

MINUTES OF THE SENATE AGRICULTURE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a. m. on February 8, 2006 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research
Lisa Montgomery, Office of Revisor of Statutes
Judy Seitz, Committee Secretary

Conferees appearing before the Committee:

Others attending:

See attached list.

Chairman Taddiken welcomed the 2006 Class of Tomorrow's Agribusiness Leaders as visitors to the meeting.

Discussion continued on **SB 388—Establishing the Kansas qualified biodiesel fuel producer incentive fund**. A copy of **SB 388** with changes was distributed (Attachment 1). There was discussion on when to put the money into the program. The Chairman has a motion pending changing the date the money is transferred from July 1, 2007 to April 1, 2007. Further discussion on the date of the transfer of funds and the amount to be transferred was held.

Chairman Taddiken withdrew the original motion. Senator Pine withdrew his second.

The Chairman then made a motion to put \$437,500 in the Fund on April 1, 2007, increasing to \$875,000 each quarter starting July 1, 2007. Motion seconded by Senator Pine. Motion passed. Further discussion followed.

Chairman Taddiken called attention to two handouts from the Kansas Department of Transportation (KDOT). One handout showed Kansas motor fuel tax receipts and distributions currently and with the enactment of **SB 388** (Attachments 2 and 3).

Senator Schmidt moved to amend the bill so that 100% of the fiscal impact of the bill would be taken from the state's share of the motor fuel tax receipts. Motion seconded by Senator Morris. Motion passed.

Chairman Taddiken made a motion to change the date on page two, line 10 from 2015 to 2016. Motion seconded by Senator Pine. Motion passed.

Senator Morris moved to pass **SB 388** with amendments. Motion seconded by Senator Bruce. Motion passed. Chairman Taddiken stated that **SB 388** is passed out of Committee favorably as amended.

Mr. Gilliland provided a handout (Attachment 4) which shows the bills referred to the Senate Committee on Agriculture from the Select Joint Committee on Energy.

The Committee then turned its attention to **SB 389—Concerning income taxation; relating to credits; biofuels mixing facility**. This bill also has been referred to the Assessment and Taxation Committee.

The Chairman said there was discussion in the Select Joint Committee on Energy on distribution of the fuel. This bill also would make terminals eligible for tax credits. The fiscal note on **SB 389** shows the state would receive \$480,000 less. Further discussion was held on definitions of various terms in the bill.

Chairman Taddiken said hearings on **SB 389** would continue at the next meeting. He asked the Committee if there is support for the concept of the bill. He asked Committee members to let him know of any bills they would like to hear.

The meeting was adjourned at 9:28 a.m. The next meeting will be probably be Monday, February 13.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: February 8, 2006

NAME	REPRESENTING
Keaton Johnson	Kansas Soybean Assoc.
CV Cotsoradis	KDA
Kirk Kennedy	Valley Coop
Craig Nelson	Superior Dashlet Inc.
Marvin Schlatter	Team Marketing Alliance
Andy Simersb	Farmers Coop Equity Co.
Jeremy Girard	Hannebaum Grain Co.
OJ Pearl	J.B. Pearl Sales & Service
Mike Stephenson	McPherson Concrete Storage System
Ernie Dominguez	KDOC
CHRIS LEWIS	ADM
Deb Miller	Farmers Union State
L-Vell Winsor	Cargill
Leslie Kaufman	Ks Coop Council
Estelle Montgomery	Hein Law Firm
Sandy Braden	Alliance for Auto Manufact.
Mark Tomb	LKM
John Donley	Ks Lusk Assoc.
David R Corbin	KDOR

SENATE BILL No. 388

By Committee on Agriculture
(By request of Select Joint Committee on Energy)

1-18

10 AN ACT establishing the Kansas qualified biodiesel fuel producer incen-
11 tive fund [amending K.S.A. 2005 Supp. 79-3425 and repealing the
12 existing section].
13

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

15 New Section 1. As used in sections 1 through 4, and amendments
16 thereto, "biodiesel fuel" means a renewable, biodegradable, mono alkyl
17 ester combustible liquid fuel derived from vegetable oils or animal fats
18 and that meets American society for testing and materials specification
19 D6751-02 for biodiesel fuel (B100) blend stock for distillate fuels.

20 New Sec. 2. On July 1, 2007, and quarterly thereafter, the [state trea-
21 surer shall credit] \$75,000 from [the amounts remaining after the state
22 treasurer credits an amount to the motor vehicle fuel tax refund fund as
23 provided in K.S.A. 79-3425, and amendments thereto] to the Kansas qual-
24 ified biodiesel fuel producer incentive fund.

25 New Sec. 3. (a) All moneys in the Kansas qualified biodiesel fuel
26 producer incentive fund shall be expended by the secretary of the de-
27 partment of revenue for the payment of producer incentives for the pro-
28 duction of biodiesel fuel under the provisions of this act.

29 (b) All moneys remaining in the Kansas qualified biodiesel fuel pro-
30 ducer incentive fund upon the expiration of this act shall be credited by
31 the state treasurer in the manner provided by K.S.A. 79-3425, and amend-
32 ments thereto.

33 New Sec. 4. (a) A Kansas qualified biodiesel fuel producer shall be
34 paid a production incentive for the production of biodiesel fuel in the
35 amount of \$.30 for each gallon of biodiesel fuel sold by the producer. The
36 incentive shall be payable to the Kansas qualified biodiesel fuel producer
37 from the Kansas qualified biodiesel fuel producer incentive fund.

38 (b) The Kansas qualified biodiesel fuel producer shall file for the
39 production incentive beginning July 1, 2007, and quarterly thereafter, on
40 a form furnished by the department of revenue. The form shall require
41 the producer to file such information as the secretary of revenue may
42 require by rules and regulations, but shall include information relating to
43 the original production records and invoices issued to the biodiesel fuel

[director of accounts and reports shall transfer
the state highway fund

Senate Agriculture
Committee
2-8-06
Attachment 1

2-1

1 blender at the time of delivery, showing the total number of gallons of
2 biodiesel fuel sold to the biodiesel fuel blender for the previous three
3 months.

4 (c) The secretary of revenue may adopt such rules and regulations
5 necessary to administer the provisions of this act, including the devel-
6 opment of a procedure for the payment of the production incentive. Such
7 payment procedure shall include the development procedure for the pay-
8 ment of the production incentive on a pro rata basis.

9 New Sec. 5. The provisions of sections 1 through 4, and amendments
10 thereto, shall expire on July 1, 2015.

11 Sec. 6. ~~K.S.A. 2005 Supp. 79-3425 is hereby amended to read as~~
12 ~~follows: 79-3425. All of the amounts collected under the motor fuel tax~~
13 ~~law and amendments thereto, except amounts collected pursuant to~~
14 ~~K.S.A. 79-3409c, and amendments thereto, shall be remitted by the di-~~
15 ~~rector to the state treasurer in accordance with the provisions of K.S.A.~~
16 ~~75-4215, and amendments thereto. Upon receipt of each such remittance,~~
17 ~~the state treasurer shall deposit the entire amount in the state treasury.~~
18 ~~The state treasurer shall credit such amount as the director shall order in~~
19 ~~the motor vehicle fuel tax refund fund to be used for the purpose of~~
20 ~~paying motor vehicle fuel tax refunds as provided by law. The state trea-~~
21 ~~surer shall credit the remainder of such amounts as follows: To the state~~
22 ~~highway fund amounts specified in K.S.A. 79-34,142, and amendments~~
23 ~~thereto, to a special city and county highway fund which is hereby created,~~
24 ~~amounts specified in K.S.A. 79-34,142, and amendments thereto, to be~~
25 ~~apportioned and distributed in the manner provided in K.S.A. 79-3425c,~~
26 ~~and amendments thereto, and to the current production account and the~~
27 ~~new production account of the Kansas qualified agricultural ethyl alcohol~~
28 ~~producer incentive fund, which is hereby created in the state treasury, in~~
29 ~~the amount and in the manner specified in K.S.A. 79-34,161, and amend-~~
30 ~~ments thereto, to be expended in the manner provided in K.S.A. 79-~~
31 ~~34,162, and amendments thereto, and to the Kansas qualified biodiesel~~
32 ~~fuel producer incentive fund, which is hereby created in the state treasury,~~
33 ~~in the amount and in the manner specified in section 2, and amendments~~
34 ~~thereto, to be expended in the manner provided in section 3, and amend-~~
35 ~~ments thereto.~~

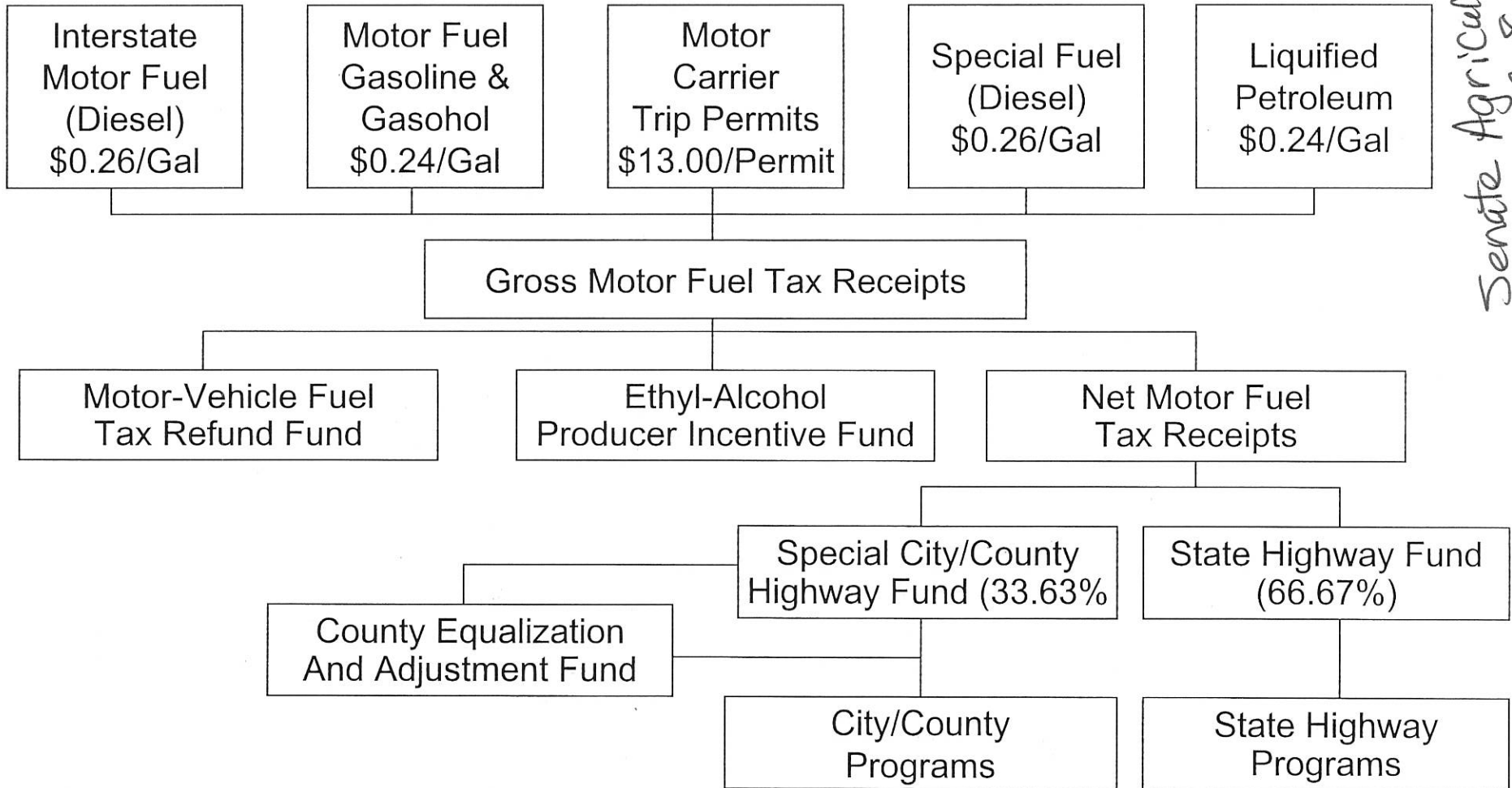
36 Sec. 7. ~~K.S.A. 2005 Supp. 79-3425 is hereby repealed.~~

37 Sec. 8. This act shall take effect and be in force from and after its
38 publication in the statute book.

Renumber sections accordingly.

Kansas

Motor Fuel Tax Receipts & Distributions

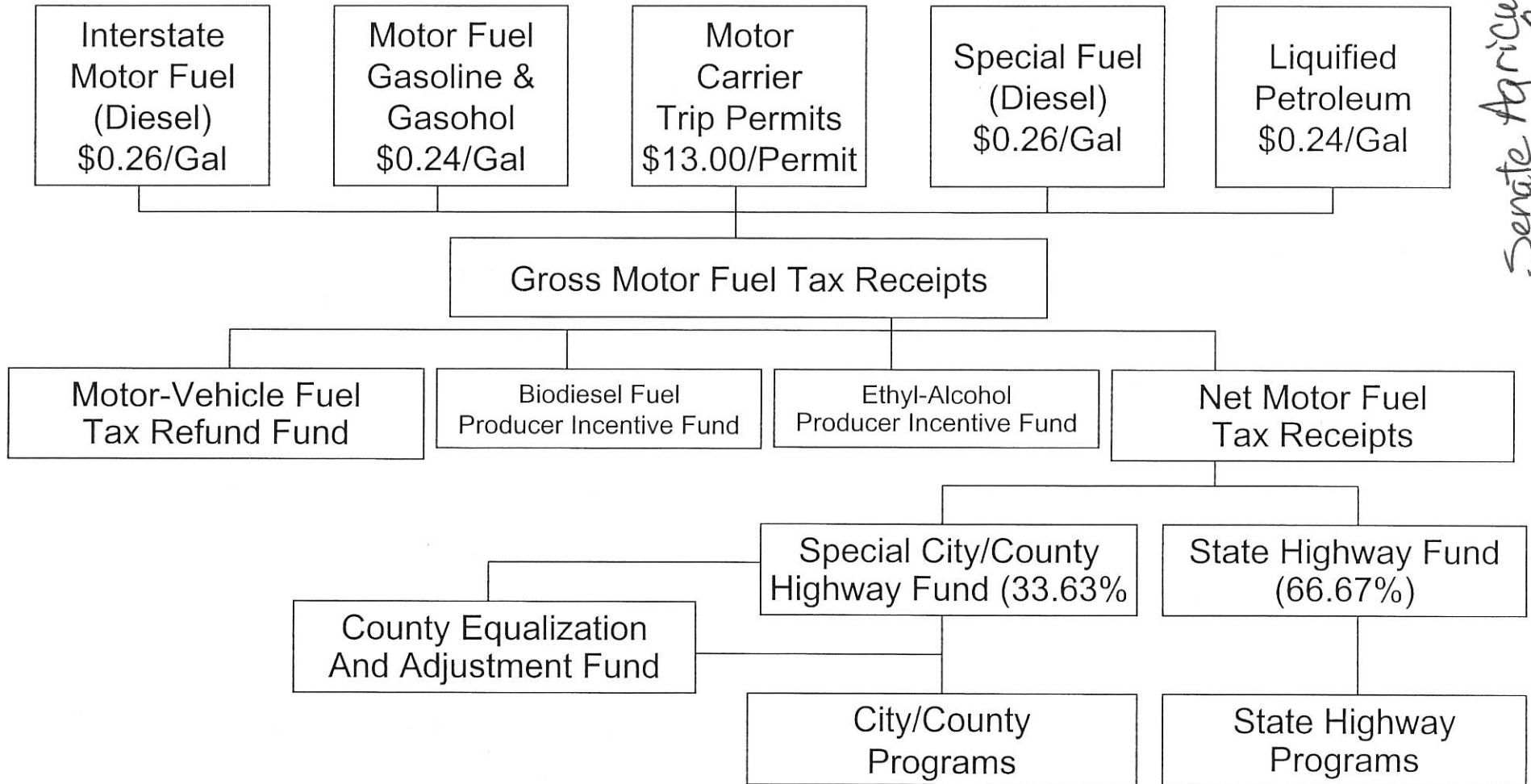


*Senate Agriculture Committee
2-8-06
Attachment 2*

SOURCE: Kansas Department of Transportation

Kansas

Motor Fuel Tax Receipts & Distributions (SB 388)



*Senate Agriculture Committee
2-8-06
Attachment 3*

SOURCE: Kansas Department of Transportation

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February 8, 2006

BILLS REFERRED TO THE SENATE COMMITTEE ON AGRICULTURE FROM THE SELECT JOINT COMMITTEE ON ENERGY

<u>Bill Number</u>	<u>Summary</u>	<u>Referral</u>
SB 387	Requires that all gasoline sold in Kansas contain 10 percent ethanol and that all diesel fuel sold in the state contain at least 2 percent biodiesel beginning January 1, 2010.	Agriculture
SB 388	Provides for a maximum \$0.30 per gallon incentive for biodiesel producers by instituting a program parallel to that currently in place for ethanol producers (KSA 79- 34,161, <i>et seq.</i>). The maximum available through the program would be \$875,000 per quarter beginning July 1, 2007.	Agriculture
SB 389	<ul style="list-style-type: none">• Provides an income tax credit for direct costs incurred after December 31, 2005, to adapt or add equipment to retrofit an existing facility or adapt a new facility in Kansas to produce or blend biofuels, which includes ethanol and biodiesel. The credit would be limited to 40 percent of the total expended, not to exceed \$160,000, and could be carried forward for up to three tax years.• Makes the tax credits provided for in the bill marketable and transferable.	Agriculture, Assessment and Taxation
SB 390	<ul style="list-style-type: none">• Provides for a 12-year property tax exemption for rail terminals dedicated to transportation of biofuels.• Provides for KDFA financing assistance for those facilities.	Agriculture, Assessment and Taxation

Senate Agriculture
Committee
2-8-06
Attachment 4

Bill Number	Summary	Referral
SB 393	<ul style="list-style-type: none">● Provides a five-year property tax exemption for property acquired or constructed after December 31, 2005, if that property is used regularly in the production of biodiesel by a Kansas biodiesel producer. In addition, provides a two-year property tax exemption for that property actually and regularly used exclusively at the point of sale in the storage, blending, dispensing, or preparation for sale of biodiesel by a Kansas seller for property acquired after December 31, 2005.● Provides for a sales tax exemption for equipment purchased to enable a Kansas facility to sell at retail or to store, blend, or dispense biodiesel fuel.● Provides an income tax credit for direct costs incurred after December 31, 2005, to adapt or add equipment to retrofit an existing facility or adapt a new facility in Kansas to produce or blend biodiesel. The credit would be limited to 40 percent of the total expended, not to exceed \$160,000, and could be carried forward for up to three tax years.	Agriculture, Assessment and Taxation