

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on January 30, 2001, 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: Senator Steve Morris
Greg Krissek, Kansas Corn Growers Association
Leslie Kaufman, Kansas Farm Bureau

Others attending: See attached list.

The minutes of the January 29, 2001, meeting were approved.

SB 35—Concerning motor vehicle fuels; relating to tax credits.

Senator Steve Morris testified in support of **SB 35**. He explained that the bill was introduced as a result of an interim committee study and that it addresses a major financial exposure that the state has under current law. Currently, the law allows a \$750 income tax exemption for individuals who buy an alternative fueled vehicle or a deduction of five percent of the cost of the vehicle, whichever is less. He explained further that, companies such as Ford Motor Company and GM are currently producing small pickups and vans that will run on E-85, which is an 85 percent blend of ethanol with a remaining portion of unleaded gasoline. Currently, if a person buys one of those vehicles and applies for the tax credit, they do not have to buy any ethanol in order to get the tax credit. Senator Morris noted that, if 40,000 of those type of vehicles were sold in Kansas in one year, it would result in a \$30 million dollar hit in the State General Fund. For this reason, he felt that a bill should be introduced which would allow the exemption without the current financial exposure. He said that **SB 35** requires the purchase of 500 gallons of either E-85 ethanol or ten percent ethanol blend in order to qualify for an exemption. He commented that **SB 35** does not clearly provide that ten percent ethanol is included, and perhaps a clarifying amendment would be necessary. In addition, he said the bill should be amended to provide that purchases of ethanol must occur within one year or one and one-half years from the date the vehicle was purchased. In summary, he said **SB 35** would allow the exemption to continue and still promote the use of ethanol but yet limit the state's financial exposure. He noted that the bill is retroactive to December 31, 1999.

Senator Clark raised a question with regard to the reference to M-85 on page 2, line 35 of **SB 35**. He asked whether language should be added to include M-85 in the purchase requirement or whether M-85 should be deleted from the bill. In response, Jim Ploger, Energy Program Manager for the Kansas Corporation Commission, informed the Committee that M-85 is no longer produced.

Greg Krissek, Kansas Corn Growers Association, testified in support of **SB 35**, noting that his comments also reflect the position of the Kansas Grain Sorghum Producers Association. He explained that, in Kansas, ethanol is produced as much, if not more, from grain sorghum as it is from corn. He went on to say that vehicles which are manufactured with the E-85 flexible fuel capability are not solely dependent upon one fixed refueling station. He said that there are currently over one million vehicles which have E-85 capability and more will be produced in the future. Because these vehicles are capable of operating solely on regular unleaded gasoline, it is possible for a taxpayer to claim the credit but never use any ethanol in their vehicle. Mr. Krissek believes that **SB 35** will assist in furthering the use of both the vehicles and the E-85 fuels. (Attachment 1)

CONTINUATION SHEET

Leslie Kaufman, Kansas Farm Bureau, testified in support of **SB 35**, noting that Kansas Farm Bureau strongly supports various initiatives to foster and promote the production of crop based fuels. Farm Bureau members have adopted a policy supporting consumer education, promotion efforts, and tax credits to expand the production and use of crop based alternative fuels. The Farm Bureau supports the concept of ensuring that those seeking the tax credit are actually using the type of blended fuel their vehicle was designed to burn. (Attachment 2)

There being no others wishing to testify, the hearing on **SB 35** was closed.

The meeting was adjourned at 11:15 a.m.

The next meeting is scheduled for January 31, 2001.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: January 30, 2001

NAME	REPRESENTING
Leslie Kaufman	Kansas Farm Bureau
Nancy Blough	Federal Accounting
Tom & Val Bell	KCC
Tom & Jim Hoop	KCC
Tom Bruno	GBBA
Todd Johnson	KLA
Jim Wagner	Neos. Farm Bureau
Bill Bredy	Ks Gov't Consulting
Joan Morgan	KFB
Robert Lohm	Kearney Law Office
Ann Burkes	DOB
John Crank	Sen Clark
Roberta Reed	KDA
GEORGE PETERSEN	Ks Taxpayers Network
John C. Bottenberg	Ks. Ethanol Producers
Ken Peterson	KS PETROLEUM Council
Greg Krissch	KCGA / KGSP
Ralph A. Claassen	KFB
Richard Crum	KDOR



**Testimony Regarding Senate Bill No. 35
Before the Senate Assessment and Taxation Committee
January 30, 2001**

Good morning Chairman Corbin and members of the Senate Assessment and 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 SB 35. My comments also reflect the position of the Kansas Grain Sorghum Producers Association.

SB 35 would amend the current income tax credit available to purchasers of an E-85 alternative-fuel vehicle pursuant to K.S.A. 2000 Supp. 79-32,201. These vehicles, which are manufactured with the E-85 Flexible Fuel Vehicle (FFV) capability, can operate on an ethanol blend between 0% and 85% with the remaining proportion of fuel as unleaded gasoline. These E-85 FFV's are one of the few examples of alternatively-fueled vehicles which are not solely dependant upon one fixed refueling station. E-85 FFV's have become readily available from Ford, Daimler Chrysler, and General Motors.

However, because E-85 FFV's are capable of operating solely on regular unleaded gasoline, it is possible for a taxpayer to claim the credit but never use any ethanol in their vehicle. The proposed amendment would require anyone seeking to claim the credit to also furnish evidence of the purchase of at least 500 gallons of the ethanol blended fuel as required by the secretary of revenue.

Since a corresponding goal of this program is the use of the alternative fuel in these vehicles, the proposed amendment will assist in furthering the use of both the vehicles and the E-85 fuels. Nationwide nearly one million E-85 vehicles are now on the road. Encouraging the purchase of the vehicles without use of the fuel does not accomplish the goals set out by these programs.

We support this legislation to clarify this issue that was identified by last fall's Special Committee on Utilities. It refines this example of what state government can do to provide encouragement for the use of ethanol blends- 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.



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

RE: SB 35 requiring proof of purchase of ethanol blend motor fuel to qualify for a tax credit for purchasing an alternative-fueled motor vehicle.

**January 30, 2001
Topeka, Kansas**

**Presented by:
Leslie J. Kaufman, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Corbin and members of the committee, thank you for the opportunity to appear before you today on behalf of Kansas Farm Bureau's farmer and rancher members across the state. I am Leslie Kaufman and I serve KFB as Associate Director of Public Policy.

Kansas Farm Bureau has strongly supported various initiatives to foster and promote the production and use of crop-based fuels. The voting delegates at our 82nd Annual Meeting, who are farmers and ranchers, reaffirmed and strengthened their commitment for initiatives that can increase bio-fuel use.

Our members have adopted policy supporting consumer education, promotion efforts and tax credits to expand the production and use of crop-based alternative fuels. Kansas has decided to promote the use of alternative fuels by providing a tax credit for the purchases of certain alternative-fueled motor vehicles. As we understand it, SB 35 will require those seeking to claim the credit to prove they have actually purchased a specified amount of ~~E-85~~ ^{Ethanol blended} fuel. We support the concept of insuring that those seeking the tax credit are actually using the type of fuel ~~E-85~~ ^{blended} vehicles were designed to burn.

The tax credit was designed to promote alternative-fueled vehicles and provide an incentive to increase the use of such vehicles. It seems only logical to require a portion of the fuel used in these vehicles to actually be a bio-fuel blend. As such, we respectfully request the committee look favorably on the concepts contained in SB 35.

*Senate Assessment & Taxation
1-30-01
Attachment 2*