

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman John Edmonds at 9:00 a.m. on January 29, 2001 in Room 519-S of the Capitol.

All members were present except: Rep. Findley, excused
Rep. Howell, excused
Rep. Kirk, excused
Rep. Mays, excused
Rep. Newton, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferee appearing before the committee: Greg Krissick, Kansas Corn Growers Association

Others attending: See attached list.

The Chairman opened the meeting by asking for bill introductions.

By unanimous consent bill will be introduced to repeal K.S.A. 74-8017 to relieve Kansas Inc. from requirement to prepare annual report due to inability to gather necessary information, as requested by Charles Ransom for Kansas Inc. [HB 2219 - Tax incentive effectiveness report requirement abolished]

By unanimous consent bill will be introduced to authorize Riley County to enact a sales tax for infrastructure and economic development. [HB 2221 - Riley County tax authority]

By unanimous consent bill will be introduced to require county appraiser to utilize the methodology approved by BOTA on appeal by taxpayer for at least three years after the BOTA decision as requested by Karen France on behalf of the Kansas Association of Realtors. [HB 2220 - Valuation methodology for property taxation purposes]

Hearing was opened on:

HB 2008, Property tax exemption for certain property used in production of ethanol

Greg Krissick, presented testimony (Attachment #1) in support of the bill on behalf of the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association, pointing out that it was recommended by the 2000 Special Committee on Utilities upon completion of their study of what state government could do to provide incentives for ethanol, a domestically renewable and environmentally friendly fuel that helps provide new markets for agricultural products. Mr. Krišek responded to questions of members of the Committee.

Representative Edmonds noted the Director of Budget reported that the fiscal effect of **HB 2008** cannot be currently estimated because adequate information is not available and that the Department of Revenue states quantifying the values involved would be extremely speculative.

Hearing on HB 2008 was closed.

CONTINUATION SHEET

Hearing was opened on:

HB 2009, Property tax exemption for certain property used in production of biodiesel.

No proponents or opponents appeared.

Representative Edmonds noted the Director of Budget reported that the fiscal effect of **HB 2009** cannot be currently estimated because adequate information is not available and that the Department of Revenue states quantifying the values involved would be extremely speculative.

Hearing on **HB 2009** was closed.

Hearing was opened on:

HB 2043, Property tax exemption for E-85 fuel dispensing equipment.

Greg Krissick, Director of Operations for Kansas Corn Growers Association, presented testimony (Attachment #2) in support of the bill as one component in Kansas' portfolio for encouraging increased use of ethanol. Mr. Kressek responded to questions of members of the Committee.

No opponents appeared.

Representative Edmonds noted the Director of Budget reported that passage of **HB 2043** would reduce property tax revenues to the state, cities and counties in Kansas but the fiscal effect cannot be estimated at this time.

Hearing on **HB 2043** was closed.

The meeting adjourned at 10:05 a.m. Next scheduled meeting is January 30.

GUEST LIST

DATE Jan. 29

NAME	REPRESENTING
George Petersen	Ks Taxpayers Network
Greg Krissek	KS Corn Growers Assoc
Andy Shaw	Kearney Law Office
Ruben Reed	KDA
Richard Ann	KDOR
Kelly Kuitala	City of Overland Park
John C. Schenk	Ks Ethanol Prod.
Justin Holstis	KS Coop Council
Ed O'Malley	Overland Park Chamber of Commerce
Kathy Dannon	KS Ethanol Association
Don Cowley	DOB
Merlee Carpenter	KCCF
Charles Tomson	KS Inc.
Leslie Kaufman	Ks Farm Bureau



**Testimony Regarding House Bill No. 2008
Before the House Taxation Committee
January 29, 2001**

Good morning Chairman Edmonds and members of the House Taxation Committee, my name is Greg Krissek. I am Director of Operations for the Kansas Corn Growers Association. I appreciate the opportunity to make brief comments in support of HB 2008. My comments also reflect the position of the Kansas Grain Sorghum Producers Association.

HB 2008 would create a statewide property tax exemption available for 10 years to new or acquired ethanol production plants in Kansas after December 31, 2000. The potential for expanded ethanol production nationally and statewide currently is providing an excellent example of value-added agricultural processing. The domestic ethanol industry just finished a year of record production – 1.6 billion gallons in calendar 2000. Yet while adjacent grain producing states have seen new ethanol plant construction, similar activity has not occurred in Kansas in recent years.

The economic activity in the region surrounding an ethanol plant is substantial. For example, for every million gallons of ethanol production at a location, significant grain and energy inputs are processed by highly skilled labor into both ethanol and large amounts of distiller's grains, a high quality, high protein feed co-product. These are transported to domestic markets by hundreds of trucks and railcars.

This economic activity generates multiple opportunities for generation of taxes at both the local and state levels. Other states in the Midwest have enacted various incentive programs to stimulate construction of new ethanol facilities. The provision suggested in HB 2008 will serve as one component in Kansas' portfolio for encouraging new ethanol plant construction and operation in the next several years.

We support this legislation that was recommended by last fall's Special Committee on Utilities upon completion of their study of what state government could do to provide incentives for ethanol - a domestically renewable and environmentally friendly fuel that helps provide new markets for agricultural products.

Thank you for the opportunity to comment and I will try to answer any questions concerning this testimony.





**Testimony Regarding House Bill No. 2043
Before the House Taxation Committee
January 29, 2001**

Good morning Chairman Edmonds and members of the House Taxation Committee, my name is Greg Krissek. I am Director of Operations for the Kansas Corn Growers Association. I appreciate the opportunity to make brief comments in support of HB 2043. My comments also reflect the position of the Kansas Grain Sorghum Producers Association.

HB 2043 would create a property tax exemption available for 2 years for E-85 retail fueling stations installed in Kansas after July 1, 2001. E-85 provides an exciting opportunity for expanded use of ethanol in motor vehicles.

Due to certain federal requirements both for alternative fuel vehicles in fleets and for fuel economy averages in all vehicles, there are now nearly one million vehicles on the road that have the capability to utilize this high ethanol percentage fuel. Chrysler, Ford, and General Motors are all producing a variety of vehicle models with the E-85 capability.

Additionally, the U.S. Postal Service is purchasing 10,000 E-85 delivery vehicles nationwide (several hundred to be stationed in Kansas) to utilize the fuel from private sector suppliers. E-85 simply means that the vehicle contains computer sensors to allow the engine to adjust to whatever level of ethanol in the fuel (up to 85%) and still operates effectively.

While an advantage of E-85 fuel is its handling and storage characteristics that are similar to typical liquid gasoline fuels, it remains challenging for several reasons to establish retail E-85 fueling stations that are publicly available. Thus, now with more vehicles seeking out E-85 availability, it is important to encourage the operators of the established fueling infrastructure to install E-85 fueling pumps.

We support this legislation as one component in Kansas' portfolio for encouraging increased use of ethanol - a domestically renewable and environmentally friendly fuel that helps provide new markets for agricultural products.

Thank you for the opportunity to comment and I will try to answer any questions concerning this testimony.

House Taxation

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Page 1 of 1