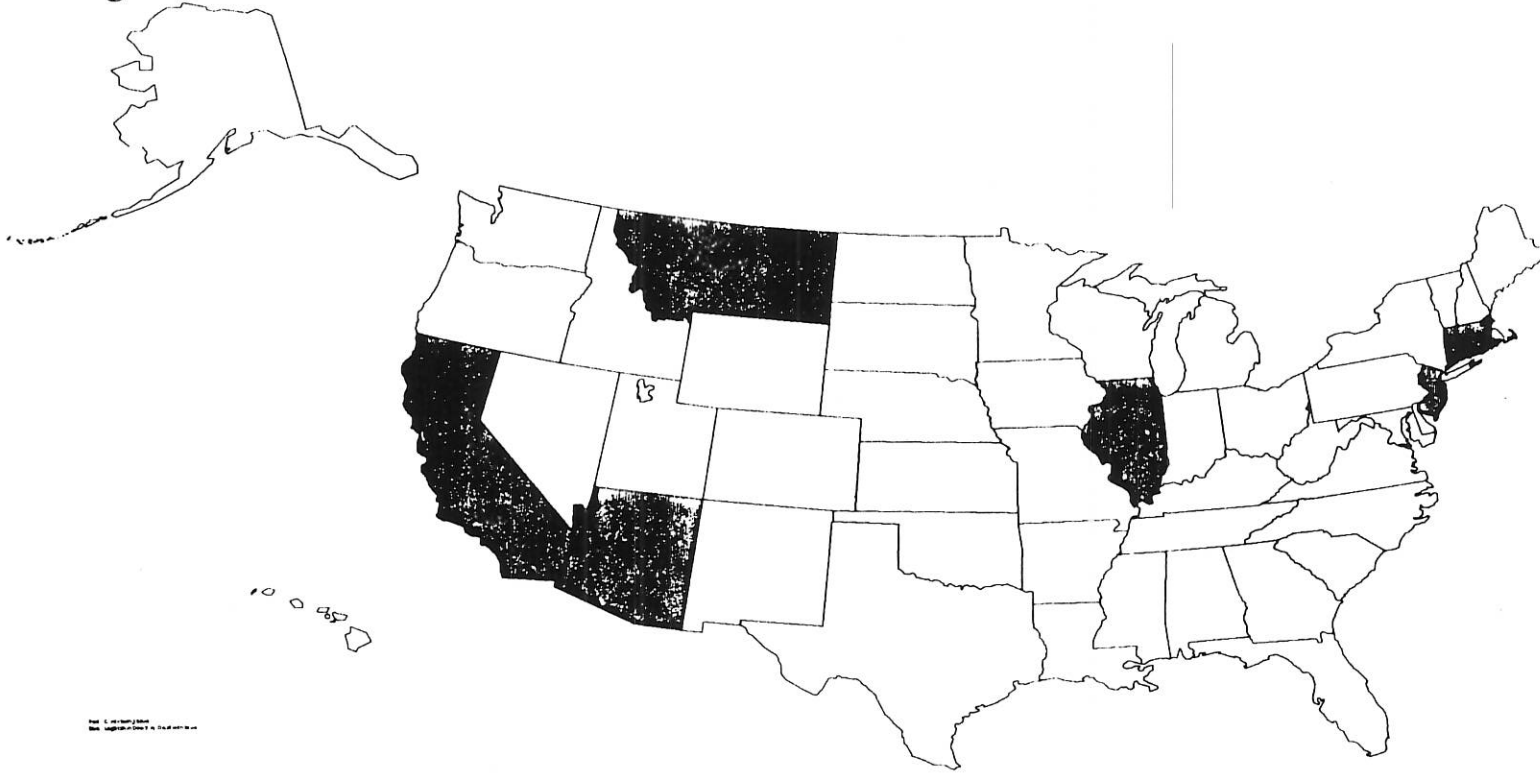
Renewables/Efficiency Policies

- Renewable Portfolio Standard
- Efficiency Portfolio Standard
- Emissions Portfolio Standard
- System Benefit Charge
- Disclosure and Consumer Information





States w/System Benefit Charges for Renewable Energy



Map Courtesy
The Department of Energy

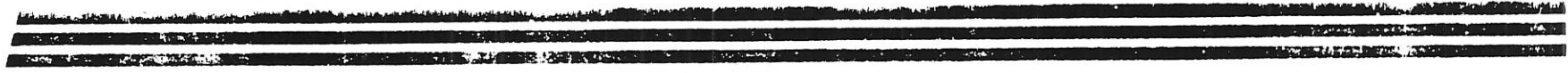


System Benefit Charge Funds:
Then and Now (cont) (\$ millions)

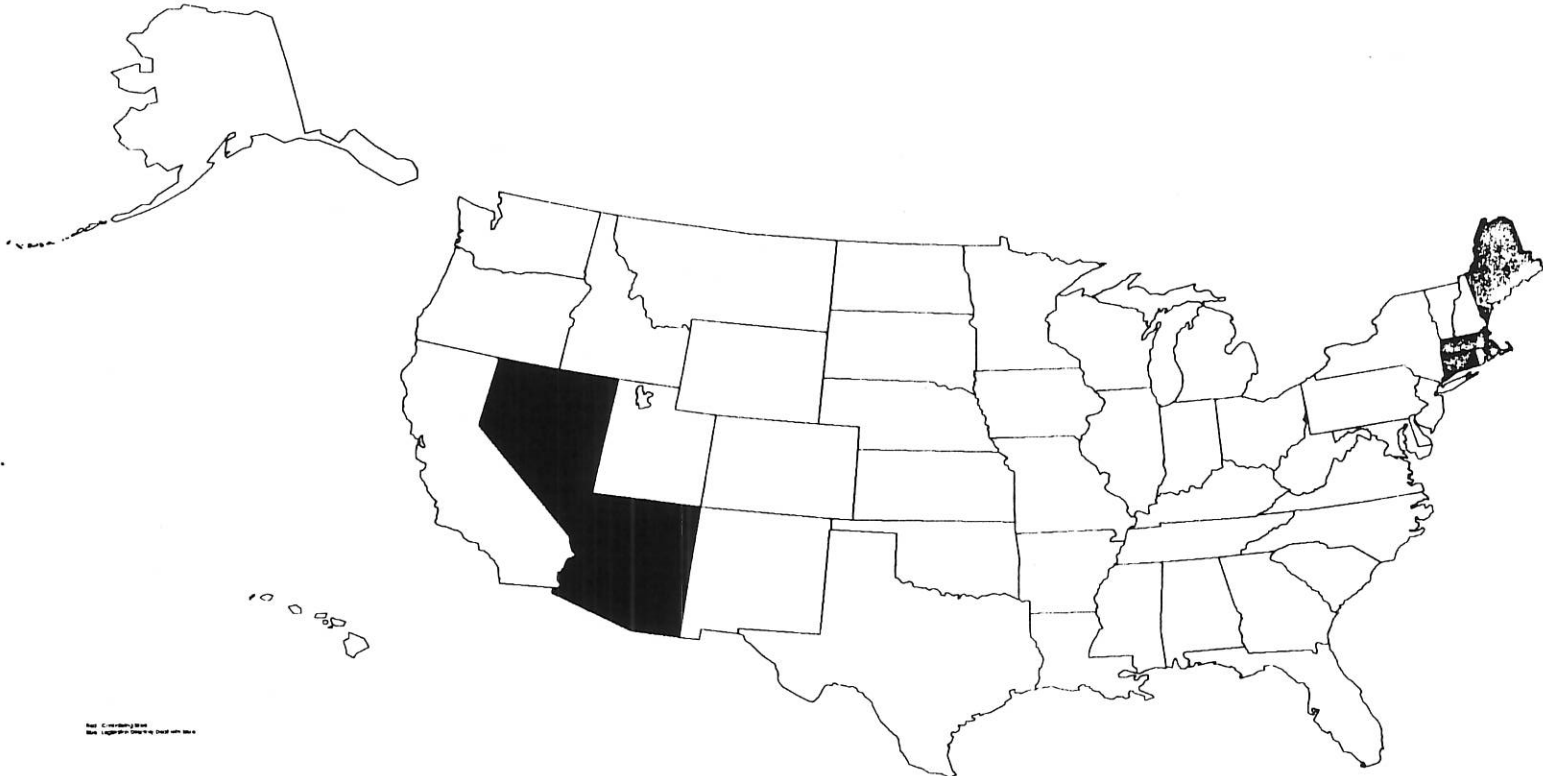
| State | EE/RE Before | EE/RE After Restructuring |
|--------------|-------------------------|--------------------------------------|
| NV | 0 | 0 |
| NH | 5 | TBD |
| OK | 12 | TBD |
| PA | 13 | 0 |
| RI | 10 | 17 |

Source: Energy Programs
The Role of System Benefit
Public Benefit Programs in Electric

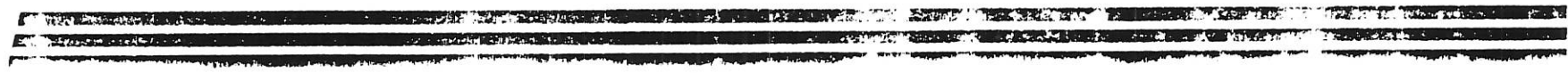
Consortium Issue Brief
Charges in Supporting
Utility Restructuring



States w/Portfolio Standard for Renewable Energy



Map Copyright © 2008 Energy Research Center



STATE OF KANSAS

BILL GRAVES, Governor
State Capitol, 2nd Floor
Topeka, Kansas 66612-1590



(785) 296-3232
1-800-748-4408
FAX: (785) 296-7973

OFFICE OF THE GOVERNOR

LEGISLATIVE TESTIMONY

TO: Chairperson Audrey Langworthy and Members of the Senate Committee on Assessment and Taxation

FROM: Dan Hermes, ^{Dan} Director of Governmental Affairs

DATE: January 25, 1999

SUBJECT: SB 44

Madam Chairman and members of the committee, thank you for the opportunity to appear today to discuss the Governor's proposal to increase the income tax rebate for property taxes paid on machinery and equipment.

The Governor recommends an increase from 15 to 20 percent in the refundable income tax credit businesses receive for property taxes paid on machinery and equipment. Kansas business continues to be taxed on their productive capital at a level higher than surrounding states. This recommendation continues progress toward eliminating this competitive disadvantage.

I also wanted to take this opportunity to update the committee on the fiscal impact of the proposal based on revised information from the Department of Revenue. Based on the most recent appraised value of machinery and equipment, the estimated impact for FY 2000 is \$6.5 million and the impact in FY 2001 is \$10.5 million. This is a net reduction in cost over the two years of \$1.0 million compared to the previous estimate.

Thank you for the opportunity to appear in support of this measure. I would be happy to respond to any questions.

Senate Assessment & Taxation
1-25-99
Attachment 3

THE CHAMBER



Testimony on Senate Bill 44
Senate Assessment and Taxation Committee
January 25, 1999

Bernie Koch
VP/Government Relations
Wichita Area Chamber of Commerce

Thank you for the opportunity to appear today.

Senator Langworthy, members of the committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce. It should come as no surprise that we support Senate Bill 44. As you know, the Wichita Area has a strong manufacturing community with lots of machinery and equipment, so this especially benefits us. Thank you for passing last year's legislation.

Prior to last year's enactment of the refundable tax credit for machinery and equipment property taxes, Kansas had the highest effective tax rate in the region on machinery and equipment. It was so high, in fact, that even when you factor in the 15 percent refundable tax credit, we're still the highest in the region today. That's why we need to continue to attack this problem and why Senate Bill 44 should be enacted.

This credit helps all businesses that pay business personal property tax. It's a good way to help them all.

Thank you for your consideration.

PERCENT OF SEDGWICK COUNTY PROPERTY TAX BASE COMPOSED OF COMMERCIAL AND INDUSTRIAL PROPERTY

| | COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT | | | COMMERCIAL & INDUSTRIAL REAL PROPERTY | | TOTAL COMMERCIAL & INDUSTRIAL PROPERTY | |
|------|--|-------------------|------------------------|--|------------------------|---|------------------------|
| | TOTAL PROPERTY TAX BASE | ASSESSED VALUE | PERCENT OF TAX BASE | ASSESSED VALUE | PERCENT OF TAX BASE | ASSESSED VALUE | PERCENT OF TAX BASE |
| 1984 | \$1,339,610,776 | \$183,930,207 | 13.73% | \$220,623,496 | 16.47% | \$404,553,703 | 30.20% |
| 1985 | \$1,394,266,112 | \$187,085,820 | 13.42% | \$227,298,750 | 16.30% | \$414,384,570 | 29.72% |
| 1986 | \$1,448,022,385 | \$185,445,528 | 12.81% | \$250,987,830 | 17.33% | \$436,433,358 | 30.14% |
| 1987 | \$1,494,160,620 | \$195,126,906 | 13.06% | \$261,418,256 | 17.50% | \$456,545,162 | 30.56% |
| 1988 | \$1,537,513,579 | \$211,576,704 | 13.76% | \$266,438,350 | 17.33% | \$478,015,054 | 31.09% |

(1989 was the first year after reappraisal and reclassification. Mach/equip from 30% to 20%. Comm/indust real property remained 30%.)

| | | | | | | | |
|------|-----------------|---------------|--------|---------------|--------|---------------|--------|
| 1989 | \$1,867,511,789 | \$180,826,219 | 9.68% | \$613,043,418 | 32.83% | \$793,869,637 | 42.51% |
| 1990 | \$1,912,253,139 | \$177,862,882 | 9.30% | \$622,574,204 | 32.56% | \$800,437,086 | 41.86% |
| 1991 | \$1,962,204,160 | \$212,948,990 | 10.85% | \$625,921,336 | 31.90% | \$838,870,326 | 42.75% |
| 1992 | \$2,017,833,007 | \$220,016,005 | 10.90% | \$638,151,101 | 31.63% | \$858,167,106 | 42.53% |

(1993 was the first year during which both comm/indust machinery & equipment and comm/indust real property were assessed at 25%)

| | | | | | | | |
|------|-----------------|---------------|--------|---------------|--------|---------------|--------|
| 1993 | \$2,007,037,441 | \$281,394,061 | 14.02% | \$469,597,688 | 23.40% | \$750,991,749 | 37.42% |
| 1994 | \$2,060,281,521 | \$282,127,156 | 13.69% | \$535,365,114 | 25.99% | \$817,492,270 | 39.68% |
| 1995 | \$2,118,312,007 | \$295,632,718 | 13.96% | \$523,594,346 | 24.72% | \$819,227,064 | 38.67% |
| 1996 | \$2,204,320,563 | \$309,179,886 | 14.03% | \$557,505,466 | 25.29% | \$866,685,352 | 39.32% |
| 1997 | \$2,335,445,803 | \$326,055,773 | 13.96% | \$609,002,374 | 26.08% | \$935,058,147 | 40.04% |
| 1998 | \$2,453,805,137 | \$355,717,918 | 14.50% | \$635,027,905 | 25.88% | \$990,745,823 | 40.38% |

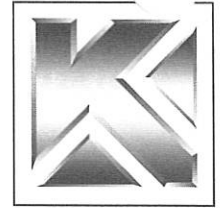
570 growth

970

4.270

5.970

LEGISLATIVE TESTIMONY



Kansas Chamber of Commerce and Industry

web: www.kansaschamber.org

835 SW Topeka Blvd. Topeka, KS 66612-1671 (785) 357-6321 FAX (785) 357-4732 e-mail: kcci@kansaschamber.org

SB 44

January 25, 1999

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Assessment and Taxation Committee

by

Natalie Bright
Director of Taxation

Honorable Chair and members of the Committee:

My name is Natalie Bright and I am the Director of Taxation and Small Business for the Kansas Chamber of Commerce and Industry. On behalf of our members, I would like to express our gratitude to Governor Graves and the 1998 Kansas Legislature for improving the Kansas business climate with the passage of the 15% income tax credit for personal property taxes paid on business machinery and equipment.

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 47% of KCCI's members having less than 25 employees, and 77% 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.

*Senate Assessment & Taxation
1-25-99
Attachment 5*

Property tax on business machinery and equipment (M&E) continues to be singled out as the most burdensome tax on Kansas businesses. A 1997 survey by Kansas Inc. indicated that 70% of businesses questioned found property taxes on M&E to have "a strong or somewhat negative effect on a firm's investment decision." In addition, a recent survey of KCCI members, found that property taxes continue to be the most sought after area for tax relief. As such, I am here today to urge you to continue your commitment to helping Kansas businesses stay at least competitive with other businesses in surrounding states by favorably passing SB 44.

Perhaps the most compelling argument for targeting property tax relief for M&E is that such efforts have shown to be a "bang for the buck." The reduction in the constitutional assessment rate for M&E and the exemption of purchases from sales tax have been strong incentives in the past for manufacturers to invest in business growth, particularly in Kansas most industrialized counties. These efforts have not only been good for Kansas' businesses, but have been good for the Kansas economy. In fact, the statewide property tax base represented by M&E is even larger today than when property was assessed at the higher rate of 33%.

KCCI's members cannot over emphasize the importance of tax relief for business machinery and equipment (M&E) to the economic development of this state. A 1997 report by Kansas Inc. indicates that a 50% reduction in M&E property tax would create over 2,500 new jobs in Kansas and boost state personal income by \$59 million in just its first year of implementation. Tax relief for M&E could arguably be more justified than any other property class in Kansas. The 1995 effective tax rate on M&E averaged 2.97% across Kansas. Nebraska and Colorado's M&E rate was 2.39% or 30% lower than Kansas, Missouri's was 2.03% or 32% lower, and Oklahoma's was 1.03% or 66% lower while Iowa repealed the tax all together. If the current income tax credit is increased from 15% to 20%, this uneven playing field depicted in 1995 will continue to be leveled.

KCCI has adopted a policy to seek legislation that will increase the tax credit to a level of 50% of personal property taxes paid on M&E. KCCI has set this aggressive goal because significant tax relief is needed. SB 44 is a step closer to reaching our goal. Kansas' high property tax assessment

on machinery and equipment is counter-intuitive to conducting a successful business. First, property tax adds expense to owning property and thus discourages existing businesses from investing in capital goods and making a commitment to expand in Kansas. Second, M&E property tax unduly burdens businesses that rely more heavily on M&E because they pay more tax. Finally, high taxes on M&E makes Kansas less attractive to business that might otherwise relocate to Kansas and instead encourages them to locate elsewhere. There is a deep concern about the future competitiveness of Kansas companies. Reducing the burden of property taxes paid is one mechanism that can help preserve our competitive edge.

The approach by which SB 44 addresses M&E tax relief is practical. The available options for reforming M&E taxation are extremely limited by virtue of the restrictive language in our Constitution's classification amendment. SB 44 avoids the entanglements with the Constitution's provisions. In addition, SB 44 would help offset the impact of corporate income taxes paid by Kansas businesses.

Again, KCCI's members applaud the Governor and this Legislature in their continued effort to reduce M&E property taxes for Kansas businesses and encourage you to favorably pass SB 44.



Hill's Pet Nutrition, Inc. and Subsidiaries
P.O. Box 148
Topeka, Kansas 66601-0148
785-354-8523

January 25, 1999

Senator Audrey Langworthy
State of Kansas
Capitol Building
Topeka KS 66612

Dear Senator Langworthy:

My name is Kirk Putman and I am the Director of Corporate Accounting for Hill's Pet Nutrition, Inc., headquartered here in Topeka. I am writing you to urge your support for the proposal to provide a 20 percent income tax credit for property tax paid on machinery and equipment. Hill's Pet Nutrition, Inc., is the leading producer of specialty pet foods under the Science Diet and Prescription Diet labels, for dogs and cats. We are a subsidiary of the Colgate-Palmolive Company and like our parent company, distribute both domestically and internationally.

We continue to enjoy very positive growth in both arenas and as such, have been continually challenged to develop additional capacity. We have four domestic plants that are located in California, Kentucky, Indiana, and here in Topeka. In order to support our growth, we are regularly evaluating where to focus our expansion efforts. Approximately a year ago, we completed a \$70 million expansion at our Indiana facility and a \$20 million acquisition in Holland. When we analyzed where to build the additional capacity, one of the critical factors was the tax structure of the states where we are located.

Unfortunately, the property tax burden in Kansas is such that many businesses are discouraged from expanding or locating here in the first instance. In fact, it was determined that as of last year, on an equal value of assets basis, taxes for our Kansas plant are 10 times higher than our Kentucky plant, 4 times higher than our Indiana plant, and 3 times higher than our California plant.

In summary, Hill's would suggest that Senate Bill No. 44 represents a positive step in the on-going effort to create a more equitable tax structure in Kansas, which will facilitate the expansion of the business base in Kansas.

Thank you very much for opportunity to appear before you today and for your consideration of this important Bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk Putman", with a long horizontal line extending to the right.

Senate Assessment & Taxation
1-25-99
Attachment 6

K012599.doc

Testimony before the Senate Assessment and Taxation Committee

January 25, 1999

by Jeff Berke, General Manager, CJS Industries

Chairperson Langworthy and members of the committee, my name is Jeff Berke, the General Manager of CJS Industries here in Topeka. I am here today to ask for your approval of Senate Bill 44.

CJS Industries is a contract manufacturer, or more commonly referred to as a job shop. We are a small company that has been in business for just over five years with twenty employees. We primarily fabricate precision sheet metal products for other manufacturers in mild steel, stainless steel, aluminum, and some copper and brass. The cost of equipment we own and operate represents a significant portion of our operating costs. For example, one turret punch will cost upwards of \$375,000. We currently have turret punches, press brakes, a laser, a panel bender and other small equipment that cost in excess of \$1,600,000. That's a lot of money for a small company, especially a new company such as ours. We have found when we are able to purchase another major piece of equipment, we end up adding three employees to our operation.

In 1998, our company paid in \$24,500 in personal property taxes on machinery and equipment. That figure does not include two pieces of equipment that will go on the tax rolls this year. The 15% income tax credit that you approved last year means a saving to us of roughly \$3600. Increasing the credit to 20% could mean estimated savings of \$6900 for the following year. This savings in tax dollars is extremely important to us. It will enable us to better compete in the regional market. We fabricate metal products for companies in the four state area. Many of our customers however, sell product nationally and internationally. More importantly, some of our customers buy components internationally. Every once in a while we are able to get that work back here.

Any savings we can recognize in our company puts us in a position to increase our capacity and compete for new business. We sincerely appreciate all the help you can give us with property tax on machinery and equipment. It is a significant part of the continuing cost of ownership in capital assets. We have a growing operation, and we would like our company to continue to grow. Reducing the tax burden is one way the state can help us. We ask that you approve Senate Bill 44.

Senate Assessment & Taxation

1-25-99

Attachment 7



NFIB Kansas

Statement by
Hal Hudson, State Director, Kansas Chapter
National Federation of Independent Business
 Before the
Senate Assessment and Taxation Committee
 On
Senate Bill 44

January 25, 1999

Madam Chairperson and Members of the Committee: Thank you for this opportunity to appear here today on behalf of the nearly 8,000 members of the Kansas Chapter of the National Federation of Independent Business. My name is Hal Hudson, and I am the Kansas State Director for NFIB.

Today, I am here to offer support, and to encourage you to enact, S.B. 44. Year-after-year you have heard me report that property tax, especially the tax on machinery and equipment, is a major concern of NFIB members – according to their response to our ballot surveys. That is because the property tax bears no relationship to the ability of a business to pay.

Year-after-year your own legislative research arm – Kansas, Inc. – has provided information showing that the property tax on machinery and equipment in Kansas is higher than that of neighboring states. At the same time, you have heard the concerns of local government entities citing their need for increased revenues.

S.B. 44 provides an opportunity to reduce the overall tax burden on Kansas' businesses without impacting local tax revenue receipts. Providing a refundable income tax credit based on the property tax paid on machinery and equipment will help many small, growing businesses stay in business.

Last year the Governor proposed a refundable income tax credit equal to 15 percent of the property tax actually paid. We thought that was a good idea, and we supported it. You thought it was a good idea, and you enacted it.

Now the Governor has proposed increasing that credit to 20 percent. We think that is a better idea. We hope you will agree and enact S.B. 44.

We have just one other suggestion on this subject. We'd like to suggest that you improve this proposal by indexing the credit by five percent a year until it equals 50 percent of the property tax paid by Kansas businesses on machinery and equipment.

We support enactment of SB 44, and encourage its approval by this committee.

Thank you very much.

Senate Assessment & Taxation

1-25-99

Attachment 8

National Federation of Independent Business

K a n s a s

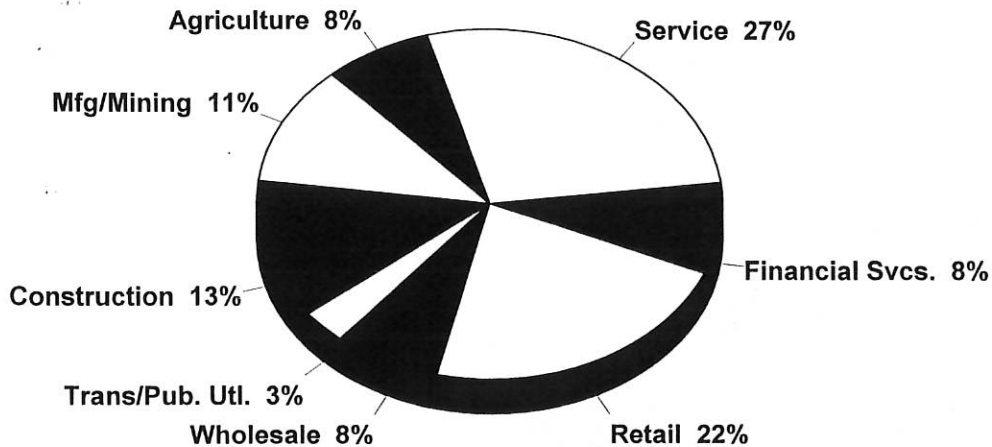
About NFIB-Kansas

Since 1943, business owners from all walks of commercial life have joined the National Federation of Independent Business to have a powerful, united voice in government decision making. Today, NFIB's Kansas chapter has more than 7,000 members, making it the largest small-business advocacy group in the state.

Each year, NFIB-Kansas polls its entire membership on a variety of state legislative and regulatory issues. The federation uses the poll results to set its legislative agenda and aggressively promotes those positions approved by a majority vote.

This democratic method of setting policy assures that the positions advanced by NFIB reflect the consensus view of the entire small-business community rather than the narrow interests of any particular trade group. Lawmakers wanting to know how proposed legislation and regulation will affect Main Street businesses can get the authoritative answer from NFIB's legislative office in Topeka.

NFIB-Kansas by Industry Classification

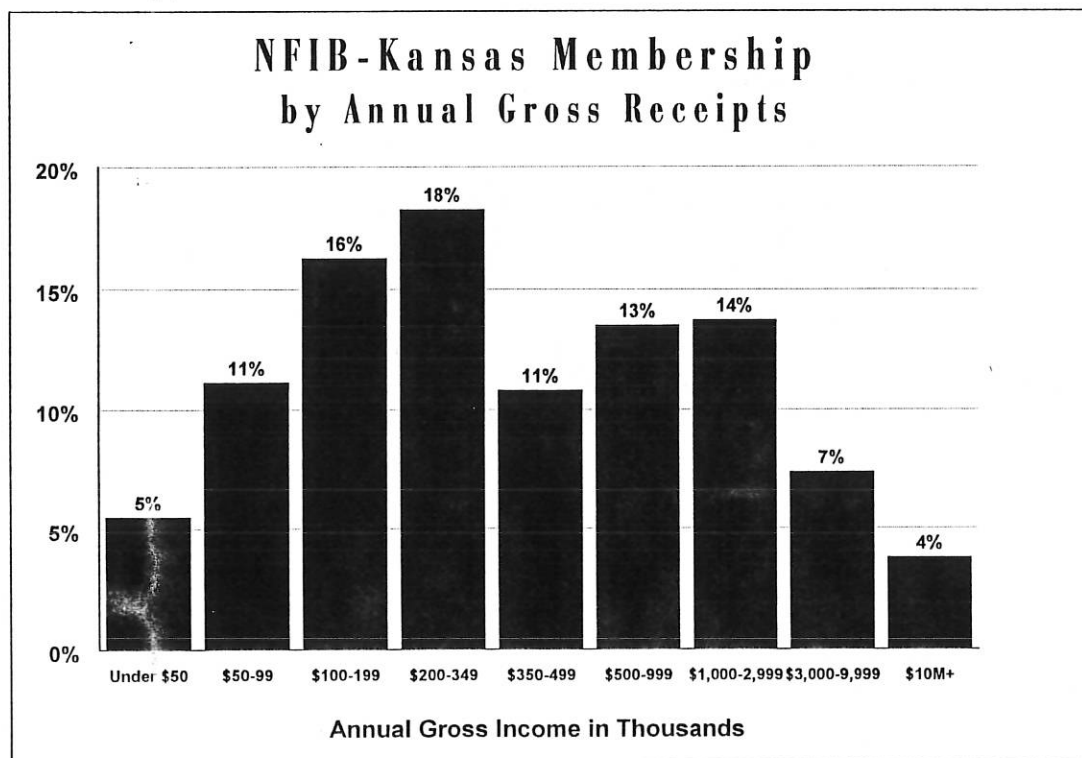
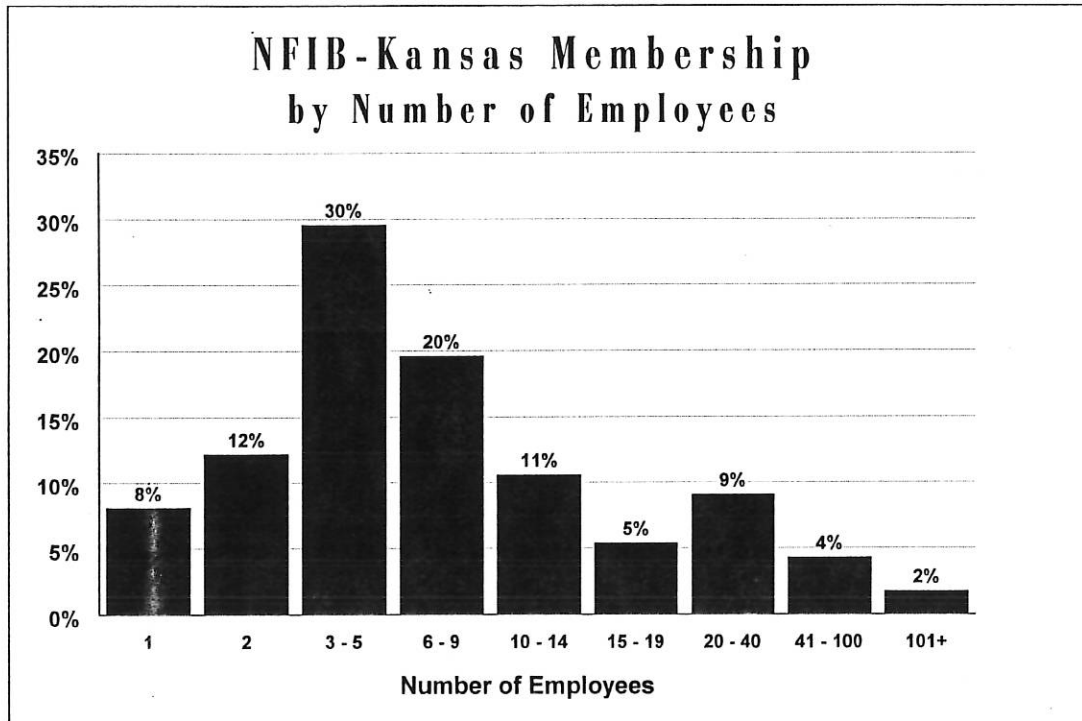


...and NFIB works for small business.

Hal Hudson, Kansas State Director
3601 S.W. 29th St. – Suite 116-B – Topeka, Kansas 66614-2015
Tel. 785/271-9449 – Fax. 785/273-9200 – E-mail: hal.hudson@nfib.org

NFIB-Kansas Membership Profile

NFIB-Kansas represents the entire spectrum of independent business, from one-person home-based operations to enterprises employing more than 100 people. The typical NFIB-Kansas member is quite small, employing six workers and ringing up gross sales of about \$340,000 per year. Yet, in aggregate, the membership is a potent economic force, employing more than 110,000 and earning about \$8 billion (gross) annually.





EXECUTIVE DIRECTOR
JIM SHEEHAN
Shawnee Mission

OFFICERS

PRESIDENT
DUANE CROSIER
Seneca

VICE-PRESIDENT
ARNIE GRAHAM
Emporia

ASST. TREASURER
JOHN CUNNINGHAM
Shawnee Mission

BOARD OF DIRECTORS

CHAIRMAN
MIKE BRAXMEYER
Atwood

CARY BINNEY
Ulysses

GLEN CATLIN
Herrington

MIKE FLOERSCH
Clay Center

TOM FLOERSCH
Fredonia

STAN HAYES
Manhattan

SKIP KLEIER
Carbondale

JIM MCGUFFEY
Cheney

JOHN MCKEEVER
Louisburg

LEONARD MCKINZIE
Overland Park

GEORGANNA McCRARY
Russell

CLIFF O'BRYHIM
Overbrook

BILL STEINMETZ
Norton

J. R. WAYMIRE
Leavenworth

BILL WEST
Abilene

DIRECTOR OF
GOVERNMENTAL AFFAIRS

FRANCES KASTNER

SENATE ASSESSMENT AND TAX COMMITTEE

1-24-99

SUPPORTING SB 44

The Kansas Food Dealers Association supports SB 44. Our membership includes manufacturers, wholesalers, distributors and retailers of food products throughout the State of Kansas.

We appreciated your efforts last year when you allowed our members to use 15% of the property tax they paid as a credit against their income tax liability. We will be even more grateful if you increase that 15% to 20%.

Anytime you can improve a business person's ability to thrive and grow, you automatically have benefited the economic condition of the local community and the State.

We respectfully request your favorable consideration of SB 44.

Frances Kastner
Frances Kastner, Director
Governmental Affairs

Don Snodgrass
Don Snodgrass, Lobbyist

Senate Assessment + Taxation

1-25-99

Attachment 9



JAYHAWK PLASTICS, INC.

15285 South Keeler
Olathe, Kansas 66062

Phone (913) 764-8181
Fax (913) 764-5149

January 25, 1999

To: Kansas Senate Committee on Assessment & Taxation

Re: SB 44, Tax relief on business personal property

Dear Committee Members,

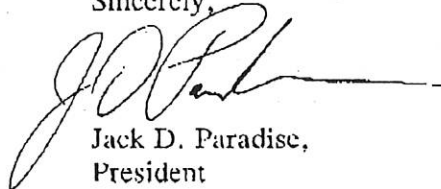
I am writing to urge your support of this bill for several reasons:

1. Kansas business tax structure is not competitive with surrounding states and this bill would provide incentive for expansion by investment in more plant and equipment.
2. New investment in plant and equipment means more jobs.
3. Passage would send an importantly needed message to the existing Kansas business community, that the legislature recognizes our taxes on machinery are higher than neighboring states and we in the business community are unfairly burdened as such. Kansas companies thinking about relocating or expanding elsewhere will be influenced by passage of this bill.

In 1998 we opted to not locate a joint venture expansion project (with a partner from Asia and another from the southeast U.S.) in Kansas. A factor in our decision was the Kansas business tax structure.

This legislation is important and needed if Kansas truly wants to retain good businesses and attract new ones.

Sincerely,



Jack D. Paradise,
President

JDP:ms
SB44-99.1

Senate Assessment & Taxation
1-25-99
Attachment 90



THE CHAMBER

Greater Kansas City Chamber of Commerce

The Honorable Audrey Langworthy
Chair, Senate Assessment & Taxation Committee
State Capitol
Topeka, KS 66612

January 25, 1999

Dear Madame Chair and Committee Members,

As chair of the Kansas State Affairs Committee of the Greater Kansas City Chamber of Commerce, I am writing to express The Chamber's strong support for SB 44, increasing the income tax credit for property taxes paid on business machinery and equipment from 15 to 20 percent, and extending the credit to include premium taxes.

The Chamber represents nearly 800 Kansas-based businesses in the Greater Kansas City area. In October 1998, The Chamber hired a polling firm to survey all Chamber members on government relations issues and priorities. Kansas-based Chamber members responding to the survey ranked commercial property taxes second, behind personal income taxes, as the most important state tax to reduce. More specifically, Chamber members put property taxes on business machinery and equipment along with commercial real estate taxes at the top of the list of the most important types of business property taxes to reduce..

These survey results indicate that the property taxes on business machinery and equipment continue to be a significant burden for Kansas businesses. The ten percent state income tax credit passed last year was a tremendous and much-appreciated achievement. A five percent increase to the income tax credit would provide additional property tax relief to Kansas businesses and would encourage investment in modern capital equipment. Such investment would mean increased productivity and new jobs, which benefit all Kansans.

The Chamber understands that a variety of worthy new spending and tax reduction initiatives are before the Legislature this year. As you debate these issues, The Chamber respectfully urges you to consider this incremental increase in the income tax credit for property taxes paid on business machinery and equipment as a top priority.

Thank you in advance for your consideration of The Chamber's position on SB 44. If you have any questions, please call Jenny Unruh at The Chamber, 816/374-5412, or me at my Overland Park law office, 913/344-8039.

Sincerely,

Bob Vancrum, chairman
Kansas State Affairs Committee

Senate Assessment & Taxation
1-25-99

Attachment - 1/6



120 SE 6th Avenue, Suite 110 • Topeka, Kansas 66603-3515
(785) 234-2644 • FAX (785) 234-8656
www.topekachamber.org
email: topekainfo@topekachamber.org



Written Testimony for the Senate Assessment and Taxation Committee

January 25, 1999
Christy Caldwell, Vice President
Greater Topeka Chamber of Commerce

Chairperson Langworthy and members of the Senate Assessment and Taxation Committee, the Greater Topeka Chamber of Commerce would like to express our strong support for SB 44. Increasing the 15% income tax credit to 20% for property taxes paid on machinery and equipment will continue the state's positive action to assist in reducing the Kansas business tax burden. This tax reduction will provide significant relief that businesses can utilize to create more jobs and/or modernize their equipment or facilities.

In addition to the testimony from Hill's Pet Nutrition and CJS Industries, from Topeka, I would like to express support for this legislation from Goodyear Tire and Rubber. Almost all of their property tax in Kansas is on machinery and equipment. This 5% increase in the income tax credit for machinery and equipment would mean an additional \$100,000 in savings to that plant. Although the Kansas Goodyear plant remains the plant with the highest property taxes in the nation (out of 14 plants), this reduction will assist in lowering that burden and put them on the road to a more equitable cost of operation with their sister plants. It will help to make them more competitive in their markets and better positioned for additional plant expansions in the future.

On behalf of these companies and the thousands of other businesses in the Topeka/Shawnee County area, we ask for your favorable consideration of SB 44.

*Senate Assessment & Taxation
1-25-99
Attachment 12*



January 25, 1999

The Honorable Audrey Langworthy
Chairman, Senate Assessment & Taxation Committee
State House
Topeka, KS 66612

Dear Chairman Langworthy and Members of the Committee:

As chairman of the chamber's State/Federal Affairs Task Force, I am writing to express the chamber's support for SB 44, which would increase the tax credit for personal property taxes paid on business machinery and equipment from 15% to 20%.

Taxes paid on business machinery and equipment are a top concern of chamber members. Even with the 15% tax credit approved by the 1998 legislature, Kansas continues to have the highest effective tax rate on business machinery and equipment in our region. The high tax rate not only serves as a strong disincentive for companies to make critical investments in new or upgraded equipment, but also significantly reduces the attractiveness of Kansas as a business location, limiting the state's competitive ability to attract and retain important industries.

Passage of SB 44 would be another positive step toward addressing these issues. For this reason, the chamber respectfully urges the Senate Assessment & Taxation Committee to recommend SB 44 favorably for passage. Thank you for your time and consideration.

Sincerely,

Gene Troehler

G. Eugene Troehler
Chairman, State/Federal Affairs Task Force

*Senate Assessment & Taxation
1-25-99
Attachment 13*

