Approved: March 31, 2006
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 15, 2006 in Room 519-S of the Capitol.

All members were present except:
Representative Lana Gordon- excused

Committee staff present:
Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Representative Nancy Kirk
Sister Therese Bangert, Kansas Catholic Conference
April Holman, Kansas Action for Children
George Lippencott, AARP
Karole Bradford, Interfaith Ministries (written only)

The Chairman called for bill introductions.

Vice Chairman Huff made a motion to introducte a bill, on behalf of Representative Horst, regarding a gallonage tax of $.20 on the distribution, manufacturing or wholesaling of carbonated soft drinks. Representative Owens seconded the motion. The motion carried.

HB 2972 - Sales taxation; relating to refunds of sales tax paid upon food.

Representative Nancy Kirk, sponsor of the bill, explained the bill increases the current two levels of rebates from $72 person in the household to $79 and from $36 to $39. Secondly it indexes the rebate amounts to the same cost-of-living mechanism used for the income eligibility thresholds (Attachment 1).

The Chairman opened the public hearing on **HB 2972.**

Sister Therese Bangert, Kansas Catholic Conference, said that the Food Sales Tax rebate is supportive to households - both families and individuals who have minimal income. She asked the Committee to be mindful that these dollars are almost certainly going back into Kansas economy. The Kansas Catholic Conference advocated for the expansion of the Foods Sales Tax refund back in 1998 and urged this cost-of-living adjustment for **HB 2972** (Attachment 2).

April Holman, Kansas Action for Children, rose in support of HB 2972. Her testimony provided an overview of **HB 2972.** It also explained why Kansas adopted the Food Sales Tax Rebate program, how the program worked and why adjustments to the program are necessary (Attachment 3).

George Lippencott, AARP, said that AARP supports the legislation. His testimony stated that the organization believed that ameliorating the impact of sales tax levies on food for low income seniors is an important element in increasing the ability of seniors to maintain their independence and thereby defraying the public costs of premature and unnecessary dependency (Attachment 4).

Karole Bradford, Interfaith Ministries, provided written testimony stating four reasons they support **HB 2972** (Attachment 5).

There being no opponents to the bill, the Chairman closed the public hearing on **HB 2972.**

No one opposed working the bill, so the Chairman asked the pleasure of the Committee.

Representative Goico made a motion to pass out **HB 2972**, favorable for passage and place it on the consent calendar. Representative Kirk seconded the motion. The motion carried.

Special Energy Sub-Committee report
The Chairman recognized Representative Carlson for a Special Energy Sub-Committee report on the following bills:

HB 2900 - Oil refineries; tax incentives; KDFA bonds; permits

HB 2901 - Crude oil pipelines; tax incentives; KDFA financing

HB 2902 - Integrated coal or coke gasification nitrogen fertilizer plants; tax incentives; KDFA bonds

HB 2903 - Cellulosic alcohol plants; tax incentives; KDFA financing

HB 2904 - Electric generation facilities; tax credits and exemptions; KDFA bonds ; safety requirements

Members of that Sub-Committee were Representative Carlson - Chair, Representatives Menghini and Goico. A signed Special Energy Sub-Committee report was given to the Chairman (Attachment 6).The bills were heard March 1, 2006, in a Joint Session of the House Taxation and Utility Committees and referred to the Special Energy Sub-Committee.

Representative Carlson requested that Martha Dorsey continue with the summary of the changes made by the sub-committee. She noted that attached to the memo was a summary that described the introduced version of the bills.

Martha Dorsey reviewed two memos that were distributed regarding: **HB 2900, HB 2901, HB 2902, HB 2903 and HB 2904** (Attachment 7). She gave an overview of the bills, designed to provide essentially the same tax incentives to five types of entities and explained the changes proposed to all five bills.

HB 2900 - Oil refineries: new, expanded, or refurbished; and certain environmental protection expenditures

At the Chairman's request, Martha Dorsey explained the proposed changes specific to the bill.

- Allow the income tax credit for restoration of production of a refinery that has been out of production for five or more years.

- Create procedures for applying to the Secretary of Health and Environment for certification that certain expenditures to which the tax provisions would apply are required to enable an existing refinery to comply with environmental standards.

Representative Carlson made a motion to adopt the sub-committee report and insert it into **HB 2900.** Representative Goico seconded the motion. The motion passed.

Representative Goico made a motion to pass out **HB 2900**, as amended, favorable for passage. Representative Brunk seconded the motion.

Discussion followed regarding profits of oil companies, lack of refinery capacity, what is the best policy for Kansas.

Representative Goico said the bill would create good jobs for Kansans and provide incentives to encourage rebuilding of an energy industry in Kansas. He closed his motion. The motion carried.

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 15, 2006 in Room 519-S of the Capitol.

HB 2901 - Pipelines: crude oil and natural gas liquids

Martha Dorsey explained the proposed changes specific to the bill.

- Expand the scope of the bill to include pipelines carrying natural gas liquids that meet specified criteria.
- Include a requirement that qualifying pipelines would have to be accessible to refineries and natural gas liquid-processing facilities in Kansas.

Representative Carlson made a motion to adopt the sub-committee report and insert it into **HB 2901.** Representative Goico seconded the motion. The motion passed.

Representative Carlson made a motion to pass out**HB 2901**, as amended, favorable for passage. Representative Goico seconded the motion. The motion carried.

HB 2902 - Integrated coal or coke gasification nitrogen fertilizer plants

Martha Dorsey explained the proposed changes specific to the bill.

- Increase to from 10 percent to 20 percent the amount by which the capacity of an existing plant must be expanded in order to qualify for the tax credit.

Representative Carlson made a motion to adopt the sub-committee report and insert it into **HB 2902.** Representative Menghini seconded the motion. The motion passed.

Representative Brunk made a motion to pass out **HB 2902**, as amended, favorable for passage. Representative Menghini seconded the motion. The motion carried.

The Chairman recognized the Southern Leavenworth Leadership Development Representatives.

Due to time constraints, the Chairman advised the Committee that they would resume tomorrow's meeting with the remaining Utility bills.

Representative Kinzer announced that the Sub-Committee on **HB 2680** would meet today, in room 192-E, upon adjournment of the House. It was his intent that a report would be given to the Committee tomorrow.

The meeting was adjourned at 10:30 A.M. The next meeting is March 15, 2006.

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HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
HEALTH AND HUMAN SERVICES
INSURANCE
TAXATION

Testimony on HB 2972

In 2000 the legislature changed components of the Food Sales Tax Rebate program. We wisely attached the income eligibility threshold to the cost of living index used by the federal government which is annually seen in the adjustments to Social Security benefits. HB 2972 addresses what I believe to have been an oversight.

HB 2972 increases the current two levels of rebates from $72 per person in the household to $79 and from$36 to $39. Secondly it indexes the rebate amounts to the same cost of living mechanism used for the income eligibility thresholds.

The Food Sales Tax Rebate program is a very targeted benefit for those of very low income. It was hoped that this rebate would offset the sales tax that we still have on food. The increase in the rebates plus indexing results in a 3 million dollar reduction in state revenues. This is a small amount of money, narrowly targeted, and serves to benefit those in greatest need. I urge your support.

Rep Nancy Kirk

House Taxation
3-15-06
Attachment 1

Kansas Catholic Conference

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House Taxation Committee
March 15, 2006
Support for HB 2972
Sister Therese Bangert

The Food Sales Tax rebate is supportive to households – both families and individuals who have minimal income. An extra six dollars or an extra three dollars may not seem significant. However, when utility and gasoline prices have done nothing but continue to rise, extra dollars can make a difference in a household.

I ask this committee to be mindful that these dollars are almost certainly going to go back into the Kansas economy.

I do not need to belabor this simple bill but want to offer two examples of how important the food sales tax credit is to some people:

- Center of Hope in Wichita began helping people with their food sales tax rebates a couple years ago. The Center's primary purpose is to prevent homelessness – to provide preventive measures. Their ability to assist families in obtaining the food sales tax rebate has been an added resource. Some people who do not qualify for any other benefit can be assisted by helping them obtain some of the tax money that they have paid for food.

- I have been involved in the Volunteers in Tax Assistance (VITA) site at Donnelly College in Kansas City, Kansas. Each year at the end of the tax season we have a reception to thank the volunteers and recap the tax season work. We encourage volunteers to tell stories. Several volunteers have told how surprised they are that people will quietly and patiently wait for three hours or more to get their $72 or $36 dollar food sales tax refund.

The Kansas Catholic Conference advocated for the expansion of the Foods Sales Tax refund back in 1998. We support the cost-of-living adjustment for HB 2972.

Thank you and Peace be with you!

House Taxation
3-15-06
Attachment 2

April Holman
Legislative Testimony
House Bill 2972
House Taxation Committee
March 15, 2005

Good morning Chairman Wilk and members of the Committee. On behalf of Kansas Action for Children, I would like to thank you for this opportunity to testify on House Bill 2972.

In 2003, Kansas Action for Children began a new initiative called Fiscal Focus. The purpose of Fiscal Focus is to improve the economic security of Kansas children and their families and ensure a balanced and fair tax system and budget process that protects the well-being of children and families as well as a stable system of state revenues.

The Kansas Food Sales Tax Rebate (FSTR) is often held up as an example of how to target sales tax relief to those taxpayers who need it most. This valuable tool for low-income taxpayers offsets the regressive practice of collecting sales tax on food in Kansas. However, even a well-designed system must be reviewed periodically to ensure that its effectiveness is maintained. Kansas Action for Children supports HB 2972 as a way of improving the Kansas Food Sales Tax Rebate by updating the rebate amounts and indexing the rebate for inflation on an ongoing basis.

Why did Kansas adopt the Food Sales Tax Rebate?

Kansas is one of a minority of states that continue to collect sales tax on the purchase of food. The sales tax, especially as it applies to the purchase of food, is a very regressive tax in that it places a much heavier burden on low- and moderate-income families than on better-off families. As a result, many states have exempted from the sales tax the purchase of food for home consumption. Other states have reduced the sales tax rate for food purchases. Still other states, like Kansas, have given tax credits or rebates to offset amounts paid on sales tax for food.

Kansas first adopted the FSTR in 1978 as a way of targeting relief to low-income taxpayers. This option was chosen because it would have been extremely costly to exempt the sale of food from the sales tax entirely and there was a sense that it was not necessary to give this tax break to wealthy taxpayers who could afford to pay the tax.

The Kansas system has been quite successful and has been used as a model for other states preferring targeted tax relief to an outright exemption of food from the sales tax.

How does the Kansas Food Sales Tax Rebate Work?

Taxpayers file a claim for the FSTR at the same time that they file their state income taxes. Combining the two forms has greatly increased the participation in the FSTR.

In order to qualify for the FSTR, a taxpayer must be:

- 55 or older;
- blind or disabled,
- have a dependent child under the age of 18 living in the household, AND
- must be a KS resident with qualifying income of $ 25,800 or less.

The amount of FSTR received varies depending on the income of the applicant. Applicants with an income ranging from $0-$12,900 receive $72 per exemption claimed on their income taxes. Applicants with an income ranging from $12,901-$25,800 receive $36 per exemption claimed on their income taxes.

Why are adjustments to the Food Sales Tax Rebate necessary?

While most agree that the FSTR is a successful tool for low-income Kansans, the effectiveness of the tool is prone to erosion due to inflation and rising sales taxes at the local level. It is important to remember that the FSTR is not based on the actual amount paid on sales tax for food. Instead the rebate is a fixed dollar amount, so if food prices go up or the state or local sales tax rate is increased the benefit received by the FSTR claimant compensates for less of the amount actually paid in taxes. This net reduction in the benefit of the FSTR undermines the purpose of the tool to mitigate the regressivity of the sales tax on food.

Overview of HB 2972

In order to put recipients of the FSTR in the same position that they were in when it was last adjusted, HB 2972 would raise the per person amount of the rebate from $36 and $72 to $39 and $78 respectively. We estimate that this increase would cost the state an additional $3 million per year. The bill would also index these rebate amounts for inflation on an ongoing basis as is already the case for the qualifying income criteria for the Food Sales Tax Rebate. HB 2972 would maintain the value of the Food Sales Tax Rebate on an ongoing basis. For this reason, we respectfully request your support of this bill.

AARP Kansas

March 15, 2006
Representative Wilk, Chair
House Committee on Taxation
HB 2972

Good Morning Chairman Wilk and Members of the House Taxation Committee. My name is George Lippencott and I am an AARP volunteer, one of the more than 350,000 members in the state of Kansas whose views are represented by AARP. Thank you for this opportunity to express our support for HB 2972 which would increase the sales tax rebate to low income Kansas seniors and those with disabilities.

AARP believes that ameliorating the impact of sales tax levies on food for low income seniors is an important element in increasing the ability of seniors to maintain their independence and thereby defraying the public costs of premature and unnecessary dependency.

We all must eat. Taxes on food are generally recognized as being regressive. Relief for those most heavily impacted, the elderly poor and disabled, has been recognized as responsible public policy by the Kansas Legislature since 1978. Kansas is now one of the many states that has adopted a rebate policy or exempted food entirely from sales tax levies.

Since the 2001 increase in the rebate amount for the most vulnerable Kansans, its worth has been eaten away by inflation. The proposed increase of about 8% in the rebate amount would substantially reverse the inflationary decrement. Demographic data suggest that Kansas is experiencing an increase in the numbers of citizens over 55. Such data also suggests that the incomes for these citizens may not be keeping pace with inflation. The impact of less money and more expensive food is obvious to us all. The increase in the Kansas Food Sales Tax Rebate, will in part, address these issues.

The legislature has previously recognized the impact of inflation on income and introduced an automatic cost of living adjustment to the qualifying income level for eligibility for the Food Sales Tax Rebate. This bill would as a matter of consistency extend the cost of living adjustment to the rebate amount itself, eliminating the need to take periodic affirmative action in the future.

The Kansas Food Sales Tax Rebate has been recognized by the legislature as good public policy for almost three decades. Continuing that commitment by permanently addressing the regrettable ravages of inflation would maintain the quality of life for our low income disabled and elderly.

Therefore, we respectfully request that you support HB 2972. Thank you.

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Marie Smith, President | William D. Novelli, Executive Director and CEO | www.aarp.org

House Taxation
3-15-06
Attachment 4

Inter-Faith Ministries
People of faith uniting to meet human needs

Testimony for the House Taxation Committee
March 15, 2006
Regarding House Bill 2972

Inter-Faith Ministries strongly supports House Bill 2972 and requests passage of the bill.

Inter-Faith Ministries, a faith-based nonprofit organization in Wichita, operates homeless shelters, provides income tax preparation assistance to low-income families (VITA), and delivers other direct services to low-income families and individuals. Everyday, we see families struggling with poverty, hunger and homelessness in our community, and we strongly support HB2972 as a basic tool to enhance economic security.

Inter-Faith Ministries supports the bill for the following reasons:

- Kansas is the 7th hungriest state in the nation. At any given time, 4.8% of our families experience hunger. This is a 50% increase from just five years ago.
- The Kansas Food Sales Tax Refund has been set at the same rate since 1998. The increase being proposed is very modest. It will help to correct for increases in the amounts of food sales tax paid due to inflation. This will be a small but meaningful change.
- Inter-Faith Ministries operates a VITA site. For the past three years, our staff and volunteers have provided basic income tax preparation assistance to low-income families free of charge. We have helped hundreds of families for whom the food sales tax refund, though small, is a very significant economic tool. With it, our clients can help feed their families, pay off high-interest bills, or begin to take steps toward economic security.
- Like other economic supports, the Kansas Food Sales Tax Refund generates almost immediate positive economic impact in the community. Economic supports tend to have measured economic impact ratios of 1:1.6 to 1:1.84 in the local communities in which they are received. The most modest measure would mean that each additional $3.00 of Kansas Food Sales Tax Refund would generate $4.80 in economic activity, while each $6.00 increase would generate $9.60 in economic activity. This constitutes a significant economic driver, especially in low-income rural communities.

This modest increase is a significant step in the right direction to boost the health of Kansas families as well as the Kansas economy. Please vote this bill out of committee, and recommend for passage on the floor of the House.

Karole Bradford, Program Director
Campaign To End Childhood Hunger

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HOUSE OF
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COMMERCE BUDGET
TAXATION

March 14, 2006

Report of Joint Tax and Utilities Sub-committee on Energy Bills

Members of the Tax Sub-committee
Richard Carlson, Chair
Mario Goico
Julie Mengenhi

Chairman Wilk:

The sub-committee passed out unanimously a recommendation for favorable passage all of the following bills:

HB 2900, HB 2901, HB 2902, HB 2903, HB 2904 and HB 2723.

HB 2900
An act concerning oil refineries, giving for certain tax credits, income tax deductions and property tax exemptions. The bill was amended in committee; see attachment.

HB 2901
An act concerning certain pipelines, providing certain income tax credits, income tax deductions and property tax exemptions. The bill was amended in committee; see attachment.

HB 2902
An act concerning certain nitrogen fertilizer plants, providing income tax credits, income tax deductions and property tax exemptions. The bill was amended in committee; see attachment.

HB 2903
An act concerning cellulose alcohol plants providing certain income tax credits, income tax deductions and property tax exemptions. The bill was amended in committee; see attachment.

HB 2904
An act concerning electric generation facilities; providing certain income tax credit and property tax exemptions. The bill was amended in committee; see attachment.

HB 2723
This bill was a gut and go. All the previous language was stripped from the bill and new contents were inserted. See attachments for details.

Richard Carlson

Julie Menghini #3

MARIO GOICO

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March 15, 2006

To: Representative Richard Carlson

From: Mary Galligan, Assistant Director for Information Management
Martha B. Dorsey, Principal Analyst

Re: Summary of Joint Energy-Taxation Subcommittee Recommendations on HBs 2900 - 2904

Overview

The bills would provide essentially the same tax incentives to five types of entities:

- Oil Refineries (HB 2900);
- Crude oil and natural gas liquids pipelines (HB 2901);
- Integrated coal or coke gasification nitrogen fertilizer plants (HB 2902);
- Cellulosic alcohol plants (HB 2903); and
- Nuclear and integrated coal gasification power plants (HB 2904).

Please refer to the attached summary that describes the introduced version of the bills.

The Subcommittee, composed of three members of the House Taxation committee (Representatives Carlson, Goico, and Menghini) and three members of the House Utilities Committee (Representatives Holmes, Krehbiel, and Hawk), makes the following recommendations after consultation with the Departments of Revenue and Commerce, the Kansas Corporation Commission, representatives of the industries that might utilize these tax incentives, and interested members of the Legislature.

Changes Proposed to <u>All Five Bills</u>:

- Simplify and clarify tax credit language to:
    - Remove the cap on each installment payment and require, instead, that the credit be taken in ten equal annual installments.

  - As drafted, the bills would require each of the ten annual payments be in an amount equal to 25 percent of the total credit amount, divided by ten, or the taxpayer's total income tax liability, whichever is less.

- Remove the language limiting any tax credit amount carried forward beyond the ten years to 50 percent of the taxpayer's income tax liability for the taxable year.
  - The bills would therefore result in simply allowing any remaining tax credit to be carried forward for four years beyond the ten years for which annual installments are paid.

- Allow the tax credit to be transferred to a pass-through entity. (The introduced version of the bill would only allow the tax credit to pass-through entities that directly make qualified investments.)

- Prohibit expenditures used to qualify for this credit from being used to qualify for any other Kansas income tax credit.

- Make technical changes.

Proposed Changes Specific to HB 2900 – Oil Refineries: new, expanded, or refurbished; and certain environmental protection expenditures

- Allow the income tax credit for restoration of production of a refinery that has been out of production for five or more years.
  - The bill, as introduced, would apply only to new refineries or expansion of existing refinery capacity of at least ten percent.

- Create procedures for applying to the Secretary of Health and Environment for certification that certain expenditures to which the tax provisions would apply are required to enable an existing refinery to comply with environmental standards. (Procedural language requested by the Department of Health and Environment.)

Proposed Changes Specific to HB 2901 – Pipelines: crude oil and natural gas liquids

- Expand the scope of the bill to include pipelines carrying natural gas liquids that meet specified criteria. (The original bill would apply only to pipelines carrying crude oil.)

- Include a requirement that qualifying pipelines would have to be accessible to refineries and natural gas liquid-processing facilities in Kansas.

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Proposed Changes Specific to HB 2902 – Integrated coal or coke gasification nitrogen fertilizer plants

- Increase to from 10 percent to 20 percent the amount by which the capacity of an existing plant must be expanded in order to qualify for the tax credit.

Proposed Changes Specific to HB 2903 – Cellulocic alcohol plants

- Include the production of coproducts in the definition of "cellulosic alcohol plant," thus extending tax incentives to investments in certain additional related manufacturing capacity.

Proposed Changes Specific to HB 2904 – Nuclear and integrated coal gasification electric generation plants

- Exclude transmission equipment and other real and personal property at the plant site from the property tax exemption.

- Remove the specific adjustment of the income tax credit by the amount of Kansas coal used at the plant. (Original bill would have taken into account, in the calculation of the tax credit, the percentage of Kansas coal used at the plant as compared to the amount of Kansas coal determined prudent by the Kansas Corporation Commission.)

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Revised
March 1, 2006

To: Representative Carl Holmes **Office No.:** 115-S

From: Mary Galligan, Assistant Director for Information Management
Mary Torrence, Revisor of Statutes Office

Re: 2006 House Bills 2900-2904

In response to your request for short summaries of recently introduced committee bills, we have prepared the following:

HB 2900—Oil Refineries. (Defined as an industrial process plant, located in Kansas, where crude oil is processed and refined into petroleum products.) The bill would:

- Provide an income tax credit, beginning with the 2006 tax year, for investments in new construction or expansion (minimum of ten percent of capacity) of an existing refinery if the taxpayer agrees to operate the plant for at least ten years.;
  - The credit would be in an amount equal to the sum of ten percent of the investment for the first $500 million invested and 5 percent of the amount of investment over $500 million;
  - The credit would be awarded in ten annual installments; and
  - The installment could not exceed 25% of the lesser of: (a) the credit amount divided by 10; or (b) the taxpayer's income tax liability in a single tax year.
- Provide for accelerated depreciation for ten years (55 percent first year, 5 percent for nine years);
- Provide a ten-year (beginning with purchase or the start of construction) property tax exemption for new equipment and refinery construction or expansion of capacity of at least ten percent;
- Provide for expedited permit handling by the Department of Health and Environment; and
- Provide for KDFA financing assistance.

HB 2901—Crude Oil Pipelines. (Defined to be a pipeline, at least 190 miles of which is located in Kansas, that is used primarily for transportation of crude oil.) The bill would:

- Provide an income tax credit, beginning with the 2006 tax year, for investments in new construction or expansion (minimum of ten percent of capacity) of pipelines if the taxpayer agrees to operate the pipeline for at least ten years;
    - The credit would be in an amount equal to the sum of ten percent of the investment for the first $500 million invested and 5 percent of the amount of investment over $500 million;
    - The credit would be awarded in ten annual installments; and
    - The installment could not exceed 25% of the lesser of: (a) the credit amount divided by 10; or (b) the taxpayer's income tax liability in a single tax year.
- Provide for accelerated depreciation (55 percent first year, 5 percent for nine years);
- Provide a ten-year (beginning with purchase or the start of construction) property tax exemption for new equipment and refinery construction or expansion of capacity of at least ten percent; and
- Provide for KDFA financing assistance.

HB 2902—Integrated Coal or Coke Gasification(ICCG) Nitrogen Fertilizer Plant. (Defined to be a plant in Kansas where coal or petroleum coke is used to synthesize gas and that gas is used to produce nitrogen fertilizer.) The bill would:

- Provide an income tax credit, beginning with the 2006 tax year, for investments in new construction or expansion (minimum of ten percent of capacity) of an ICCG nitrogen fertilizer plant if the taxpayer agrees to operate the plant for at least ten years, and if the taxpayer uses Kansas coal in any coal gasification process at the plant, as required by the Secretary of Commerce;
    - The credit would be in an amount equal to the sum of ten percent of the investment for the first $500 million invested and 5 percent of the amount of investment over $500 million;
    - The credit would be awarded in ten annual installments; and
    - The installment could not exceed 25% of the lesser of: (a) the credit amount divided by 10; or (b) the taxpayer's income tax liability in a single tax year.
- Provide for accelerated depreciation (55 percent first year, 5 percent for nine years);

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Bill Briefing – HB's 2900 through 2904

All five bills would provide essentially the same income tax credit and income tax deduction to five entities.

- The entities receiving the credits would be:
  - Oil Refineries – HB 2900
  - Crude Oil Pipelines – HB 2901
  - Integrated Coal or Coke Gasification (ICCG) Nitrogen Fertilizer Plant – HB 2902
  - Cellulosic Alcohol Plant – HB 2903
  - Nuclear Generation Facility Expansion, and New or Expanded Integrated Coal Gasification Power Plant (ICGPP) – HB 2904

- The five bills would provide the following, with respect to tax credits and deductions:
  - An income tax credit, beginning with the 2006 tax year, for investments in new construction or expansion (minimum of ten percent of capacity) of an existing entity if the taxpayer agrees to operate the entity for at least ten years.
    - The credit would be in an amount equal to the sum of ten percent of the investment for the first $500 million invested and 5 percent of the amount of investment over $500 million.
    - The credit would be awarded in ten annual installments.
    - The installment could not exceed 25% of the lesser of: (a) the credit amount divided by 10; or (b) the taxpayer's income tax liability in a single tax year.
  - A deduction from Kansas adjusted gross income regarding the amortization of the amortizable costs. This amortization will be subject to accelerated depreciation for ten years (55 percent first year, 5 percent for nine years).
  - Kansas Development Financing Authority (KDFA) financing assistance.

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<u>Four of the five bills provide the same property tax exemption. The fifth bill's exemption is a little different.</u>

- HB's 2900 through 2903 – A ten-year (beginning with purchase or the start of construction) property tax exemption for new equipment and refinery construction or expansion of capacity of at least ten percent.

- HB 2904 (related to Nuclear Generation Facility and Integrated Coal Gasification Power Plant [ICGPP]):

  - A 12-year (beginning with purchase or the start of construction or installation) property tax exemption for any new or expanded (by at least 10 percent) ICGPP property.

  - A 12-year (beginning with purchase or the start of construction or installation) property tax exemption for property purchased for or constructed or installed at an ICGPP to comply with federal or state air emission standards; and

  - A 12-year (beginning with purchase or the start of construction) property tax exemption for expansion of existing nuclear generation facility capacity by at least ten percent.

<u>Items unique to a particular bill:</u>

- HB 2900 (related to oil refineries) would:

  - Provide for an income tax credit for qualified expenditures required to bring a new or existing refinery into compliance with environmental standards established pursuant to federal statute or regulation.

  - Provide for expedited permit handling by the Department of Health and Environment.

- HB 2904 would exempt nuclear generating facilities from the power plant siting act if built within five miles of an existing nuclear plant.

- Provide a ten-year (beginning with purchase or the start of construction) property tax exemption for new equipment and plant construction or expansion of capacity of at least ten percent; and

- Provide for KDFA financing assistance.

HB 2903—Cellulosic Alcohol Plants. (Defined to be a plant in Kansas where matter containing cellulose and which is available on a renewable basis is processed to produce cellulosic alcohol.) The bill would:

- Provide an income tax credit, beginning with the 2006 tax year, for investments in new construction or expansion (minimum of ten percent of capacity) of a cellulosic alcohol plant if the taxpayer agrees to operate the plant for at least ten years;

  - The credit would be in an amount equal to the sum of ten percent of the investment for the first $500 million invested and 5 percent of the amount of investment over $500 million;

  - The credit would be awarded in ten annual installments; and

  - The installment could not exceed 25% of the lesser of: (a) the credit amount divided by 10; or (b) the taxpayer's income tax liability in a single tax year.

- Provide for accelerated depreciation (55 percent first year, five percent for nine years);

- Provide a ten-year (beginning with purchase or the start of construction) property tax exemption for new equipment and plant construction or expansion of capacity of at least ten percent; and

- Provide for KDFA financing assistance.

HB 2904—Nuclear generation facility expansion and new or expanded Integrated Coal Gasification Power Plant (ICGPP). (Defined to be a facility in Kansas that synthesizes coal into gas that can be used as a fuel to generate electricity, uses that synthetic gas as a fuel to generate electricity, and primarily serves retail electric customers in Kansas.) The bill would:

- Provide an income tax credit, beginning with the 2006 tax year, for investments in new construction or expansion (minimum of ten percent of capacity) of an ICGPP if the taxpayer agrees to operate the plant for at least ten years and agrees to use coal produced in Kansas as required by the Kansas Corporation Commission;

  - The credit would be in an amount equal to the sum of ten percent of the investment for the first $500 million invested and five percent of the amount of investment over $500 million;

  - The credit would be awarded in ten annual installments; and
  - The installment could not exceed 25% of the lesser of: (a) the credit amount divided by 10; or (b) the taxpayer's income tax liability in a single tax year.

- Provide for accelerated depreciation (55 percent first year, five percent for nine years) for ICGPPs;
- Provide a 12-year (beginning with purchase or the start of construction) property tax exemption for new equipment and plant construction or expansion of ICGPP capacity of least ten percent. The property tax exemption would specifically extend to equipment needed to comply with federal or state air emission standards;
- Provide a 12-year (beginning with purchase or the start of construction) property tax exemption for expansion of existing nuclear generation facility capacity by at least ten percent;
- Exempt new nuclear generating facilities from the power plant siting act if built within five miles of existing nuclear plant; and
- Provide for KDFA financing assistance for ICGPPs.