

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on February 19, 2007 in Room 241-N of the Capitol.

All members were present except:

Vaughn Flora-excused
Oletha Faust-Goudeau-excused

Committee staff present:

Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Mary Torrence, Revisor's Office
Jason Long, Revisor's Office
Rena Hansen, Committee Assistant

Conferees appearing before the committee:

Tom Sloan, State Representative
Ed Cross, KIOGA, Kansas Independent Oil and Gas Association
Dr. Ed Martinko, Kansas Biological Survey
Rex Buchanan, Kansas Geological Survey

Others attending:

Thirty one including the attached list.

HB 2405: Incentives for production of energy from renewable resources and use of waste energy from electric generation; sunset of certain tax credits.

Discussion continued from Friday, February 16, by Representatives: Tom Sloan, Carl Holmes, Forrest Knox, and Tom Hawk.

Representative Tom Hawk moved to amend HB 2405 (Attachment 1). Seconded by Representative Cindy Neighbor.

Discussion by Representatives: Richard Proehl, Tom Hawk, Carl Holmes, Tom Sloan and Revisor Mary Torrence.

Motion Carried.

Discussion by Representatives: Carl Holmes, Tom Hawk, Josh Svaty, and Annie Kuether.

Representative Tom Sloan moved to amend HB 2405 page 19 to read "suitable for human consumption" following on line 30 the word sorghum. Seconded by Moxley motion carried.

Representative Tom Hawk moved to pass favorable HB 2405 as amended. Representative Vern Swanson seconded the motion. Motion carried.

Representative Carl Holmes will carry **HB 2405** on the House floor.

HB 2406: Wind energy electric generation facilities of public utilities; tax incentives; siting requirements to qualify.

Representative Tom Sloan moved to amend HB 2406 (Attachment 2). Seconded by Representative Dan Johnson.

Discussion ensued by Representatives: Annie Kuether, and Tom Sloan.

Motion failed.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:00 A.M. on February 19, 2007 in Room 241-N of the Capitol.

Discussion ensued by Representatives: Annie Kuether, Carl Holmes, Tom Sloan, and Revisor Mary Torrence.

Representative Tom Sloan moved to strike section five of **HB 2406**. Seconded by Representative Josh Svaty.

Discussion by Representatives: Annie Kuether, Tom Hawk, Carl Holmes, Tom Moxley, and Forrest Knox.

Motion failed 8-9.

Motion to table **HB 2406** was made by Representative Don Myers. Seconded by Representative Rob Olson. Motion Passed. Bill tabled.

HB 2419: Carbon dioxide reduction act; income tax deductions and property tax exemptions; regulation of carbon dioxide injection wells.

Representative Tom Sloan moved to amend **HB 2419** (Attachment 3). Seconded by Representative Annie Kuether.

Discussion by Representatives: Vern Swanson, Tom Sloan, Annie Kuether, Carl Holmes, Margaret Long, and Revisor Jason Long.

Motion Carried.

Representative Tom Sloan moved to amend **HB 2419** Page 4 line 37 to return to five and not fifteen. Seconded by Representative Annie Kuether. Motion carried

Representative Carl Holmes presented an amendment to **HB 2419** (Attachment 4). Explanation was given by Revisor Jason Long on New Section 3. The new language takes the CO₂ from a pollutant to a regulatory issue.

Discussion by Representatives: Tom Sloan, and Carl Holmes.

No action was taken on that proposed amendment.

Revisor Jason Long explained the proposed amendment, (Attachment 5), that was brought by Trevor McKeeman, noting the only change would be on line 40 changing 2007 to 2006.

Comments by Representatives: Tom Sloan and Carl Holmes.

No action was taken on the proposed amendment.

Representative Annie Kuether moved to pass out **HB 2419** as amended. Representative Cindy Neighbor seconded the motion.

Discussion ensued by Representatives: Forrest Knox, and Carl Holmes.

Motion carried.

Representative Carl Holmes will carry **HB 2419** on the House floor.

Hearing on:

HB 2429: Funding of research in the development of reclamation technologies and, practices and energy production technologies.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:00 A.M. on February 19, 2007 in Room 241-N of the Capitol.

Neutral:

Dr. Ed Martinko, Kansas Biological Survey, (Attachment 6), offered neutral testimony on **HB 2429** with information to help the committee learn about the biological survey's experience and capabilities as the committee deliberates on the merits of the proposed legislation.

Rex Buchanan, Kansas Geological Survey, (Attachment 7), representing Bill Harrison, offered comments on **HB 2429**, noting some of the ways that the Geological Survey would be utilized, were this proposed legislation enacted.

Proponents:

Tom Sloan, State Representative, (Attachment 8), offered testimony in support of **HB 2429** noting this bill is a result of the special joint committee on energy that met in Fall 2005 through January 2006. This bill would tie dollars transferred from SGF to sales taxes paid by the oil and gas industry. He noted the key element of the bill is to create an increased state commitment to extending the productive lives of the State's existing oil and gas fields and researching ways to increase the States usable waters.

Opponents:

Ed Cross, KIOGA, (Attachment 9), presented testimony in opposition to **HB 2429**. Attached to his testimony is a letter of comment by The University of Kansas-Tertiary Oil Recovery Project, and contact information of other organizations that could offer help in these research areas.

Questions were asked and comments made by Representatives: Tom Sloan, Bill Light, Cindy Neighbor, and Carl Holmes.

Additional questions were answered by: Tim Carr, Kansas Geological Survey.

Hearing on **HB 2429** was closed.

The next meeting is scheduled for February 20, 2007.

Meeting adjourned.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: February 19, 2007

NAME	REPRESENTING
Tom Day	KCC
Mark Schreiber	Westar Energy
Paul Sinden	KCP&L
Ed Cross	KIOGA
David Spivey	Curbs.
PHIL WAGGERS	KCP&Co
Paul Liechti.	Ks Bio Survey
Ed Martin	Ks. Biological Survey
Doug Smith	Pirigan Smith & Associates.
Rex Buchanan	Ks. Geological Survey
Joe Dick	KCBPU
Steve Miller	Sunflower Electric
Dave Holthaus	KER
HARRY BEGG	MIDWEST ENERGY
Tom Thompson	Sierra Club

HOUSE BILL No. 2405

By Committee on Energy and Utilities

2-6

9 AN ACT concerning certain energy; relating to production of energy
 10 from renewable energy resources or technologies and use of waste
 11 energy; concerning certain income tax credits, income tax deductions
 12 and property tax exemptions; providing for issuance of bonds and other
 13 financing for certain purposes; amending K.S.A. 2006 Supp. 74-8949b,
 14 79-229, 79-32,117, 79-32,120, 79-32,138, 79-32,218, 79-32,224, 79-
 15 32,229, 79-32,233, 79-32,234, 79-32,235, 79-32,237 and 79-32,239 and
 16 repealing the existing sections; also repealing K.S.A. 2006 Supp. 79-
 17 32,117L.

18
19 *Be it enacted by the Legislature of the State of Kansas:*

20 New Section 1. As used in sections 1 through 5, and amendments
21 thereto:

22 (a) "New renewable electric cogeneration facility" means a renewable
23 electric cogeneration facility; ~~construction of which begins after Decem-~~
24 ber 31, 2006.

which is located in this state and

25 (b) "Pass-through entity" means any: (1) Corporation which is exempt
26 from income tax under section 1363 of the federal internal revenue code
27 and which complies with the requirements of K.S.A. 79-32,100e, and
28 amendments thereto; (2) limited liability company; (3) partnership; or (4)
29 limited liability partnership.

30 (c) "Qualified investment" means expenditures made in construction
31 of a new renewable electric cogeneration facility, for real and tangible
32 personal property incorporated in and used as part of such facility.

33 (d) "Renewable electric cogeneration facility" means a facility which
34 generates electricity utilizing renewable energy resources or technologies,
35 as defined in K.S.A. 79-201, and amendments thereto, and which is
36 owned and operated by the owner of an industrial, commercial or agri-
37 cultural process to generate electricity for use in such process to displace
38 current or provide for future electricity use.

39 New Sec. 2. (a) For taxable years commencing after December 31,
40 2006, and before January 1, 2012, any taxpayer who is awarded a tax credit
41 under this act by the secretary of commerce and complies with the con-
42 ditions set forth in this act and the agreement entered into by the sec-
43 retary and the taxpayer under this act shall be allowed a credit against the

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1 taxpayer's tax liability under the Kansas income tax act as provided in
2 subsection (b). Expenditures used to qualify for this credit shall not be
3 used to qualify for any other type of Kansas income tax credit.

4 (b) The amount of the credit to which a taxpayer is entitled shall be
5 equal to the sum of: (1) An amount equal to 10% of the taxpayer's qual-
6 ified investment for the first ~~\$50,000,000~~ invested and (2) an amount
7 equal to 5% of the amount of the taxpayer's qualified investment that
8 exceeds \$50,000,000. Such credit shall be taken in 10 equal, annual in-
9 stallments, beginning with the year in which the taxpayer places into serv-
10 ice the new renewable electric cogeneration facility.

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11 (c) If the amount of an annual installment of a tax credit allowed
12 under this section exceeds the taxpayer's income tax liability for the tax-
13 able year in which the annual installment is allowed, the amount thereof
14 which exceeds such tax liability may be carried over for deduction from
15 the taxpayer's income tax liability in the next succeeding taxable year or
16 years until the total amount of the annual installment of the tax credit has
17 been deducted from tax liability, except that no such tax credit shall be
18 carried over for deduction after the 14th taxable year succeeding the
19 taxable year in which the first annual installment is allowed.

20 (d) (1) Before making a qualified investment, a taxpayer shall apply
21 to the secretary of commerce to enter into an agreement for a tax credit
22 under this act. The secretary shall prescribe the form of the application.
23 After receipt of such application, the secretary may enter into an agree-
24 ment with the applicant for a credit under this act if the secretary deter-
25 mines that the taxpayer's proposed investment satisfies the requirements
26 of this act. The secretary shall enter into an agreement with an applicant
27 which is awarded a credit under this act. The agreement shall include:
28 (A) A detailed description of the renewable electric cogeneration facility
29 project that is the subject of the agreement, (B) the first taxable year for
30 which the credit may be claimed, (C) the maximum amount of tax credit
31 that will be allowed for each taxable year and (D) a requirement that the
32 taxpayer shall maintain operation of the new renewable electric cogen-
33 eration facility for at least 10 years during the term that the tax credit is
34 available.

35 (2) A taxpayer must comply with the terms of the agreement de-
36 scribed in subsection (d)(1) to receive an annual installment of the tax
37 credit awarded under this act. The secretary of commerce, in accordance
38 with rules and regulations of the secretary, shall annually determine
39 whether the taxpayer is in compliance with the agreement. Such agree-
40 ment shall include, but not be limited to, operation of the new renewable
41 electric cogeneration facility during the tax years when any installments
42 of tax credits are claimed by the taxpayer. If the secretary determines
43 that the taxpayer is in compliance, the secretary shall issue a certificate

1 of compliance to the taxpayer. If the secretary determines that the tax-
2 payer is not in compliance with the agreement, the secretary shall notify
3 the taxpayer and the secretary of revenue of such determination of non-
4 compliance, and any tax credits claimed pursuant to this section for any
5 tax year shall be forfeited.

6 (3) The secretary of commerce may adopt rules and regulations to
7 administer the provisions of this subsection.

8 New Sec. 3. (a) If a qualified investment is made by or transferred
9 to a pass-through entity and the credit allowed by this act for a taxable
10 year is greater than the entity's tax liability against which the tax credit
11 may be applied, a shareholder, partner or member of the entity is entitled
12 to a tax credit equal to the tax credit determined for the entity for the
13 taxable year in excess of the entity's tax liability under the Kansas income
14 tax act for the taxable year multiplied by the percentage of the entity's
15 distributive income to which the shareholder, partner or member is
16 entitled.

17 (b) If a new renewable electric cogeneration facility is co-owned by
18 two or more taxpayers, the amount of the credit that may be allowed to
19 a co-owner in a taxable year is equal to the tax credit determined under
20 section 2, and amendments thereto, with respect to the total qualified
21 investment in such facility multiplied by the co-owner's percentage of
22 ownership in such facility.

23 (c) Such credit shall be taken in 10 equal, annual installments, begin-
24 ning with the year in which the entity places into service the new renew-
25 able electric cogeneration facility.

26 (d) If the amount of an annual installment of a tax credit allowed a
27 shareholder, partner, member or co-owner under this section exceeds the
28 taxpayer's income tax liability for the taxable year in which the annual
29 installment is allowed, the amount thereof which exceeds such tax liability
30 may be carried over for deduction from the taxpayer's income tax liability
31 in the next succeeding taxable year or years until the total amount of the
32 tax credit has been deducted from tax liability, except that no such tax
33 credit shall be carried over for deduction after the 14th taxable year suc-
34 ceeding the taxable year in which the first annual installment is allowed.

35 New Sec. 4. To receive the credit awarded by this act, a taxpayer
36 must claim the credit on the taxpayer's annual state income tax return or
37 returns in the manner prescribed by the director of taxation. The taxpayer
38 shall submit to the director a copy of the taxpayer's agreement for a tax
39 credit entered into with the secretary of commerce pursuant to section
40 2, and amendments thereto, and all information that the director deter-
41 mines necessary for the calculation of the credit provided by this act.

42 New Sec. 5. (a) In addition to the income tax credit allowable pur-
43 suant to sections 1 through 4, and amendments thereto, a taxpayer shall

1 be entitled to a deduction from Kansas adjusted gross income with respect
2 to the amortization of the amortizable costs of a new renewable electric
3 cogeneration facility based upon a period of 10 years. Such amortization
4 deduction shall be an amount equal to 55% of the amortizable costs of
5 such new renewable electric cogeneration facility for the first taxable year
6 in which such new renewable electric cogeneration facility is in produc-
7 tion and 5% of the amortizable costs of such new renewable electric
8 cogeneration facility for each of the next nine taxable years.

9 (b) The election of the taxpayer to claim the deduction allowed by
10 subsection (a) shall be made by filing a statement of such election with
11 the secretary of revenue in the manner and form and within the time
12 prescribed by rules and regulations adopted by the secretary.

13 (c) The provisions of this section shall apply to all taxable years com-
14 mencing after December 31, 2006.

15 (d) The secretary of revenue shall adopt such rules and regulations
16 as deemed necessary to carry out the provisions of this section.

17 New Sec. 6. (a) For the purpose of financing the construction of a
18 new renewable electric cogeneration facility, the Kansas development fi-
19 nance authority is hereby authorized to issue revenue bonds pursuant to
20 the Kansas development finance authority act, K.S.A. 74-8901 et seq.,
21 and amendments thereto, in amounts sufficient to pay the costs of such
22 construction, including any required interest on the bonds during con-
23 struction and installation, plus all amounts required for the costs of bond
24 issuance, costs of credit enhancement or other financial contracts, capi-
25 talized interest and any required reserves on the bonds. The bonds, and
26 interest thereon, issued pursuant to this section shall be payable from
27 revenues pledged to the Kansas development finance authority for such
28 purpose, which may include revenues derived from cost savings attrib-
29 utable to the renewable electric cogeneration facility.

30 (b) The provisions of subsection (a) of K.S.A. 74-8905, and amend-
31 ments thereto, shall not prohibit the issuance of bonds by the Kansas
32 development finance authority for the purposes of this section and any
33 such issuance of bonds is exempt from the provisions of subsection (a) of
34 K.S.A. 74-8905, and amendments thereto, which would operate to pre-
35 clude such issuance.

36 (c) Revenue bonds, including refunding revenue bonds, issued under
37 this section shall not constitute an indebtedness of the state of Kansas,
38 nor shall they constitute indebtedness within the meaning of any consti-
39 tutional or statutory provision limiting the incurring of indebtedness.

40 (d) Revenue bonds, including refunding revenue bonds, issued here-
41 under and the income derived therefrom are and shall be exempt from
42 all state, county and municipal taxation in the state of Kansas, except
43 Kansas estate taxes.

1 (e) As used in this section, terms have the meanings provided in sec-
2 tion 1, and amendments thereto.

3 New Sec. 7. (a) For the purpose of financing the construction, pur-
4 chase and installation of a waste heat utilization system at an electric
5 generation facility, the Kansas development finance authority is hereby
6 authorized to issue revenue bonds pursuant to the Kansas development
7 finance authority act, K.S.A. 74-8901 et seq., and amendments thereto,
8 in amounts sufficient to pay the costs of such construction, including any
9 required interest on the bonds during construction and installation, plus
10 all amounts required for the costs of bond issuance, costs of credit en-
11 hancement or other financial contracts, capitalized interest and any re-
12 quired reserves on the bonds. The bonds, and interest thereon, issued
13 pursuant to this section shall be payable from revenues pledged to the
14 Kansas development finance authority for such purpose, which may in-
15 clude revenues derived from transportation fees paid for transporting oil
16 through the qualifying pipeline.

17 (b) The provisions of subsection (a) of K.S.A. 74-8905, and amend-
18 ments thereto, shall not prohibit the issuance of bonds by the Kansas
19 development finance authority for the purposes of this section and any
20 such issuance of bonds is exempt from the provisions of subsection (a) of
21 K.S.A. 74-8905, and amendments thereto, which would operate to pre-
22 clude such issuance.

23 (c) Revenue bonds, including refunding revenue bonds, issued under
24 this section shall not constitute an indebtedness of the state of Kansas,
25 nor shall they constitute indebtedness within the meaning of any consti-
26 tutional or statutory provision limiting the incurring of indebtedness.

27 (d) Revenue bonds, including refunding revenue bonds, issued here-
28 under and the income derived therefrom are and shall be exempt from
29 all state, county and municipal taxation in the state of Kansas, except
30 Kansas estate taxes.

31 (e) As used in this section, "waste heat utilization system" means fa-
32 cilities and equipment for the recovery of waste heat generated in the
33 process of generating electricity and the use of such heat to generate
34 additional electricity.

35 New Sec. 8. (a) The following described property, to the extent
36 herein specified, shall be exempt from all property taxes levied under the
37 laws of the state of Kansas: Any waste heat utilization system property.

38 (b) The provisions of subsection (a) shall apply from and after pur-
39 chase or commencement of construction or installation of such property
40 and for the 10 taxable years immediately following the taxable year in
41 which construction or installation of such property is completed.

42 (c) The provisions of this section shall apply to all taxable years com-
43 mencing after December 31, 2006.

or to produce fuels from renewable energy resources or
technologies, as defined in K.S.A. 79-201, and amendments thereto

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1 (d) As used in this section:

2 (1) "Waste heat utilization system" has the meaning provided in sec-
3 tion 7, and amendments thereto.

4 (2) "Waste heat utilization system property" means any real or tan-
5 gible personal property purchased, constructed or installed for incorpo-
6 ration in and use as part of a waste heat utilization system.

7 New Sec. 9. (a) A taxpayer shall be entitled to a deduction from Kan-
8 sas adjusted gross income with respect to the amortization of the amor-
9 tizable costs of a waste heat utilization system based upon a period of 10
10 years. Such amortization deduction shall be an amount equal to 55% of
11 the amortizable costs of such system for the first taxable year in which
12 such system is in operation and 5% of the amortizable costs of such system
13 for each of the next nine taxable years.

14 (b) The election of the taxpayer to claim the deduction allowed by
15 subsection (a) shall be made by filing a statement of such election with
16 the secretary of revenue in the manner and form and within the time
17 prescribed by rules and regulations adopted by the secretary.

18 (c) The provisions of this section shall apply to all taxable years com-
19 mencing after December 31, 2006.

20 (d) The secretary of revenue shall adopt such rules and regulations
21 as deemed necessary to carry out the provisions of this section.

22 (e) As used in this section, "waste heat utilization system" has the
23 meaning provided by section 7, and amendments thereto.

24 Sec. 10. K.S.A. 2006 Supp. 74-8949b is hereby amended to read as
25 follows: 74-8949b. (a) For the purpose of financing the construction of a
26 new ~~cellulosic alcohol~~ *biomass-to-energy* plant or expansion of an existing
27 ~~cellulosic alcohol~~ *biomass-to-energy* plant, the Kansas development fi-
28 nance authority is hereby authorized to issue revenue bonds pursuant to
29 the Kansas development finance authority act, K.S.A. 74-8901 et seq.,
30 and amendments thereto, in amounts sufficient to pay the costs of such
31 construction or expansion, including any required interest on the bonds
32 during construction and installation, plus all amounts required for the
33 costs of bond issuance, costs of credit enhancement or other financial
34 contracts, capitalized interest and any required reserves on the bonds.
35 The bonds, and interest thereon, issued pursuant to this section shall be
36 payable from revenues pledged to the Kansas development finance au-
37 thority for such purpose, which may include revenues derived from sales
38 of ~~cellulosic alcohol products~~ *fuels, energy and coproducts* produced at
39 the plant.

40 (b) The provisions of subsection (a) of K.S.A. 74-8905, and amend-
41 ments thereto, shall not prohibit the issuance of bonds by the Kansas
42 development finance authority for the purposes of this section and any
43 such issuance of bonds is exempt from the provisions of subsection (a) of

1 K.S.A. 74-8905, and amendments thereto, which would operate to pre-
2 clude such issuance.

3 (c) Revenue bonds, including refunding revenue bonds, issued under
4 this section shall not constitute an indebtedness of the state of Kansas,
5 nor shall they constitute indebtedness within the meaning of any consti-
6 tutional or statutory provision limiting the incurring of indebtedness.

7 (d) Revenue bonds, including refunding revenue bonds, issued here-
8 under and the income derived therefrom are and shall be exempt from
9 all state, county and municipal taxation in the state of Kansas, except
10 Kansas estate taxes.

11 (e) As used in this section:

12 (1) "~~Cellulosic-alcohol~~ *Biomass-to-energy plant*" has the meaning
13 provided by K.S.A. 2006 Supp. 79-32,233, and amendments thereto.

14 (2) "Expansion of an existing ~~cellulosic-alcohol~~ *biomass-to-energy*
15 *plant*" means expansion, beginning after December 31, 2005, of the ca-
16 pacity of an existing ~~cellulosic-alcohol~~ *biomass-to-energy plant* by at least
17 10% of such capacity.

18 (3) "New ~~cellulosic-alcohol~~ *biomass-to-energy plant*" means a ~~cellu-~~
19 ~~losic-alcohol~~ *biomass-to-energy plant*, construction of which begins after
20 December 31, 2005.

21 Sec. 11. K.S.A. 2006 Supp. 79-229 is hereby amended to read as
22 follows: 79-229. (a) The following described property, to the extent herein
23 specified, shall be exempt from all property taxes levied under the laws
24 of the state of Kansas: Any new ~~cellulosic-alcohol~~ *biomass-to-energy plant*
25 property or any expanded ~~cellulosic-alcohol~~ *biomass-to-energy plant*
26 property.

27 (b) The provisions of subsection (a) shall apply from and after pur-
28 chase or commencement of construction or installation of such property
29 and for the 10 taxable years immediately following the taxable year in
30 which construction or installation of such property is completed.

31 (c) The provisions of this section shall apply to all taxable years com-
32 mencing after December 31, 2005.

33 (d) As used in this section:

34 (1) "~~Cellulosic-alcohol~~ *Biomass-to-energy plant*" has the meaning
35 provided by K.S.A. 2006 Supp. 79-32,233, and amendments thereto.

36 (2) "Expanded ~~cellulosic-alcohol~~ *biomass-to-energy plant property*"
37 means any real or tangible personal property purchased, constructed or
38 installed for incorporation in and use as part of an expansion of an existing
39 ~~cellulosic-alcohol~~ *biomass-to-energy plant*, construction of which expan-
40 sion begins after December 31, 2005.

41 (3) "Expansion of an existing ~~cellulosic-alcohol~~ *biomass-to-energy*
42 *plant*" means expansion of the capacity of an existing ~~cellulosic-alcohol~~
43 *biomass-to-energy plant* by at least 10% of such capacity.

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1 (4) "New ~~cellulosic alcohol~~ *biomass-to-energy* plant property" means
2 any real or tangible personal property purchased, constructed or installed
3 for incorporation in and use as part of a ~~cellulosic alcohol~~ *biomass-to-*
4 *energy* plant, construction of which begins after December 31, 2005.

5 Sec. 12. K.S.A. 2006 Supp. 79-32,117 is hereby amended to read as
6 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
7 means such individual's federal adjusted gross income for the taxable year,
8 with the modifications specified in this section.

9 (b) There shall be added to federal adjusted gross income:

10 (i) Interest income less any related expenses directly incurred in the
11 purchase of state or political subdivision obligations, to the extent that
12 the same is not included in federal adjusted gross income, on obligations
13 of any state or political subdivision thereof, but to the extent that interest
14 income on obligations of this state or a political subdivision thereof issued
15 prior to January 1, 1988, is specifically exempt from income tax under the
16 laws of this state authorizing the issuance of such obligations, it shall be
17 excluded from computation of Kansas adjusted gross income whether or
18 not included in federal adjusted gross income. Interest income on obli-
19 gations of this state or a political subdivision thereof issued after Decem-
20 ber 31, 1987, shall be excluded from computation of Kansas adjusted
21 gross income whether or not included in federal adjusted gross income.

22 (ii) Taxes on or measured by income or fees or payments in lieu of
23 income taxes imposed by this state or any other taxing jurisdiction to the
24 extent deductible in determining federal adjusted gross income and not
25 credited against federal income tax. This paragraph shall not apply to taxes
26 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amend-
27 ments thereto, for privilege tax year 1995, and all such years thereafter.

28 (iii) The federal net operating loss deduction.

29 (iv) Federal income tax refunds received by the taxpayer if the de-
30 duction of the taxes being refunded resulted in a tax benefit for Kansas
31 income tax purposes during a prior taxable year. Such refunds shall be
32 included in income in the year actually received regardless of the method
33 of accounting used by the taxpayer. For purposes hereof, a tax benefit
34 shall be deemed to have resulted if the amount of the tax had been de-
35 ducted in determining income subject to a Kansas income tax for a prior
36 year regardless of the rate of taxation applied in such prior year to the
37 Kansas taxable income, but only that portion of the refund shall be in-
38 cluded as bears the same proportion to the total refund received as the
39 federal taxes deducted in the year to which such refund is attributable
40 bears to the total federal income taxes paid for such year. For purposes
41 of the foregoing sentence, federal taxes shall be considered to have been
42 deducted only to the extent such deduction does not reduce Kansas tax-
43 able income below zero.

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1 (v) The amount of any depreciation deduction or business expense
2 deduction claimed on the taxpayer's federal income tax return for any
3 capital expenditure in making any building or facility accessible to the
4 handicapped, for which expenditure the taxpayer claimed the credit al-
5 lowed by K.S.A. 79-32,177, and amendments thereto.

6 (vi) Any amount of designated employee contributions picked up by
7 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
8 and amendments to such sections.

9 (vii) The amount of any charitable contribution made to the extent
10 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
11 79-32,196, and amendments thereto.

12 (viii) The amount of any costs incurred for improvements to a swine
13 facility, claimed for deduction in determining federal adjusted gross in-
14 come, to the extent the same is claimed as the basis for any credit allowed
15 pursuant to K.S.A. 2006 Supp. 79-32,204 and amendments thereto.

16 (ix) The amount of any ad valorem taxes and assessments paid and
17 the amount of any costs incurred for habitat management or construction
18 and maintenance of improvements on real property, claimed for deduc-
19 tion in determining federal adjusted gross income, to the extent the same
20 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203
21 and amendments thereto.

22 (x) Amounts received as nonqualified withdrawals, as defined by
23 K.S.A. 2006 Supp. 75-643, and amendments thereto, if, at the time of
24 contribution to a family postsecondary education savings account, such
25 amounts were subtracted from the federal adjusted gross income pur-
26 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
27 ments thereto, or if such amounts are not already included in the federal
28 adjusted gross income.

29 (xi) The amount of any contribution made to the same extent the
30 same is claimed as the basis for the credit allowed pursuant to K.S.A.
31 2006 Supp. 74-50,154, and amendments thereto.

32 (xii) For taxable years commencing after December 31, 2004,
33 amounts received as withdrawals not in accordance with the provisions
34 of K.S.A. 2006 Supp. 74-50,204, and amendments thereto, if, at the time
35 of contribution to an individual development account, such amounts were
36 subtracted from the federal adjusted gross income pursuant to paragraph
37 (xiii) of subsection (c), or if such amounts are not already included in the
38 federal adjusted gross income.

39 (xiii) The amount of any expenditures claimed for deduction in de-
40 termining federal adjusted gross income, to the extent the same is claimed
41 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
42 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

43 (xiv) The amount of any amortization deduction claimed in deter-

1 mining federal adjusted gross income to the extent the same is claimed
2 for deduction pursuant to K.S.A. 2006 Supp. 79-32,221, and amendments
3 thereto.

4 (xv) The amount of any expenditures claimed for deduction in deter-
5 mining federal adjusted gross income, to the extent the same is claimed
6 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
7 32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
8 through 79-32,236, 79-32,238 through 79-32,241 or sections 1 through 4,
9 and amendments thereto.

10 (xvi) The amount of any amortization deduction claimed in deter-
11 mining federal adjusted gross income to the extent the same is claimed
12 for deduction pursuant to K.S.A. 2006 Supp. 79-32,227, 79-32,232, 79-
13 32,237 or section 5 or 9, and amendments thereto.

14 ~~(xvii) The amount of any expenditures claimed for deduction in de-~~
15 ~~termining federal adjusted gross income, to the extent the same is claimed~~
16 ~~as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-~~
17 ~~32,228 through 79-32,231, and amendments thereto.~~

18 ~~—(xviii) The amount of any amortization deduction claimed in deter-~~
19 ~~mining federal adjusted gross income to the extent the same is claimed~~
20 ~~for deduction pursuant to K.S.A. 2006 Supp. 79-32,232, and amendments~~
21 ~~thereto.~~

22 ~~—(xix) The amount of any expenditures claimed for deduction in de-~~
23 ~~termining federal adjusted gross income, to the extent the same is claimed~~
24 ~~as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-~~
25 ~~32,233 through 79-32,236, and amendments thereto.~~

26 ~~—(xx) The amount of any amortization deduction claimed in determin-~~
27 ~~ing federal adjusted gross income to the extent the same is claimed for~~
28 ~~deduction pursuant to K.S.A. 2006 Supp. 79-32,237, and amendments~~
29 ~~thereto.~~

30 ~~—(xxi) The amount of any expenditures claimed for deduction in de-~~
31 ~~termining federal adjusted gross income, to the extent the same is claimed~~
32 ~~as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-~~
33 ~~32,238 through 79-32,241, and amendments thereto.~~

34 (c) There shall be subtracted from federal adjusted gross income:

35 (i) Interest or dividend income on obligations or securities of any
36 authority, commission or instrumentality of the United States and its pos-
37 sessions less any related expenses directly incurred in the purchase of
38 such obligations or securities, to the extent included in federal adjusted
39 gross income but exempt from state income taxes under the laws of the
40 United States.

41 (ii) Any amounts received which are included in federal adjusted
42 gross income but which are specifically exempt from Kansas income tax-
43 ation under the laws of the state of Kansas.

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1 (iii) The portion of any gain or loss from the sale or other disposition
2 of property having a higher adjusted basis for Kansas income tax purposes
3 than for federal income tax purposes on the date such property was sold
4 or disposed of in a transaction in which gain or loss was recognized for
5 purposes of federal income tax that does not exceed such difference in
6 basis, but if a gain is considered a long-term capital gain for federal in-
7 come tax purposes, the modification shall be limited to that portion of
8 such gain which is included in federal adjusted gross income.

9 (iv) The amount necessary to prevent the taxation under this act of
10 any annuity or other amount of income or gain which was properly in-
11 cluded in income or gain and was taxed under the laws of this state for a
12 taxable year prior to the effective date of this act, as amended, to the
13 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
14 the right to receive the income or gain, or to a trust or estate from which
15 the taxpayer received the income or gain.

16 (v) The amount of any refund or credit for overpayment of taxes on
17 or measured by income or fees or payments in lieu of income taxes im-
18 posed by this state, or any taxing jurisdiction, to the extent included in
19 gross income for federal income tax purposes.

20 (vi) Accumulation distributions received by a taxpayer as a beneficiary
21 of a trust to the extent that the same are included in federal adjusted
22 gross income.

23 (vii) Amounts received as annuities under the federal civil service
24 retirement system from the civil service retirement and disability fund
25 and other amounts received as retirement benefits in whatever form
26 which were earned for being employed by the federal government or for
27 service in the armed forces of the United States.

28 (viii) Amounts received by retired railroad employees as a supple-
29 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
30 et seq.

31 (ix) Amounts received by retired employees of a city and by retired
32 employees of any board of such city as retirement allowances pursuant to
33 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
34 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
35 amendments thereto.

36 (x) For taxable years beginning after December 31, 1976, the amount
37 of the federal tentative jobs tax credit disallowance under the provisions
38 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
39 the amount of the targeted jobs tax credit and work incentive credit dis-
40 allowances under 26 U.S.C. 280 C.

41 (xi) For taxable years beginning after December 31, 1986, dividend
42 income on stock issued by Kansas Venture Capital, Inc.

43 (xii) For taxable years beginning after December 31, 1989, amounts

1 received by retired employees of a board of public utilities as pension and
2 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
3 and amendments thereto.

4 (xiii) For taxable years beginning after December 31, 2004, amounts
5 contributed to and the amount of income earned on contributions de-
6 posited to an individual development account under K.S.A. 2006 Supp.
7 74-50,201, et seq., and amendments thereto.

8 (xiv) For all taxable years commencing after December 31, 1996, that
9 portion of any income of a bank organized under the laws of this state or
10 any other state, a national banking association organized under the laws
11 of the United States, an association organized under the savings and loan
12 code of this state or any other state, or a federal savings association or-
13 ganized under the laws of the United States, for which an election as an
14 S corporation under subchapter S of the federal internal revenue code is
15 in effect, which accrues to the taxpayer who is a stockholder of such
16 corporation and which is not distributed to the stockholders as dividends
17 of the corporation.

18 (xv) For all taxable years beginning after December 31, 1999,
19 amounts not exceeding ~~\$2,000, or \$4,000~~ \$3,000 or \$6,000 for a married
20 couple filing a joint return, for each designated beneficiary which are
21 contributed to a family postsecondary education savings account estab-
22 lished under the Kansas postsecondary education savings program for the
23 purpose of paying the qualified higher education expenses of a designated
24 beneficiary at an institution of postsecondary education. For all taxable
25 years beginning after December 31, ~~2004~~ 2006, amounts not exceeding
26 \$3,000, or \$6,000 for a married couple filing a joint return, for each des-
27 ignated beneficiary which are contributed to a ~~family postsecondary ed-~~
28 ~~ucation savings account established under the Kansas postsecondary ed-~~
29 ~~ucation savings program~~ *qualified tuition program established and*
30 *maintained by another state or agency or instrumentality thereof pursu-*
31 *ant to section 529 of the internal revenue code of 1986, as amended,* for
32 the purpose of paying the qualified higher education expenses of a des-
33 ignated beneficiary at an institution of postsecondary education. The
34 terms and phrases used in this paragraph shall have the meaning respec-
35 tively ascribed thereto by the provisions of K.S.A. 2006 Supp. 75-643, and
36 amendments thereto, and the provisions of such section are hereby in-
37 corporated by reference for all purposes thereof.

38 (xvi) For the tax year beginning after December 31, 2004, an amount
39 not exceeding \$500; for the tax year beginning after December 31, 2005,
40 an amount not exceeding \$600; for the tax year beginning after December
41 31, 2006, an amount not exceeding \$700; for the tax year beginning after
42 December 31, 2007, an amount not exceeding \$800; for the tax year
43 beginning December 31, 2008, an amount not exceeding \$900; and for

1 all taxable years commencing after December 31, 2009, an amount not
2 exceeding \$1,000 of the premium costs for qualified long-term care in-
3 surance contracts, as defined by subsection (b) of section 7702B of public
4 law 104-191.

5 (xvii) For all taxable years beginning after December 31, 2004,
6 amounts received by taxpayers who are or were members of the armed
7 forces of the United States, including service in the Kansas army and air
8 national guard, as a recruitment, sign up or retention bonus received by
9 such taxpayer as an incentive to join, enlist or remain in the armed services
10 of the United States, including service in the Kansas army and air national
11 guard, and amounts received for repayment of educational or student
12 loans incurred by or obligated to such taxpayer and received by such
13 taxpayer as a result of such taxpayer's service in the armed forces of the
14 United States, including service in the Kansas army and air national guard.

15 (xviii) For all taxable years beginning after December 31, 2004,
16 amounts received by taxpayers who are eligible members of the Kansas
17 army and air national guard as a reimbursement pursuant to K.S.A. 48-
18 281, and amendments thereto, and amounts received for death benefits
19 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-
20 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
21 amendments thereto, to the extent that such death benefits are included
22 in federal adjusted gross income of the taxpayer.

23 (d) There shall be added to or subtracted from federal adjusted gross
24 income the taxpayer's share, as beneficiary of an estate or trust, of the
25 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
26 amendments thereto.

27 (e) The amount of modifications required to be made under this sec-
28 tion by a partner which relates to items of income, gain, loss, deduction
29 or credit of a partnership shall be determined under K.S.A. 79-32,131,
30 and amendments thereto, to the extent that such items affect federal
31 adjusted gross income of the partner.

32 Sec. 13. K.S.A. 2006 Supp. 79-32,120 is hereby amended to read as
33 follows: 79-32,120. (a) If federal taxable income of an individual is deter-
34 mined by itemizing deductions from such individual's federal adjusted
35 gross income, such individual may elect to deduct the Kansas itemized
36 deduction in lieu of the Kansas standard deduction. The Kansas itemized
37 deduction of an individual means the total amount of deductions from
38 federal adjusted gross income, other than federal deductions for personal
39 exemptions, as provided in the federal internal revenue code with the
40 modifications specified in this section.

41 (b) The total amount of deductions from federal adjusted gross in-
42 come shall be reduced by the total amount of income taxes imposed by
43 or paid to this state or any other taxing jurisdiction to the extent that the

1 same are deducted in determining the federal itemized deductions and
2 by the amount of all depreciation deductions claimed for any real or
3 tangible personal property upon which the deduction allowed by K.S.A.
4 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 5 or
5 9, and amendments thereto, is or has been claimed.

6 Sec. 14. K.S.A. 2006 Supp. 79-32,138 is hereby amended to read as
7 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
8 under this act shall be the corporation's federal taxable income for the
9 taxable year with the modifications specified in this section.

10 (b) There shall be added to federal taxable income: (i) The same
11 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and
12 amendments thereto, with respect to resident individuals.

13 (ii) The amount of all depreciation deductions claimed for any prop-
14 erty upon which the deduction allowed by K.S.A. 2006 Supp. 79-32,221,
15 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 5 or 9, and amendments
16 thereto, is claimed.

17 (iii) The amount of any charitable contribution deduction claimed for
18 any contribution or gift to or for the use of any racially segregated edu-
19 cational institution.

20 (c) There shall be subtracted from federal taxable income: (i) The
21 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,
22 and amendments thereto, with respect to resident individuals.

23 (ii) The federal income tax liability for any taxable year commencing
24 prior to December 31, 1971, for which a Kansas return was filed after
25 reduction for all credits thereon, except credits for payments on estimates
26 of federal income tax, credits for gasoline and lubricating oil tax, and for
27 foreign tax credits if, on the Kansas income tax return for such prior year,
28 the federal income tax deduction was computed on the basis of the federal
29 income tax paid in such prior year, rather than as accrued. Notwithstand-
30 ing the foregoing, the deduction for federal income tax liability for any
31 year shall not exceed that portion of the total federal income tax liability
32 for such year which bears the same ratio to the total federal income tax
33 liability for such year as the Kansas taxable income, as computed before
34 any deductions for federal income taxes and after application of subsec-
35 tions (d) and (e) of this section as existing for such year, bears to the
36 federal taxable income for the same year.

37 (iii) An amount for the amortization deduction allowed pursuant to
38 K.S.A. 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 or sec-
39 tion 5 or 9, and amendments thereto.

40 (iv) For all taxable years commencing after December 31, 1987, the
41 amount included in federal taxable income pursuant to the provisions of
42 section 78 of the internal revenue code.

43 (v) For all taxable years commencing after December 31, 1987, 80%

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1 of dividends from corporations incorporated outside of the United States
2 or the District of Columbia which are included in federal taxable income.

3 (d) If any corporation derives all of its income from sources within
4 Kansas in any taxable year commencing after December 31, 1979, its
5 Kansas taxable income shall be the sum resulting after application of
6 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
7 taxable income in any such taxable year, after excluding any refunds of
8 federal income tax and before the deduction of federal income taxes pro-
9 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271
10 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund
11 of federal income tax as determined under paragraph (iv) of subsection
12 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-
13 tion for federal income taxes as provided by subsection (c)(ii) shall be
14 such corporation's Kansas taxable income.

15 (e) A corporation may make an election with respect to its first taxable
16 year commencing after December 31, 1982, whereby no addition modi-
17 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and
18 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.
19 79-32,138, as those subsections existed prior to their amendment by this
20 act, shall be required to be made for such taxable year.

21 Sec. 15. K.S.A. 2006 Supp. 79-32,218 is hereby amended to read as
22 follows: 79-32,218. (a) For taxable years commencing after December 31,
23 2005, and before January 1, 2011, any taxpayer who is awarded a tax credit
24 under this act by the secretary of commerce and complies with the con-
25 ditions set forth in this act and the agreement entered into by the sec-
26 retary and the taxpayer under this act shall be allowed a credit against the
27 taxpayer's tax liability under the Kansas income tax act as provided in
28 subsection (b). Expenditures used to qualify for this credit shall not be
29 used to qualify for any other type of Kansas income tax credit.

30 (b) The amount of the credit to which a taxpayer is entitled shall be
31 equal to the sum of: (1) An amount equal to 10% of the taxpayer's qual-
32 ified investment for the first \$250,000,000 invested and (2) an amount
33 equal to 5% of the amount of the taxpayer's qualified investment that
34 exceeds \$250,000,000. Such credit shall be taken in 10 equal, annual
35 installments, beginning with the year in which the taxpayer places into
36 service the new refinery, the expansion of an existing refinery or the
37 restoration of production of a refinery as provided in this section.

38 (c) If the amount of an annual installment of a tax credit allowed
39 under this section exceeds the taxpayer's income tax liability for the tax-
40 able year in which the annual installment is allowed, the amount thereof
41 which exceeds such tax liability may be carried over for deduction from
42 the taxpayer's income tax liability in the next succeeding taxable year or
43 years until the total amount of the annual installment of the tax credit has

1 been deducted from tax liability, except that no such tax credit shall be
2 carried over for deduction after the 14th taxable year succeeding the
3 taxable year in which the first annual installment is allowed.

4 (d) (1) Before making a qualified investment, a taxpayer shall apply
5 to the secretary of commerce to enter into an agreement for a tax credit
6 under this act. The secretary shall prescribe the form of the application.
7 After receipt of such application, the secretary may enter into an agree-
8 ment with the applicant for a credit under this act if the secretary deter-
9 mines that the taxpayer's proposed investment satisfies the requirements
10 of this act. The secretary shall enter into an agreement with an applicant
11 which is awarded a credit under this act. The agreement shall include:
12 (A) A detailed description of the refinery project that is the subject of the
13 agreement, (B) the first taxable year for which the credit may be claimed,
14 (C) the maximum amount of tax credit that will be allowed for each tax-
15 able year and (D) a requirement that the taxpayer shall maintain operation
16 of the new, expanded or restored refinery for at least 10 years during the
17 term that the tax credit is available.

18 (2) A taxpayer must comply with the terms of the agreement de-
19 scribed in subsection (d)(1) to receive an annual installment of the tax
20 credit awarded under this act. The secretary of commerce, in accordance
21 with rules and regulations of the secretary, shall annually determine
22 whether the taxpayer is in compliance with the agreement. Such deter-
23 mination of compliance shall include, but not be limited to, operation of
24 the new, expanded or restored refinery during the tax years when any
25 installments of tax credits are claimed by the taxpayer. If the secretary
26 determines that the taxpayer is in compliance, the secretary shall issue a
27 certificate of compliance to the taxpayer. If the secretary determines that
28 the taxpayer is not in compliance with the agreement, the secretary shall
29 notify the taxpayer and the secretary of revenue of such determination of
30 noncompliance, and any tax credits claimed pursuant to this section for
31 any tax year shall be forfeited.

32 (3) The secretary of commerce may adopt rules and regulations to
33 administer the provisions of this subsection.

34 Sec. 16. K.S.A. 2006 Supp. 79-32,224 is hereby amended to read as
35 follows: 79-32,224. (a) For taxable years commencing after December 31,
36 2005, and before January 1, 2011, any taxpayer who is awarded a tax credit
37 under this act by the secretary of commerce and complies with the con-
38 ditions set forth in this act and the agreement entered into by the sec-
39 retary and the taxpayer under this act shall be allowed a credit against the
40 taxpayer's tax liability under the Kansas income tax act as provided in
41 subsection (b). Expenditures used to qualify for this credit shall not be
42 used to qualify for any other type of Kansas income tax credit.

43 (b) The amount of the credit to which a taxpayer is entitled shall be

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1 equal to the sum of: (1) An amount equal to 10% of the taxpayer's qual-
2 ified investment for the first \$250,000,000 invested and (2) an amount
3 equal to 5% of the amount of the taxpayer's qualified investment that
4 exceeds \$250,000,000. Such credit shall be taken in 10 equal, annual
5 installments, beginning with the year in which the taxpayer places into
6 service the new qualifying pipeline.

7 (c) If the amount of an annual installment of a tax credit allowed
8 under this section exceeds the taxpayer's income tax liability for the tax-
9 able year in which the annual installment is allowed, the amount thereof
10 which exceeds such tax liability may be carried over for deduction from
11 the taxpayer's income tax liability in the next succeeding taxable year or
12 years until the total amount of the annual installment of the tax credit has
13 been deducted from tax liability, except that no such tax credit shall be
14 carried over for deduction after the 14th taxable year succeeding the
15 taxable year in which the first annual installment is allowed.

16 (d) (1) Before making a qualified investment, a taxpayer shall apply
17 to the secretary of commerce to enter into an agreement for a tax credit
18 under this act. The secretary shall prescribe the form of the application.
19 After receipt of such application, the secretary may enter into an agree-
20 ment with the applicant for a credit under this act if the secretary deter-
21 mines that the taxpayer's proposed investment satisfies the requirements
22 of this act. The secretary shall enter into an agreement with an applicant
23 which is awarded a credit under this act. The agreement shall include:
24 (A) A detailed description of the qualifying pipeline project that is the
25 subject of the agreement, (B) the first taxable year for which the credit
26 may be claimed, (C) the maximum amount of tax credit that will be al-
27 lowed for each taxable year and (D) a requirement that the taxpayer shall
28 maintain operation of the new qualifying pipeline for at least 10 years
29 during the term that the tax credit is available.

30 (2) A taxpayer must comply with the terms of the agreement de-
31 scribed in subsection (d)(1) to receive an annual installment of the tax
32 credit awarded under this act. The secretary of commerce, in accordance
33 with rules and regulations of the secretary, shall annually determine
34 whether the taxpayer is in compliance with the agreement. Such agree-
35 ment shall include, but not be limited to, operation of the new qualifying
36 pipeline during the tax years when any installments of tax credits are
37 claimed by the taxpayer. If the secretary determines that the taxpayer is
38 in compliance, the secretary shall issue a certificate of compliance to the
39 taxpayer. If the secretary determines that the taxpayer is not in compli-
40 ance with the agreement, the secretary shall notify the taxpayer and the
41 secretary of revenue of such determination of noncompliance, and any
42 tax credits claimed pursuant to this section for any tax year shall be
43 forfeited.

1 (3) The secretary of commerce may adopt rules and regulations to
2 administer the provisions of this subsection.

3 Sec. 17. K.S.A. 2006 Supp. 79-32,229 is hereby amended to read as
4 follows: 79-32,229. (a) For taxable years commencing after December 31,
5 2005, and before January 1, 2011, any taxpayer who is awarded a tax credit
6 under this act by the secretary of commerce and complies with the con-
7 ditions set forth in this act and the agreement entered into by the sec-
8 retary and the taxpayer under this act shall be allowed a credit against the
9 taxpayer's tax liability under the Kansas income tax act as provided in
10 subsection (b). Expenditures used to qualify for this credit shall not be
11 used to qualify for any other type of Kansas income tax credit.

12 (b) The amount of the credit to which a taxpayer is entitled shall be
13 equal to the sum of: (1) An amount equal to 10% of the taxpayer's qual-
14 ified investment for the first \$250,000,000 invested and (2) an amount
15 equal to 5% of the amount of the taxpayer's qualified investment that
16 exceeds \$250,000,000. Such credit shall be taken in 10 equal, annual
17 installments, beginning with the year in which the taxpayer places into
18 service the new integrated coal or coke gasification nitrogen fertilizer
19 plant or the expansion of an existing integrated coal or coke gasification
20 nitrogen fertilizer plant.

21 (c) If the amount of an annual installment of a tax credit allowed
22 under this section exceeds the taxpayer's income tax liability for the tax-
23 able year in which the annual installment is allowed, the amount thereof
24 which exceeds such tax liability may be carried over for deduction from
25 the taxpayer's income tax liability in the next succeeding taxable year or
26 years until the total amount of the annual installment of the tax credit has
27 been deducted from tax liability, except that no such tax credit shall be
28 carried over for deduction after the 14th taxable year succeeding the
29 taxable year in which the first annual installment is allowed.

30 (d) (1) Before making a qualified investment, a taxpayer shall apply
31 to the secretary of commerce to enter into an agreement for a tax credit
32 under this act. The secretary shall prescribe the form of the application.
33 After receipt of such application, the secretary may enter into an agree-
34 ment with the applicant for a credit under this act if the secretary deter-
35 mines that the taxpayer's proposed investment satisfies the requirements
36 of this act. The secretary shall enter into an agreement with an applicant
37 which is awarded a credit under this act. The agreement shall include:
38 (A) A detailed description of the nitrogen fertilizer plant project that is
39 the subject of the agreement, (B) the first taxable year for which the credit
40 may be claimed, (C) the maximum amount of tax credit that will be al-
41 lowed for each taxable year, (D) a requirement that the taxpayer shall
42 maintain operation of the new or expanded nitrogen fertilizer plant for
43 at least 10 years during the term that the tax credit is available and (E) if

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1 the taxpayer's nitrogen fertilizer plant uses a coal gasification process, a
2 requirement that the taxpayer shall use at the taxpayer's integrated coal
3 gasification nitrogen fertilizer plant in any taxable year for which an annual
4 installment of the credit is allowed that percentage of Kansas coal
5 which the secretary determines practicable, based on availability and cost
6 of Kansas coal, in such year.

7 (2) A taxpayer must comply with the terms of the agreement described in
8 subsection (d)(1) to receive an annual installment of the tax credit awarded
9 under this act. The secretary of commerce, in accordance with rules and
10 regulations of the secretary, shall annually determine whether the taxpayer
11 is in compliance with the agreement. Such determination of compliance shall
12 include, but not be limited to, operation of the new or expanded integrated
13 coal or coke gasification nitrogen fertilizer plant during the tax years when
14 any installments of tax credits are claimed by the taxpayer. If the secretary
15 determines that the taxpayer is in compliance, the secretary shall issue a
16 certificate of compliance to the taxpayer. If the secretary determines that
17 the taxpayer is not in compliance with the agreement, the secretary shall
18 notify the taxpayer and the secretary of revenue of such determination of
19 noncompliance, and any tax credits claimed pursuant to this section for
20 any tax year shall be forfeited.

22 (3) The secretary of commerce may adopt rules and regulations to
23 administer the provisions of this subsection.

24 Sec. 18. K.S.A. 2006 Supp. 79-32,233 is hereby amended to read as
25 follows: 79-32,233. As used in K.S.A. 2006 Supp. 79-32,233 through 79-
26 32,236, and amendments thereto:

27 (a) ~~"Cellulosic alcohol plant"~~ "Biomass" means any organic matter,
28 including solid and liquid organic waste, but excluding: (1) ~~oil~~ natural
29 gas, coal and lignite, and any products thereof; and (2) corn or grain
30 sorghum.

31 (b) ~~"Biomass-to-energy plant"~~ means an industrial process plant, located
32 in this state, where matter which contains cellulose and biomass which
33 is available on a renewable or recurring basis is processed to produce
34 cellulosic alcohol ~~[not less than 500,000 gallons of cellulosic alcohol,
35 or other liquid or gaseous fuel or energy of equal or greater BTU value,
36 and coproducts.]~~

37 (b) (c) "Expansion of an existing ~~cellulosic alcohol biomass-to-energy~~
38 plant" means expansion which begins after December 31, 2005, of the
39 capacity of an existing ~~cellulosic alcohol biomass-to-energy~~ plant by at
40 least 10% of such capacity.

41 (c) (d) "New ~~cellulosic alcohol biomass-to-energy~~ plant" means a
42 ~~cellulosic alcohol biomass-to-energy~~ plant, construction of which begins after
43 December 31, 2005.

available on a renewable or recurring basis

Petroleum oil

, except corn oil and those portions of corn and grain sorghum unsuitable for both human and animal consumption

biomass is processed to produce annually any of the following, and coproducts: (1) Not less than 500,000 gallons of cellulosic alcohol; (2) liquid or gaseous fuel or energy in a quantity having BTU value equal to or greater than 500,000 gallons of cellulosic alcohol; or (3) oil produced for direct conversion into fuel in a quantity having BTU value equal to or greater than 500,000 gallons of cellulosic alcohol.

1 ~~(d)~~ (e) "Pass-through entity" means any: (1) Corporation which is
2 exempt from income tax under section 1363 of the federal internal revenue
3 code and which complies with the requirements of K.S.A. 2006
4 Supp. 79-32,100e, and amendments thereto; (2) limited liability company;
5 (3) partnership; or (4) limited liability partnership.

6 ~~(e)~~ (f) "Qualified investment" means expenditures made in construction
7 of a new ~~cellulosic alcohol biomass-to-energy~~ plant or in expansion
8 of the capacity of an existing ~~cellulosic alcohol biomass-to-energy~~ plant,
9 for real and tangible personal property incorporated in and used as part
10 of such plant.

11 Sec. 19. K.S.A. 2006 Supp. 79-32,234 is hereby amended to read as
12 follows: 79-32,234. (a) For taxable years commencing after December 31,
13 2005, and before January 1, 2011, any taxpayer who is awarded a tax credit
14 under this act by the secretary of commerce and complies with the conditions
15 set forth in this act and the agreement entered into by the secretary
16 and the taxpayer under this act shall be allowed a credit against the
17 taxpayer's tax liability under the Kansas income tax act as provided in
18 subsection (b). Expenditures used to qualify for this credit shall not be
19 used to qualify for any other type of Kansas income tax credit.

20 (b) The amount of the credit to which a taxpayer is entitled shall be
21 equal to the sum of: (1) An amount equal to 10% of the taxpayer's qualified
22 investment for the first \$250,000,000 invested and (2) an amount
23 equal to 5% of the amount of the taxpayer's qualified investment that
24 exceeds \$250,000,000. Such credit shall be taken in 10 equal, annual
25 installments, beginning with the year in which the taxpayer places into
26 service the new ~~cellulosic alcohol biomass-to-energy~~ plant or the expansion
27 of an existing ~~cellulosic alcohol biomass-to-energy~~ plant.

28 (c) If the amount of an annual installment of a tax credit allowed
29 under this section exceeds the taxpayer's income tax liability for the taxable
30 year in which the annual installment is allowed, the amount thereof
31 which exceeds such tax liability may be carried over for deduction from
32 the taxpayer's income tax liability in the next succeeding taxable year or
33 years until the total amount of the annual installment of the tax credit has
34 been deducted from tax liability, except that no such tax credit shall be
35 carried over for deduction after the 14th taxable year succeeding the
36 taxable year in which the first annual installment is allowed.

37 (d) (1) Before making a qualified investment, a taxpayer shall apply
38 to the secretary of commerce to enter into an agreement for a tax credit
39 under this act. The secretary shall prescribe the form of the application.
40 After receipt of such application, the secretary may enter into an agreement
41 with the applicant for a credit under this act if the secretary determines
42 that the taxpayer's proposed investment satisfies the requirements
43 of this act. The secretary shall enter into an agreement with an applicant

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11

1 which is awarded a credit under this act. The agreement shall include:
2 (A) A detailed description of the ~~cellulosic alcohol~~ *biomass-to-energy*
3 plant project that is the subject of the agreement, (B) the first taxable
4 year for which the credit may be claimed, (C) the maximum amount of
5 tax credit that will be allowed for each taxable year and (D) a requirement
6 that the taxpayer shall maintain operation of the new or expanded ~~cellu-~~
7 ~~losic alcohol~~ *biomass-to-energy* plant for at least 10 years during the term
8 that the tax credit is available.

9 (2) A taxpayer must comply with the terms of the agreement de-
10 scribed in subsection (d)(1) to receive an annual installment of the tax
11 credit awarded under this act. The secretary of commerce, in accordance
12 with rules and regulations of the secretary, shall annually determine
13 whether the taxpayer is in compliance with the agreement. Such deter-
14 mination of compliance shall include, but not be limited to, operation of
15 the new or expanded ~~cellulosic alcohol~~ *biomass-to-energy* plant during
16 the tax years when any installments of tax credits are claimed by the
17 taxpayer. If the secretary determines that the taxpayer is in compliance,
18 the secretary shall issue a certificate of compliance to the taxpayer. If the
19 secretary determines that the taxpayer is not in compliance with the
20 agreement, the secretary shall notify the taxpayer and the secretary of
21 revenue of such determination of noncompliance, and any tax credits
22 claimed pursuant to this section for any tax year shall be forfeited.

23 (3) The secretary of commerce may adopt rules and regulations to
24 administer this subsection.

25 Sec. 20. K.S.A. 2006 Supp. 79-32,235 is hereby amended to read as
26 follows: 79-32,235. (a) If a qualified investment is made by or transferred
27 to a pass-through entity and the credit allowed by this act for a taxable
28 year is greater than the entity's tax liability against which the tax credit
29 may be applied, a shareholder, partner or member of the entity is entitled
30 to a tax credit equal to the tax credit determined for the entity for the
31 taxable year in excess of the entity's tax liability under the Kansas income
32 tax act for the taxable year multiplied by the percentage of the entity's
33 distributive income to which the shareholder, partner or member is
34 entitled.

35 (b) If a ~~cellulosic alcohol~~ *biomass-to-energy* plant is co-owned by two
36 or more taxpayers, the amount of the credit that may be allowed to a co-
37 owner in a taxable year is equal to the tax credit determined under K.S.A.
38 2006 Supp. 79-32,234, and amendments thereto, with respect to the total
39 qualified investment in such plant multiplied by the co-owner's percent-
40 age of ownership in such plant.

41 (c) Such credit shall be taken in 10 equal, annual installments, begin-
42 ning with the year in which the entity places into service the new ~~cellulosic~~
43 ~~alcohol~~ *biomass-to-energy* plant or the expansion of an existing ~~cellulosic~~

1 ~~alcohol~~ *biomass-to-energy* plant.

2 (d) If the amount of an annual installment of a tax credit allowed a
3 shareholder, partner, member or co-owner under this section exceeds the
4 taxpayer's income tax liability for the taxable year in which the annual
5 installment is allowed, the amount thereof which exceeds such tax liability
6 may be carried over for deduction from the taxpayer's income tax liability
7 in the next succeeding taxable year or years until the total amount of the
8 tax credit has been deducted from tax liability, except that no such tax
9 credit shall be carried over for deduction after the 14th taxable year suc-
10 ceeding the taxable year in which the first annual installment is allowed.

11 Sec. 21. K.S.A. 2006 Supp. 79-32,237 is hereby amended to read as
12 follows: 79-32,237. (a) In addition to the income tax credit allowable pur-
13 suant to K.S.A. 2006 Supp. 79-32,233 through 79-32,236, and amend-
14 ments thereto, a taxpayer shall be entitled to a deduction from Kansas
15 adjusted gross income with respect to the amortization of the amortizable
16 costs of a new ~~cellulosic alcohol~~ *biomass-to-energy* plant or an expansion
17 of an existing ~~cellulosic alcohol~~ *biomass-to-energy* plant based upon a
18 period of 10 years. Such amortization deduction shall be an amount equal
19 to 55% of the amortizable costs of such new plant or expansion of an
20 existing plant for the first taxable year in which such new plant or expan-
21 sion of an existing plant is in production and 5% of the amortizable costs
22 of such new plant or expansion of an existing plant for each of the next
23 nine taxable years.

24 (b) The election of the taxpayer to claim the deduction allowed by
25 subsection (a) shall be made by filing a statement of such election with
26 the secretary of revenue in the manner and form and within the time
27 prescribed by rules and regulations adopted by the secretary.

28 (c) The provisions of this section shall apply to all taxable years com-
29 mencing after December 31, 2005.

30 (d) The secretary of revenue shall adopt such rules and regulations
31 as deemed necessary to carry out the provisions of this section.

32 (e) As used in this section, terms have the meanings provided by
33 K.S.A. 2006 Supp. 79-32,233, and amendments thereto.

34 Sec. 22. K.S.A. 2006 Supp. 79-32,239 is hereby amended to read as
35 follows: 79-32,239. (a) For taxable years commencing after December 31,
36 2005, *and before January 1, 2011*, any taxpayer who is awarded a tax credit
37 under this act by the commission and complies with the conditions set
38 forth in this act and the agreement entered into by the commission and
39 the taxpayer under this act shall be allowed a credit against the taxpayer's
40 tax liability under the Kansas income tax act as provided in subsection
41 (b). Expenditures used to qualify for this credit shall not be used to qualify
42 for any other type of Kansas income tax credit.

43 (b) The amount of the credit to which a taxpayer is entitled shall be

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1 equal to the sum of: (1) An amount equal to 10% of the taxpayer's qual-
2 ified investment for the first \$250,000,000 invested and (2) an amount
3 equal to 5% of the amount of the taxpayer's qualified investment that
4 exceeds \$250,000,000. Such credit shall be taken in 10 equal, annual
5 installments, beginning with the year in which the taxpayer places into
6 service the new integrated coal gasification power plant or the expansion
7 of an existing integrated coal gasification power plant.

8 (c) If the amount of an annual installment of a tax credit allowed
9 under this section exceeds the taxpayer's income tax liability for the tax-
10 able year in which the annual installment is allowed, the amount thereof
11 which exceeds such tax liability may be carried over for deduction from
12 the taxpayer's income tax liability in the next succeeding taxable year or
13 years until the total amount of the annual installment of the tax credit has
14 been deducted from tax liability, except that no such tax credit shall be
15 carried over for deduction after the 14th taxable year succeeding the
16 taxable year in which the first annual installment is allowed.

17 (d) (1) Before making a qualified investment, a taxpayer shall apply
18 to the commission to enter into an agreement for a tax credit under this
19 act. The commission shall prescribe the form of the application. After
20 receipt of such application, the commission may enter into an agreement
21 with the applicant for a credit under this act if the commission determines
22 that the taxpayer's proposed investment satisfies the requirements of this
23 act. The commission shall enter into an agreement with an applicant
24 which is awarded a credit under this act. The agreement shall include:
25 (A) A detailed description of the power plant project that is the subject
26 of the agreement, (B) the first taxable year for which the credit may be
27 claimed, (C) the maximum amount of tax credit that will be allowed for
28 each taxable year, (D) a requirement that the taxpayer shall maintain
29 operation of the new or expanded power plant for at least 10 years during
30 the term that the tax credit is available, (E) a requirement that the tax-
31 payer shall use at the taxpayer's integrated coal gasification power plant
32 in any taxable year for which an annual installment of the credit is allowed
33 that percentage of Kansas coal which the commission determines is pru-
34 dent, based on availability and cost of Kansas coal, in such year and (F)
35 a requirement that the taxpayer obtain from the commission a determi-
36 nation that the public necessity and convenience require, or will require,
37 construction of the taxpayer's integrated coal gasification power plant.

38 (2) A taxpayer must comply with the terms of the agreement de-
39 scribed in subsection (d)(1) to receive an annual installment of the tax
40 credit awarded under this act. The commission, in accordance with rules
41 and regulations of the commission, shall annually determine whether the
42 taxpayer is in compliance with the agreement. Such determination of
43 compliance shall include, but not be limited to, operation of the new or

1 expanded integrated coal gasification power plant during the tax years
2 when any installments of tax credits are claimed by the taxpayer. If the
3 commission determines that the taxpayer is in compliance, the commis-
4 sion shall issue a certificate of compliance to the taxpayer. If the secretary
5 determines that the taxpayer is not in compliance with the agreement,
6 the secretary shall notify the taxpayer and the secretary of revenue of
7 such determination of noncompliance, and any tax credits claimed pur-
8 suant to this section for any tax year shall be forfeited.

9 (3) The state corporation commission may adopt rules and regula-
10 tions to administer the provisions of this subsection.

11 Sec. 23. K.S.A. 2006 Supp. 74-8949b, 79-229, 79-32,117, 79-32,117l,
12 79-32,120, 79-32,138, 79-32,218, 79-32,224, 79-32,229, 79-32,233, 79-
13 32,234, 79-32,235, 79-32,237 and 79-32,239 are hereby repealed.

14 Sec. 24. This act shall take effect and be in force from and after its
15 publication in the statute book.

1-24

HOUSE BILL No. 2406

By Committee on Energy and Utilities

2-6

9 AN ACT concerning certain qualifying wind energy electric generation
10 facilities; providing for certain income tax credits and deductions;
11 amending K.S.A. 2006 Supp. 79-32,117, 79-32,120 and 79-32,138 and
12 repealing the existing sections; also repealing K.S.A. 2006 Supp. 79-
13 32,117L.

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

16 New Section 1. As used in sections 1 through 5, and amendments
17 thereto:

18 (a) "Commission" means the state corporation commission.

19 (b) "New qualifying electric generation facility" means a qualifying
20 electric generation facility, construction of which begins after December
21 31, 2007.

22 (c) "Pass-through entity" means any: (1) Corporation which is exempt
23 from income tax under section 1363 of the federal internal revenue code
24 and which complies with the requirements of K.S.A. 2006 Supp. 79-
25 32,100e, and amendments thereto; (2) limited liability company; (3) part-
26 nership; (4) limited liability partnership; (5) corporation organized under
27 the electric cooperative act; or (6) nonstock member-owned electric co-
28 operative corporation incorporated in this state.

29 (d) "Qualified investment" means ~~expenditures~~ made in construction
30 of a new qualifying electric generation facility, for real and tangible per-
31 sonal property incorporated in and used as part of such facility.

32 (e) "Qualifying electric generation facility" means an electric gener-
33 ation facility which:

34 (1) ~~Is owned by an electric public utility, as defined in K.S.A. 66-~~
35 ~~101a, and amendments thereto;~~

36 (2) has a capacity of more than 50 megawatts of electricity from wind
37 energy; and (3) is sited in conformity with the guidelines set forth in
38 section 5, and amendments thereto.

39 New Sec. 2. (a) For taxable years commencing after December 31,
40 2007, and before January 1, 2012, any taxpayer who is awarded a tax credit
41 under this act by the commission and complies with the conditions set
42 forth in this act and the agreement entered into by the commission and
43 the taxpayer under this act shall be allowed a credit against the taxpayer's

: (1) Expenditures

; and (2) the purchase of electricity from a qualified electric generation facility

located in this state

ENERGY AND HOUSE UTILITIES
DATE: 2/19/2007
ATTACHMENT 2-1

1 tax liability under the Kansas income tax act as provided in subsection
2 (b). Expenditures used to qualify for this credit shall not be used to qualify
3 for any other type of Kansas income tax credit.

4 (b) The amount of the credit to which a taxpayer is entitled shall be
5 equal to the sum of: (1) An amount equal to 10% of the taxpayer's qual-
6 ified investment for the first \$250,000,000 invested and (2) an amount
7 equal to 5% of the amount of the taxpayer's qualified investment that
8 exceeds \$250,000,000. Such credit shall be taken in 10 equal, annual
9 installments, beginning with the year in which the taxpayer places into
10 service the new qualifying electric generation facility.

11 (c) If the amount of an annual installment of a tax credit allowed
12 under this section exceeds the taxpayer's income tax liability for the tax-
13 able year in which the annual installment is allowed, the amount thereof
14 which exceeds such tax liability may be carried over for deduction from
15 the taxpayer's income tax liability in the next succeeding taxable year or
16 years until the total amount of the annual installment of the tax credit has
17 been deducted from tax liability, except that no such tax credit shall be
18 carried over for deduction after the 14th taxable year succeeding the
19 taxable year in which the first annual installment is allowed.

20 (d) (1) Before making a qualified investment, a taxpayer shall apply
21 to the commission to enter into an agreement for a tax credit under this
22 act. The commission shall prescribe the form of the application. After
23 receipt of such application, the commission may enter into an agreement
24 with the applicant for a credit under this act if the commission determines
25 that the taxpayer's proposed investment satisfies the requirements of this
26 act. The commission shall enter into an agreement with an applicant
27 which is awarded a credit under this act. The agreement shall include:
28 (A) A detailed description of the the generation facility project that is the
29 subject of the agreement, (B) the first taxable year for which the credit
30 may be claimed, (C) the maximum amount of tax credit that will be al-
31 lowed for each taxable year, (D) a requirement that the taxpayer shall
32 maintain operation of such generation facility for at least 10 years during
33 the term that the tax credit is available, and (E) a requirement that the
34 taxpayer obtain from the commission a determination that the public ne-
35 cessity and convenience require, or will require, construction of such
36 generation facility.

37 (2) A taxpayer must comply with the terms of the agreement de-
38 scribed in subsection (d)(1) to receive an annual installment of the tax
39 credit awarded under this act. The commission, in accordance with rules
40 and regulations of the commission, shall annually determine whether the
41 taxpayer is in compliance with the agreement. Such determination of
42 compliance shall include, but not be limited to, operation of the new
43 qualifying electric generation facility during the tax years when any in-

1 stallments of tax credits are claimed by the taxpayer. If the commission
2 determines that the taxpayer is in compliance, the commission shall issue
3 a certificate of compliance to the taxpayer. If the secretary determines
4 that the taxpayer is not in compliance with the agreement, the secretary
5 shall notify the taxpayer and the secretary of revenue of such determi-
6 nation of noncompliance, and any tax credits claimed pursuant to this
7 section for any tax year shall be forfeited.

8 (3) The state corporation commission may adopt rules and regula-
9 tions to administer the provisions of this subsection.

10 New Sec. 3. (a) If a qualified investment is made by or transferred
11 to a pass-through entity and the credit allowed by this act for a taxable
12 year is greater than the entity's tax liability against which the tax credit
13 may be applied, a shareholder, partner or member of the entity is entitled
14 to a tax credit equal to the tax credit determined for the entity for the
15 taxable year in excess of the entity's tax liability under the Kansas income
16 tax act for the taxable year multiplied by the percentage of the entity's
17 distributive income to which the shareholder, partner or member is
18 entitled.

19 (b) If a qualifying electric generation facility is co-owned by two or
20 more taxpayers, the amount of the credit that may be allowed to a co-
21 owner in a taxable year is equal to the tax credit determined under section
22 2, and amendments thereto, with respect to the total qualified investment
23 in such facility multiplied by the co-owner's percentage of ownership in
24 such facility.

25 (c) Such credit shall be taken in 10 equal, annual installments, begin-
26 ning with the year in which the entity places into service the new quali-
27 fying electric generation facility.

28 (d) If the amount of an annual installment of a tax credit allowed a
29 shareholder, partner, member or co-owner under this section exceeds the
30 taxpayer's income tax liability for the taxable year in which the annual
31 installment is allowed, the amount thereof which exceeds such tax liability
32 may be carried over for deduction from the taxpayer's income tax liability
33 in the next succeeding taxable year or years until the total amount of the
34 tax credit has been deducted from tax liability, except that no such tax
35 credit shall be carried over for deduction after the 14th taxable year suc-
36 ceeding the taxable year in which the first annual installment is allowed.

37 New Sec. 4. To receive the credit awarded by this act, a taxpayer
38 must claim the credit on the taxpayer's annual state income tax return or
39 returns in the manner prescribed by the director of taxation. The taxpayer
40 shall submit to the director a copy of the taxpayer's agreement for a tax
41 credit entered into with the commission pursuant to section 2, and
42 amendments thereto, and all information that the director determines
43 necessary for the calculation of the credit provided by this act.

1 New Sec. 5. The following are guidelines with which siting of a qual-
2 ifying electric generation facility shall comply:

3 (a) ~~Land use guidelines.~~ The electric public utility shall:

4 (1) ~~Contact agencies, property owners and stakeholders early in the~~
5 ~~process to identify potentially sensitive land uses and issues;~~

6 (2) ~~learn the rules that govern where and how the facility may be~~
7 ~~developed in the area where the facility is to be sited;~~

8 (3) ~~review and address land use compatibility issues before leasing~~
9 ~~the land;~~

10 (4) ~~in the spirit of interacting with all landowners in an equitable and~~
11 ~~fair fashion when proposing lease and option agreements, provide access~~
12 ~~or direction to objective background information that will allow the land-~~
13 ~~owner to make a fully informed decision;~~

14 (5) ~~recognize there are concerns specific to each region in the state;~~
15 ~~consult with appropriate experts and research and evaluate the implica-~~
16 ~~tions of local issues prior to selecting a specific site within the respective~~
17 ~~region;~~

18 (6) (A) ~~because of the rarity and high conservation value that the~~
19 ~~tallgrass prairie harbors, give careful consideration to the impact of siting~~
20 ~~the facility in the Flint Hills, particularly in the relatively unfragmented~~
21 ~~areas of the landscape; (B) give care to avoid damage to unfragmented~~
22 ~~landscapes and high quality remnants in the Sandhills, Mixed Grass, and~~
23 ~~Shortgrass prairies in central and western Kansas; and (C) when feasible,~~
24 ~~site the facility on already altered landscapes, such as extensively culti-~~
25 ~~vated land, areas already developed, or an undeveloped buffer adjacent~~
26 ~~to intact prairies; and~~

27 (7) ~~plan for efficient use of the land, consolidate necessary infrastruc-~~
28 ~~ture requirements whenever possible and carefully evaluate current trans-~~
29 ~~mission and market access.~~

30 (b) ~~Noise management guidelines.~~ The electric public utility shall:

31 (1) ~~When evaluating prospective sites, consider whether there are~~
32 ~~adequate setbacks from residential areas and rural homes, especially~~
33 ~~where the residential unit is in a relatively less windy or quieter location~~
34 ~~than the facility, and recognize that residents who support the facility may~~
35 ~~some day be replaced by others who will object to the noise; and~~

36 (2) ~~where acoustic levels are critical because of nearby residences or~~
37 ~~natural surroundings, investigate the possibility of using sound reduction~~
38 ~~technology on appropriate turbines.~~

39 (c) ~~Natural and biological resources guidelines.~~ The electric public
40 utility shall:

41 (1) ~~Consider the biological setting early in the project evaluation and~~
42 ~~planning process; use biological and environmental experts to conduct~~
43 ~~preliminary reconnaissance of the prospective site area; communicate~~

- 1 with wildlife agency and university personnel, and recognize that, if a site
2 has a large potential for biological or environmental conflicts, it may not
3 be worth the time and cost of conducting detailed wind resource evalu-
4 ation work;
- 5 (2) contact appropriate resource management agencies early in the
6 planning process to determine if there are any resources of special con-
7 cern in the area under consideration;
- 8 (3) involve local environmental and natural resources groups as soon
9 as practicable to insure they understand the facility's requirements and
10 see their concerns are being seriously addressed;
- 11 (4) because a key tool for avoiding unnecessary negative ecological
12 impacts of a facility is planning use landscape level examinations of key
13 wildlife habitats, migration corridors, staging and concentration areas and
14 breeding and brood rearing areas to develop general siting strategies;
- 15 (5) carefully review legally protected wildlife, such as threatened and
16 endangered species, present or potentially present at the site, recognize
17 that other seriously declining or vulnerable species that have no legal
18 protection may also be present, and research wildlife issues at each po-
19 tential site and attempt to understand how the facility might impact in-
20 dividual species of concern;
- 21 (6) because sites where native vegetation is scarce or absent will have
22 substantially fewer biological resource concerns, where possible, avoid
23 large, intact areas of native vegetation;
- 24 (7) bury power lines when feasible, in regions where grassland burn-
25 ing is practiced, build infrastructure which is able to withstand periodic
26 burning of vegetation, and minimize roads and fences;
- 27 (8) not allow perches on the nacelles of turbines; in building towers,
28 not utilize lattice type construction or other designs that provide perches
29 for avian predators; and address potential adverse affects of turbine warn-
30 ing lights on migrating birds;
- 31 (9) situate the facility in a way that does not interfere with important
32 wildlife movement corridors and staging areas;
- 33 (10) when possible to avoid significant ecological damage in the siting
34 of the facility, consider mitigation for habitat loss; appropriate actions may
35 include ecological restoration, long term management agreements, and
36 conservation easements to enhance or protect sites with similar or higher
37 ecological quality to that of the developed site; and
- 38 (11) consider potential cumulative regional impacts from multiple
39 generation facilities when making environmental assessments and miti-
40 gation decisions and recognize that failure to consider such multiple fa-
41 cilities will prevent analysis at a scale that could potentially yield a much
42 different picture.
- 43 (d) *Visual impact guidelines.* The electric public utility shall:

- 1 (1) Because the visual impact of the facility is an important consid-
2 eration in siting deliberations, fully evaluate the impact on the quality of
3 the surrounding landscape and viewsheds, especially in areas with high
4 aesthetic qualities and where neighbors' property may be impacted by
5 the siting and, where useful, provide accurate visual representations of
6 the potential facility (including visual simulations and viewshed analyses)
7 to landowners, the general public and other key stakeholders regarding
8 the visual impact of the facility;
- 9 (2) listen to the communities and stakeholders in all project phases;
- 10 (3) consider adapting the facility design to minimize visual exposure
11 from visually sensitive areas;
- 12 (4) plan the facility to minimize the need for developed roads or cut-
13 and fill;
- 14 (5) consider the possibilities and benefits of using road less facility
15 designs or designs that rely on existing roads; and
- 16 (6) identify designated scenic byways and popular vistas, and avoid
17 sites that are readily visible from those points.
- 18 (e) *Soil erosion and water quality.* The electric public utility shall:
- 19 (1) Wherever possible, avoid sites that require construction activities
20 on steep slopes;
- 21 (2) in considering the appropriate erosion control measures required
22 for a specific site, be aware that although some measures may require
23 greater expense initially, significant savings will occur over the life of the
24 project in reduced maintenance and replacement costs, recognizing that
25 a well-developed erosion and sediment control plan may also reduce reg-
26 ulatory delays in approving and monitoring the facility;
- 27 (3) when feasible, conduct construction and maintenance when the
28 ground is frozen or when soils are dry and native vegetation is dormant;
- 29 (4) keep improved roads and construction staging areas to a minimum
30 and give care to avoid sensitive habitats;
- 31 (5) as practical, carry out ongoing operation and maintenance activi-
32 ties by use of light conveyances to minimize habitat disturbance and the
33 need for improved roads; and
- 34 (6) use native vegetation of local ecotypes when reseeding disturbed
35 areas and consider wildlife and plant composition in determining the fre-
36 quency and timing of mowing near turbines.
- 37 (f) *Safety guidelines.* The electric public utility shall include the need
38 for safety setbacks when evaluating specific parcels for development, rec-
39 ognizing that sufficient spacing from public access ways, and particularly
40 from residential areas and structures, can mitigate many siting issues.
- 41 (g) *Cultural, archaeological and paleontological guidelines.* The elec-
42 tric public utility shall:
- 43 (1) Avoid selecting sites with potentially sensitive cultural or historical

- 1 resources whenever possible and always involve stakeholders early on;
- 2 ~~(2) consult with the Kansas state historical society and qualified pro-~~
3 ~~fessional specialists familiar with cultural and fossil resources in the pro-~~
4 ~~ject development area;~~
- 5 ~~(3) respect that some sensitive resources and sites may be confiden-~~
6 ~~tial to Native Americans and plan to work closely with tribal representa-~~
7 ~~tives to avoid disruption of these resources;~~
- 8 ~~(4) design site layouts to avoid sensitive resources if possible;~~
- 9 ~~(5) provide for monitoring and mitigation for protection of sensitive~~
10 ~~resources during construction and operation of the project, and~~
- 11 ~~(6) allow adequate time in the project schedule for data and specimen~~
12 ~~recovery, mapping analysis and reporting.~~
- 13 ~~(h) *Socioeconomic, public service and infrastructure guidelines.* The~~
14 ~~electric public utility shall:~~
- 15 ~~(1) Consult with local agencies and service districts to determine if~~
16 ~~and how the facility's requirements may affect community services, costs~~
17 ~~and infrastructure;~~
- 18 ~~(2) if possible, plan the facility's operation and construction to avoid~~
19 ~~or minimize potential impacts on community services and infrastructure;~~
- 20 ~~(3) recognize that the Kansas personal property tax exemption avail-~~
21 ~~able to renewable energy projects affects the local community, incorpo-~~
22 ~~rate community and goodwill initiatives into the facility's economic plan~~
23 ~~and work to be good neighbors;~~
- 24 ~~(4) not exploit the fact that some districts or counties do not yet have~~
25 ~~an established zoning permitting process applicable to generation facili-~~
26 ~~ties and shall work with the appropriate local officials to establish reason-~~
27 ~~able parameters and make the process as transparent and informative to~~
28 ~~the public as practicable;~~
- 29 ~~(5) provide information related to possible future expansion of the~~
30 ~~facility; affected stakeholders should recognize that developers may not~~
31 ~~have precise information about future expansions, and developers should~~
32 ~~recognize that stakeholder issues and concerns may be dependent on~~
33 ~~facility scale, and that expansion of the facility may involve impacts not~~
34 ~~specifically addressed during the initial facility;~~
- 35 ~~(6) anticipate and make provisions for future site decommissioning~~
36 ~~and restoration;~~
- 37 ~~(7) utilize local contractors and providers for services, supplies and~~
38 ~~equipment as much as possible during construction and operation of the~~
39 ~~facility; and~~
- 40 ~~(8) recognize that the local community may not have a specific need~~
41 ~~for the electricity generated by the proposed facility and that there should~~
42 ~~be substantive public benefits beyond the greater good of hosting a re-~~
43 ~~newable energy generation facility.~~

1 ~~(i) *Public interaction guidelines.* The electric public utility shall:~~
2 ~~(1) Prepare and implement a public outreach program on the benefits~~
3 ~~and trade offs involved in wind generation; and~~
4 ~~(2) provide access or direction to objective background resources that~~
5 ~~will allow interested parties to make fully informed decisions and incor-~~
6 ~~porate into the siting process public involvement through meetings and~~
7 ~~public forums; decision making by developers, landowners, elected offi-~~
8 ~~cial and the general public will be enhanced when accurate and com-~~
9 ~~prehensive information is shared and ample opportunity for two way~~
10 ~~communication is available.~~

see attachment

11 New Sec. 6. (a) In addition to the income tax credit allowable pur-
12 suant to sections 1 through 5, and amendments thereto, a taxpayer shall
13 be entitled to a deduction from Kansas adjusted gross income with respect
14 to the amortization of the amortizable costs of a new qualifying electric
15 generation facility based upon a period of 10 years. Such amortization
16 deduction shall be an amount equal to 55% of the amortizable costs of
17 such facility for the first taxable year in which such new plant or expansion
18 of an existing plant is in production and 5% of the amortizable costs of
19 such facility for each of the next nine taxable years.

20 (b) The election of the taxpayer to claim the deduction allowed by
21 subsection (a) shall be made by filing a statement of such election with
22 the secretary of revenue in the manner and form and within the time
23 prescribed by rules and regulations adopted by the secretary.

24 (c) The provisions of this section shall apply to all taxable years com-
25 mencing after December 31, 2007.

26 (d) The secretary of revenue shall adopt such rules and regulations
27 as deemed necessary to carry out the provisions of this section.

28 (e) As used in this section, terms have the meanings provided by
29 section 1, and amendments thereto.

30 Sec. 7. K.S.A. 2006 Supp. 79-32,117 is hereby amended to read as
31 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
32 means such individual's federal adjusted gross income for the taxable year,
33 with the modifications specified in this section.

34 (b) There shall be added to federal adjusted gross income:

35 (i) Interest income less any related expenses directly incurred in the
36 purchase of state or political subdivision obligations, to the extent that
37 the same is not included in federal adjusted gross income, on obligations
38 of any state or political subdivision thereof, but to the extent that interest
39 income on obligations of this state or a political subdivision thereof issued
40 prior to January 1, 1988, is specifically exempt from income tax under the
41 laws of this state authorizing the issuance of such obligations, it shall be
42 excluded from computation of Kansas adjusted gross income whether or
43 not included in federal adjusted gross income. Interest income on obli-

1 gations of this state or a political subdivision thereof issued after Decem-
2 ber 31, 1987, shall be excluded from computation of Kansas adjusted
3 gross income whether or not included in federal adjusted gross income.

4 (ii) Taxes on or measured by income or fees or payments in lieu of
5 income taxes imposed by this state or any other taxing jurisdiction to the
6 extent deductible in determining federal adjusted gross income and not
7 credited against federal income tax. This paragraph shall not apply to taxes
8 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amend-
9 ments thereto, for privilege tax year 1995, and all such years thereafter.

10 (iii) The federal net operating loss deduction.

11 (iv) Federal income tax refunds received by the taxpayer if the de-
12 duction of the taxes being refunded resulted in a tax benefit for Kansas
13 income tax purposes during a prior taxable year. Such refunds shall be
14 included in income in the year actually received regardless of the method
15 of accounting used by the taxpayer. For purposes hereof, a tax benefit
16 shall be deemed to have resulted if the amount of the tax had been de-
17 ducted in determining income subject to a Kansas income tax for a prior
18 year regardless of the rate of taxation applied in such prior year to the
19 Kansas taxable income, but only that portion of the refund shall be in-
20 cluded as bears the same proportion to the total refund received as the
21 federal taxes deducted in the year to which such refund is attributable
22 bears to the total federal income taxes paid for such year. For purposes
23 of the foregoing sentence, federal taxes shall be considered to have been
24 deducted only to the extent such deduction does not reduce Kansas tax-
25 able income below zero.

26 (v) The amount of any depreciation deduction or business expense
27 deduction claimed on the taxpayer's federal income tax return for any
28 capital expenditure in making any building or facility accessible to the
29 handicapped, for which expenditure the taxpayer claimed the credit al-
30 lowed by K.S.A. 79-32,177, and amendments thereto.

31 (vi) Any amount of designated employee contributions picked up by
32 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
33 and amendments to such sections.

34 (vii) The amount of any charitable contribution made to the extent
35 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
36 79-32,196, and amendments thereto.

37 (viii) The amount of any costs incurred for improvements to a swine
38 facility, claimed for deduction in determining federal adjusted gross in-
39 come, to the extent the same is claimed as the basis for any credit allowed
40 pursuant to K.S.A. 2006 Supp. 79-32,204 and amendments thereto.

41 (ix) The amount of any ad valorem taxes and assessments paid and
42 the amount of any costs incurred for habitat management or construction
43 and maintenance of improvements on real property, claimed for deduc-

1 tion in determining federal adjusted gross income, to the extent the same
2 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203
3 and amendments thereto.

4 (x) Amounts received as nonqualified withdrawals, as defined by
5 K.S.A. 2006 Supp. 75-643, and amendments thereto, if, at the time of
6 contribution to a family postsecondary education savings account, such
7 amounts were subtracted from the federal adjusted gross income pur-
8 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-
9 ments thereto, or if such amounts are not already included in the federal
10 adjusted gross income.

11 (xi) The amount of any contribution made to the same extent the
12 same is claimed as the basis for the credit allowed pursuant to K.S.A.
13 2006 Supp. 74-50,154, and amendments thereto.

14 (xii) For taxable years commencing after December 31, 2004,
15 amounts received as withdrawals not in accordance with the provisions
16 of K.S.A. 2006 Supp. 74-50,204, and amendments thereto, if, at the time
17 of contribution to an individual development account, such amounts were
18 subtracted from the federal adjusted gross income pursuant to paragraph
19 (xiii) of subsection (c), or if such amounts are not already included in the
20 federal adjusted gross income.

21 (xiii) The amount of any expenditures claimed for deduction in de-
22 termining federal adjusted gross income, to the extent the same is claimed
23 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
24 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

25 (xiv) The amount of any amortization deduction claimed in deter-
26 mining federal adjusted gross income to the extent the same is claimed
27 for deduction pursuant to K.S.A. 2006 Supp. 79-32,221, and amendments
28 thereto.

29 (xv) The amount of any expenditures claimed for deduction in deter-
30 mining federal adjusted gross income, to the extent the same is claimed
31 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
32 32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
33 through 79-32,236, 79-32,238 through 79-32,241 or sections 1 through 5,
34 and amendments thereto.

35 (xvi) The amount of any amortization deduction claimed in deter-
36 mining federal adjusted gross income to the extent the same is claimed
37 for deduction pursuant to K.S.A. 2006 Supp. 79-32,227, 79-32,232, 79-
38 32,237 or section 6, and amendments thereto.

39 ~~(xvii) The amount of any expenditures claimed for deduction in de-~~
40 ~~termining federal adjusted gross income, to the extent the same is claimed~~
41 ~~as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-~~
42 ~~32,228 through 79-32,231, and amendments thereto.~~

43 ~~—(xviii) The amount of any amortization deduction claimed in deter-~~

1 ~~mining federal adjusted gross income to the extent the same is claimed~~
2 ~~for deduction pursuant to K.S.A. 2006 Supp. 79-32,232, and amendments~~
3 ~~thereto.~~

4 ~~—(xix) The amount of any expenditures claimed for deduction in de-~~
5 ~~termining federal adjusted gross income, to the extent the same is claimed~~
6 ~~as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-~~
7 ~~32,233 through 79-32,236, and amendments thereto.~~

8 ~~—(xx) The amount of any amortization deduction claimed in determin-~~
9 ~~ing federal adjusted gross income to the extent the same is claimed for~~
10 ~~deduction pursuant to K.S.A. 2006 Supp. 79-32,237, and amendments~~
11 ~~thereto.~~

12 ~~—(xxi) The amount of any expenditures claimed for deduction in de-~~
13 ~~termining federal adjusted gross income, to the extent the same is claimed~~
14 ~~as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-~~
15 ~~32,238 through 79-32,241, and amendments thereto.~~

16 (c) There shall be subtracted from federal adjusted gross income:

17 (i) Interest or dividend income on obligations or securities of any
18 authority, commission or instrumentality of the United States and its pos-
19 sessions less any related expenses directly incurred in the purchase of
20 such obligations or securities, to the extent included in federal adjusted
21 gross income but exempt from state income taxes under the laws of the
22 United States.

23 (ii) Any amounts received which are included in federal adjusted
24 gross income but which are specifically exempt from Kansas income tax-
25 ation under the laws of the state of Kansas.

26 (iii) The portion of any gain or loss from the sale or other disposition
27 of property having a higher adjusted basis for Kansas income tax purposes
28 than for federal income tax purposes on the date such property was sold
29 or disposed of in a transaction in which gain or loss was recognized for
30 purposes of federal income tax that does not exceed such difference in
31 basis, but if a gain is considered a long-term capital gain for federal in-
32 come tax purposes, the modification shall be limited to that portion of
33 such gain which is included in federal adjusted gross income.

34 (iv) The amount necessary to prevent the taxation under this act of
35 any annuity or other amount of income or gain which was properly in-
36 cluded in income or gain and was taxed under the laws of this state for a
37 taxable year prior to the effective date of this act, as amended, to the
38 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
39 the right to receive the income or gain, or to a trust or estate from which
40 the taxpayer received the income or gain.

41 (v) The amount of any refund or credit for overpayment of taxes on
42 or measured by income or fees or payments in lieu of income taxes im-
43 posed by this state, or any taxing jurisdiction, to the extent included in

- 1 gross income for federal income tax purposes.
- 2 (vi) Accumulation distributions received by a taxpayer as a beneficiary
3 of a trust to the extent that the same are included in federal adjusted
4 gross income.
- 5 (vii) Amounts received as annuities under the federal civil service
6 retirement system from the civil service retirement and disability fund
7 and other amounts received as retirement benefits in whatever form
8 which were earned for being employed by the federal government or for
9 service in the armed forces of the United States.
- 10 (viii) Amounts received by retired railroad employees as a supple-
11 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
12 et seq.
- 13 (ix) Amounts received by retired employees of a city and by retired
14 employees of any board of such city as retirement allowances pursuant to
15 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
16 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
17 amendments thereto.
- 18 (x) For taxable years beginning after December 31, 1976, the amount
19 of the federal tentative jobs tax credit disallowance under the provisions
20 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
21 the amount of the targeted jobs tax credit and work incentive credit dis-
22 allowances under 26 U.S.C. 280 C.
- 23 (xi) For taxable years beginning after December 31, 1986, dividend
24 income on stock issued by Kansas Venture Capital, Inc.
- 25 (xii) For taxable years beginning after December 31, 1989, amounts
26 received by retired employees of a board of public utilities as pension and
27 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
28 and amendments thereto.
- 29 (xiii) For taxable years beginning after December 31, 2004, amounts
30 contributed to and the amount of income earned on contributions de-
31 posited to an individual development account under K.S.A. 2006 Supp.
32 74-50,201, et seq., and amendments thereto.
- 33 (xiv) For all taxable years commencing after December 31, 1996, that
34 portion of any income of a bank organized under the laws of this state or
35 any other state, a national banking association organized under the laws
36 of the United States, an association organized under the savings and loan
37 code of this state or any other state, or a federal savings association or-
38 ganized under the laws of the United States, for which an election as an
39 S corporation under subchapter S of the federal internal revenue code is
40 in effect, which accrues to the taxpayer who is a stockholder of such
41 corporation and which is not distributed to the stockholders as dividends
42 of the corporation.
- 43 (xv) For all taxable years beginning after December 31, 1999,

1 amounts not exceeding ~~\$2,000, or \$4,000~~ *\$3,000 or \$6,000* for a married
2 couple filing a joint return, for each designated beneficiary which are
3 contributed to a family postsecondary education savings account estab-
4 lished under the Kansas postsecondary education savings program for the
5 purpose of paying the qualified higher education expenses of a designated
6 beneficiary at an institution of postsecondary education. For all taxable
7 years beginning after December 31, ~~2004~~ *2006*, amounts not exceeding
8 *\$3,000, or \$6,000* for a married couple filing a joint return, for each des-
9 ignated beneficiary which are contributed to a ~~family postsecondary ed-~~
10 ~~ucation savings account established under the Kansas postsecondary ed-~~
11 ~~ucation savings program~~ *qualified tuition program established and*
12 *maintained by another state or agency or instrumentality thereof pursu-*
13 *ant to section 529 of the internal revenue code of 1986, as amended*, for
14 the purpose of paying the qualified higher education expenses of a des-
15 ignated beneficiary at an institution of postsecondary education. The
16 terms and phrases used in this paragraph shall have the meaning respec-
17 tively ascribed thereto by the provisions of K.S.A. 2006 Supp. 75-643, and
18 amendments thereto, and the provisions of such section are hereby in-
19 corporated by reference for all purposes thereof.

20 (xvi) For the tax year beginning after December 31, 2004, an amount
21 not exceeding \$500; for the tax year beginning after December 31, 2005,
22 an amount not exceeding \$600; for the tax year beginning after December
23 31, 2006, an amount not exceeding \$700; for the tax year beginning after
24 December 31, 2007, an amount not exceeding \$800; for the tax year
25 beginning December 31, 2008, an amount not exceeding \$900; and for
26 all taxable years commencing after December 31, 2009, an amount not
27 exceeding \$1,000 of the premium costs for qualified long-term care in-
28 surance contracts, as defined by subsection (b) of section 7702B of public
29 law 104-191.

30 (xvii) For all taxable years beginning after December 31, 2004,
31 amounts received by taxpayers who are or were members of the armed
32 forces of the United States, including service in the Kansas army and air
33 national guard, as a recruitment, sign up or retention bonus received by
34 such taxpayer as an incentive to join, enlist or remain in the armed services
35 of the United States, including service in the Kansas army and air national
36 guard, and amounts received for repayment of educational or student
37 loans incurred by or obligated to such taxpayer and received by such
38 taxpayer as a result of such taxpayer's service in the armed forces of the
39 United States, including service in the Kansas army and air national guard.

40 (xviii) For all taxable years beginning after December 31, 2004,
41 amounts received by taxpayers who are eligible members of the Kansas
42 army and air national guard as a reimbursement pursuant to K.S.A. 48-
43 281, and amendments thereto, and amounts received for death benefits

1 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-
2 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
3 amendments thereto, to the extent that such death benefits are included
4 in federal adjusted gross income of the taxpayer.

5 (d) There shall be added to or subtracted from federal adjusted gross
6 income the taxpayer's share, as beneficiary of an estate or trust, of the
7 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
8 amendments thereto.

9 (e) The amount of modifications required to be made under this sec-
10 tion by a partner which relates to items of income, gain, loss, deduction
11 or credit of a partnership shall be determined under K.S.A. 79-32,131,
12 and amendments thereto, to the extent that such items affect federal
13 adjusted gross income of the partner.

14 Sec. 8. K.S.A. 2006 Supp. 79-32,120 is hereby amended to read as
15 follows: 79-32,120. (a) If federal taxable income of an individual is deter-
16 mined by itemizing deductions from such individual's federal adjusted
17 gross income, such individual may elect to deduct the Kansas itemized
18 deduction in lieu of the Kansas standard deduction. The Kansas itemized
19 deduction of an individual means the total amount of deductions from
20 federal adjusted gross income, other than federal deductions for personal
21 exemptions, as provided in the federal internal revenue code with the
22 modifications specified in this section.

23 (b) The total amount of deductions from federal adjusted gross in-
24 come shall be reduced by the total amount of income taxes imposed by
25 or paid to this state or any other taxing jurisdiction to the extent that the
26 same are deducted in determining the federal itemized deductions and
27 by the amount of all depreciation deductions claimed for any real or
28 tangible personal property upon which the deduction allowed by K.S.A.
29 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 *or section 6*,
30 and amendments thereto, is or has been claimed.

31 Sec. 9. K.S.A. 2006 Supp. 79-32,138 is hereby amended to read as
32 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
33 under this act shall be the corporation's federal taxable income for the
34 taxable year with the modifications specified in this section.

35 (b) There shall be added to federal taxable income: (i) The same
36 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and
37 amendments thereto, with respect to resident individuals.

38 (ii) The amount of all depreciation deductions claimed for any prop-
39 erty upon which the deduction allowed by K.S.A. 2006 Supp. 79-32,221,
40 79-32,227, 79-32,232 ~~or~~, 79-32,237 *or section 8*, and amendments thereto,
41 is claimed.

42 (iii) The amount of any charitable contribution deduction claimed for
43 any contribution or gift to or for the use of any racially segregated edu-

1 cational institution.

2 (c) There shall be subtracted from federal taxable income: (i) The
3 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,
4 and amendments thereto, with respect to resident individuals.

5 (ii) The federal income tax liability for any taxable year commencing
6 prior to December 31, 1971, for which a Kansas return was filed after
7 reduction for all credits thereon, except credits for payments on estimates
8 of federal income tax, credits for gasoline and lubricating oil tax, and for
9 foreign tax credits if, on the Kansas income tax return for such prior year,
10 the federal income tax deduction was computed on the basis of the federal
11 income tax paid in such prior year, rather than as accrued. Notwithstand-
12 ing the foregoing, the deduction for federal income tax liability for any
13 year shall not exceed that portion of the total federal income tax liability
14 for such year which bears the same ratio to the total federal income tax
15 liability for such year as the Kansas taxable income, as computed before
16 any deductions for federal income taxes and after application of subsec-
17 tions (d) and (e) of this section as existing for such year, bears to the
18 federal taxable income for the same year.

19 (iii) An amount for the amortization deduction allowed pursuant to
20 K.S.A. 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 *or sec-*
21 *tion 8*, and amendments thereto.

22 (iv) For all taxable years commencing after December 31, 1987, the
23 amount included in federal taxable income pursuant to the provisions of
24 section 78 of the internal revenue code.

25 (v) For all taxable years commencing after December 31, 1987, 80%
26 of dividends from corporations incorporated outside of the United States
27 or the District of Columbia which are included in federal taxable income.

28 (d) If any corporation derives all of its income from sources within
29 Kansas in any taxable year commencing after December 31, 1979, its
30 Kansas taxable income shall be the sum resulting after application of
31 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
32 taxable income in any such taxable year, after excluding any refunds of
33 federal income tax and before the deduction of federal income taxes pro-
34 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271
35 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund
36 of federal income tax as determined under paragraph (iv) of subsection
37 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-
38 tion for federal income taxes as provided by subsection (c)(ii) shall be
39 such corporation's Kansas taxable income.

40 (e) A corporation may make an election with respect to its first taxable
41 year commencing after December 31, 1982, whereby no addition modi-
42 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and
43 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.

2-17b

1 79-32,138, as those subsections existed prior to their amendment by this
2 act, shall be required to be made for such taxable year.

3 Sec. 10. K.S.A. 2006 Supp. 79-32,117, 79-32,117l, 79-32,120 and 79-
4 32,138 are hereby repealed.

5 Sec. 11. This act shall take effect and be in force from and after its
6 publication in the statute book.

New Sec. 5. The following are guidelines with which siting of a qualifying electric generation facility shall comply:

(a) *Land use guidelines.* The proposed electric generation facility owner shall:

(1) Contract with one or more federal, state, or not-for-profit organizations with recognized expertise in identifying habitat for threatened and endangered species, threatened and endangered flora, and environmentally or culturally unique land to perform surveys of potential construction sites. Such agency's or organization's report shall become part of the public record when a site is preliminarily selected by the proposed facility's owner; and

(2) such electric generation facilities shall be sited on lands altered from their original appearance, including, but not limited to, cultivated lands, areas containing non-native grass species used for pasturing livestock, or fragmented areas of less than five acres containing native grasses.

(b) *Noise management guidelines.* The proposed electric generation facility owner shall:

(1) Set generation facility back from residential dwellings not located on grounds leased for turbine placement by at least 1,000 feet and from residential dwellings on leased grounds by at least the height of the tallest structure plus 50 feet; and

(2) set generation facility back from property line of non-leased land by at least the height of the tallest structure plus 50 feet.

(c) *Natural and biological resource guidelines:* The proposed electric generation facility owner shall:

(1) Design and install generation units and appurtenances to minimize wildlife nesting, roosting, and intrusion in flight or migratory pathways;

(2) construct, maintain, and at least annually update material in one or more educational kiosks that describe environmental protection steps taken during construction and operation of the generating facility and describes the generation units and their operation. Such kiosk to be placed at locations most likely to be visited by local and non-local residents traveling in the area and in proximity to the generating facility; and

(3) develop a habitat enhancement area in cooperation with the Kansas Department of Wildlife and Parks that is at least as large as the total ground covered by the generating units and appurtenances. Such habitat enhancement area may be leased or owned by the generation units owner and maintained with guidance from the Department at least until the generation units are decommissioned and dismantled. Habitat enhancement area may include, but is not limited to, wildlife food plots, habitat, and water supply.

(d) *Visual impact guidelines:* The proposed electric generation facility owner shall:

- (1) Prepare accurate visual representations of the proposed facility from the perspective of all residential dwellings within one half mile of the proposed facility;
- (2) prepare accurate visual representations of existing man-made structures from the perspective of all residential dwellings within one half mile of the proposed facility; and
- (3) damage to existing roads and any land used for newly constructed roads to serve the facility shall be restored to original condition for existing roads or the condition most appropriate for the on-going operation of the facility for newly constructed roads.

(e) *Community Relations:* The proposed electric generation facility owner shall:

- (1) Hold at least two public information workshops to inform area residents of the proposed facility. Notices shall be mailed to all residences within one half mile of the proposed facility and at least one week before such workshop a notice shall be printed in the newspaper that serves that area;
- (2) such public information workshops may be after contacts are made with landowners who may or have received contracts to lease their lands for the proposed facility. Such workshops shall be at least one week apart and shall not occur on the same day of the week;
- (3) such public information workshops shall provide information of general interest to the residents of that area, including, but not limited to, the accurate visual representations; environmental protection actions proposed; partnerships with federal, state, and not-for-profit agencies and organizations; decommissioning and site restoration plans; and anticipated noise levels at the project's outer site limit;
- (4) such public information workshops shall provide information regarding background resources that interested parties may investigate regarding the type of generation facility proposed;
- (5) local governments shall be apprised of anticipated payments-in-lieu-of-taxes that will be made, road repair proposals, decommissioning and site restoration plans and guarantees, and such other issues as are mutually agreed upon; and
- (6) provide preferences within the competitive bidding process for local contractors and providers for services, supplies, and equipment during the construction and operation phases of the facility.

HOUSE BILL No. 2419

By Committee on Energy and Utilities

2-6

9 AN ACT enacting the carbon dioxide reduction act; providing for income
10 tax reductions and property tax exemptions; providing for regulation
11 of carbon dioxide injection wells; amending K.S.A. 2006 Supp. 79-
12 32,117, 79-32,120 and 79-32,138 and repealing the existing sections;
13 also repealing K.S.A. 2006 Supp. 79-32,117l.

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

16 New Section 1. Sections 1 through 7, and amendments thereto, may
17 be cited as the carbon dioxide reduction act.

18 New Sec. 2. (a) As used in sections 2 through 5, and amendments
19 thereto:

20 (1) "Carbon dioxide injection well" means any hole or penetration of
21 the surface of the earth used to inject carbon dioxide for underground
22 storage or for enhanced recovery of hydrocarbons and any associated
23 machinery and equipment used for such injection of carbon dioxide. "Car-
24 bon dioxide injection well" does not include underground storage.

25 (2) "Commission" means the state corporation commission.

26 (3) "Underground storage" means any underground formation where
27 carbon dioxide is injected for sequestration.

28 (b) For the purposes of protecting the health, safety and property of
29 the people of the state, and preventing escape of carbon dioxide into the
30 atmosphere and pollution of soil and surface and subsurface water det-
31 rimental to public health or to plant, animal and aquatic life, the com-
32 mission, on or before ~~January 1~~, 2008, shall adopt separate and specific
33 rules and regulations establishing requirements, procedures and stan-
34 dards for the safe and secure injection of carbon dioxide and maintenance
35 of underground storage of carbon dioxide. Such rules and regulations shall
36 include, but not be limited to: (1) Site selection criteria; (2) design and
37 development criteria; (3) operation criteria; (4) casing requirements; (5)
38 monitoring and measurement requirements; (6) safety requirements, in-
39 cluding public notification; (7) closure and abandonment requirements,
40 including the financial requirements of subsection ~~(f)~~, and (8) long-term
41 monitoring.

42 (c) The commission may adopt rules and regulations establishing fees
43 for permitting, monitoring and inspecting operators of carbon dioxide

July

(e)

ENERGY AND HOUSE UTILITIES
DATE: 2/19/2007
ATTACHMENT 3-1

1 injection wells and underground storage. Fees collected by the commis-
2 sion under this subsection shall be remitted by the commission to the
3 state treasurer in accordance with the provisions of K.S.A. 75-4215, and
4 amendments thereto. Upon receipt of each such remittance, the state
5 treasurer shall deposit the entire amount in the state treasury and credit
6 it to the carbon dioxide injection well and underground storage fund.

7 (d) The commission or the commission's duly authorized represen-
8 tative may impose on any holder of a permit issued pursuant to this sec-
9 tion such requirements relating to inspecting, monitoring, investigating,
10 recording and reporting as the commission or representative deems nec-
11 essary to administer the provisions of this section and rules and regula-
12 tions adopted hereunder.

13 (e) Any company or operator receiving a permit under the provisions
14 of this act shall demonstrate annually to the commission evidence, satis-
15 factory to the commission, that the permit holder has financial ability to
16 cover the cost of closure of the permitted facility as required by the
17 commission.

18 (f) The commission may enter into contracts for services from con-
19 sultants and other experts for the purposes of assisting in the drafting of
20 rules and regulations pursuant to this section.

21 (g) Rules and regulations adopted under this act shall apply to any
22 carbon dioxide injection well or underground storage, whether in exis-
23 tence on the effective date of this act or thereafter.

24 New Sec. 3. (a) (1) There is hereby established in the state treasury
25 the carbon dioxide injection well and underground storage fund to ad-
26 minister the provisions of sections 2 through 5, and amendments thereto.
27 Such fund shall be administered by the commission in accordance with
28 the provisions of this section.

29 (2) The commission shall remit to the state treasurer in accordance
30 with the provisions of K.S.A. 75-4215, and amendments thereto, all mon-
31 eys received by the commission for the purposes of sections 2 through 5,
32 and amendments thereto. Upon receipt of the remittance the state trea-
33 surer shall deposit the entire amount in the state treasury and credit it to
34 the fund. The commission is authorized to receive from any private or
35 governmental source any funds made available for the purposes of sec-
36 tions 2 through 5, and amendments thereto.

37 (3) All expenditures from the carbon dioxide injection well and un-
38 derground storage fund shall be made in accordance with appropriation
39 acts and upon warrants of the director of accounts and reports issued
40 pursuant to vouchers approved by the chairperson of the commission or
41 a person designated by the chairperson.

42 (b) The commission is authorized to use moneys from the carbon
43 dioxide injection well and underground storage fund to pay the cost of:

- 1 (1) All activities related to permitting activities, including but not lim-
2 ited to, development and issuance of permits, compliance monitoring,
3 inspections, well closures, underground storage closure, long-term mon-
4 itoring and enforcement actions;
- 5 (2) review and witnessing of test procedures;
- 6 (3) review and witnessing of routine workover or repair procedures;
- 7 (4) investigation of violations, complaints, pollution and events af-
8 fecting public health;
- 9 (5) design and review of remedial action plans;
- 10 (6) contracting for services needed to supplement the commission's
11 staff expertise in facility investigations;
- 12 (7) consultation needed concerning remedial action at a permitted
13 facility;
- 14 (8) mitigation of adverse environmental impacts;
- 15 (9) emergency or long-term remedial activities;
- 16 (10) legal costs, including expert witnesses, incurred in administration
17 of the provisions of sections 2 through 5, and amendments thereto; and
18 (11) costs of program administration.
- 19 (c) On or before the 10th of each month, the director of accounts
20 and reports shall transfer from the state general fund to the carbon di-
21 oxide injection well and underground storage fund interest earnings based
22 on:
- 23 (1) The average daily balance of moneys in the carbon dioxide injec-
24 tion well and underground storage fund for the preceding month; and
25 (2) the net earnings rate of the pooled money investment portfolio
26 for the preceding months.
- 27 New Sec. 4. (a) The commission, upon a finding that a person has
28 violated any provision of section 2, and amendments thereto, or rules and
29 regulations adopted thereunder, may impose a penalty not to exceed
30 \$10,000 per violation which shall constitute an economic deterrent to the
31 violation for which it is assessed and, in the case of a continuing violation,
32 every day such violation continues shall be deemed a separate violation.
- 33 (b) No penalty shall be imposed pursuant to this section except after
34 an opportunity for hearing upon the written order of the commission to
35 the person who committed the violation. The order shall state the viola-
36 tion and the penalty to be imposed.
- 37 (c) Whenever the commission or the commission's duly authorized
38 agents find that the escape of carbon dioxide into the atmosphere from
39 injection of carbon dioxide is not being prevented or that the soil or waters
40 of the state are not being protected from pollution resulting from injec-
41 tion of carbon dioxide, the commission or the commission's duly author-
42 ized agents shall issue an order prohibiting such injection. Any person
43 aggrieved by such order may request in writing, within 15 days after

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1 service of the order, a hearing on the order. Upon receipt of a timely
2 request, a hearing shall be conducted in accordance with the provisions
3 of the Kansas administrative procedure act.

4 (d) Any action of the commission pursuant to this section is subject
5 to review in accordance with the act for judicial review and civil enforce-
6 ment of agency actions.

7 New Sec. 5. (a) In performing investigations or administrative func-
8 tions relating to prevention of escape of carbon dioxide into the atmos-
9 phere from injection of carbon dioxide or prevention of pollution of the
10 soil or waters of the state, the commission or the commission's duly au-
11 thorized representatives may enter any property or facility which is sub-
12 ject to the provisions of section 2, and amendments thereto, for the pur-
13 pose of observing, monitoring, collecting samples, examining records and
14 facilities to determine compliance or noncompliance with state laws and
15 rules and regulations relating to air pollution, water pollution, soil pol-
16 lution or public health or safety.

17 (b) The representatives of the commission shall have the right of in-
18 gress and egress upon any lands to halt escape of carbon dioxide into the
19 atmosphere from injection of carbon dioxide and to clean up pollution
20 from injection of carbon dioxide over which the commission has jurisdic-
21 tion pursuant to section 2, and amendments thereto. Such representatives
22 shall have the power to occupy such land if necessary to investigate and
23 prevent such escape or clean up such pollution or to investigate and plug
24 any such carbon dioxide injection well. Any representative entering upon
25 any land to investigate and prevent such escape or clean up such pollution
26 or to investigate and plug any such carbon dioxide injection well shall not
27 be liable for any damages necessarily resulting therefrom, except damages
28 to growing crops, livestock or improvements on the land. Upon comple-
29 tion of activities on such land, such representative shall restore the prem-
30 ises to the original contour and condition as nearly as practicable.

31 New Sec. 6. (a) The following described property, to the extent
32 herein specified, shall be exempt from all property taxes levied under the
33 laws of the state of Kansas: ~~Any carbon dioxide capture and sequestration~~
34 ~~property.~~

35 (b) The provisions of subsection (a) shall apply from and after pur-
36 chase or commencement of construction or installation of such property
37 and for the ~~five~~ taxable years immediately following the taxable year in
38 which construction or installation of such property is completed.

39 (c) The provisions of this section shall apply to all taxable years com-
40 mencing after December 31, 2007.

41 (d) As used in this section, "carbon dioxide capture and sequestration
42 property" means: (1) Any machinery and equipment used to capture car-
43 bon dioxide from industrial and other anthropogenic sources, and (2) any

, sequestration or utilization

; and any electric generation unit which captures and sequesters all carbon dioxide and other emissions

15

, sequestration or utilization

, or to convert such carbon dioxide into one or more products

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1 carbon dioxide injection well, as defined in section 2, and amendments
2 thereto.

; and (3) any machinery and equipment used to recover carbon dioxide from sequestration

3 New Sec. 7. (a) A taxpayer shall be entitled to a deduction from Kan-
4 sas adjusted gross income with respect to the amortization of the amor-
5 tizable costs of carbon dioxide capture machinery and equipment based
6 upon a period of 10 years. Such amortization deduction shall be an
7 amount equal to 55% of the amortizable costs of such machinery and
8 equipment for the first taxable year in which such machinery and equip-
9 ment are in operation and 5% of the amortizable costs of such machinery
10 and equipment for each of the next nine taxable years.

, sequestration or utilization

11 (b) The election of the taxpayer to claim the deduction allowed by
12 subsection (a) shall be made by filing a statement of such election with
13 the secretary of revenue in the manner and form and within the time
14 prescribed by rules and regulations adopted by the secretary.

15 (c) The provisions of this section shall apply to all taxable years com-
16 mencing after December 31, 2007.

17 (d) The secretary of revenue shall adopt such rules and regulations
18 as deemed necessary to carry out the provisions of this section.

19 (e) As used in this section, "carbon dioxide capture machinery and
20 equipment" ~~has the meaning provided by section 6, and amendments~~
21 ~~thereto.~~

, sequestration or utilization

22 Sec. 8. K.S.A. 2006 Supp. 79-32,117 is hereby amended to read as
23 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
24 means such individual's federal adjusted gross income for the taxable year,
25 with the modifications specified in this section.

means any machinery and equipment which is located in this state and is: (1) Used to capture carbon dioxide from industrial and other anthropogenic sources, or to convert such carbon dioxide into one or more products; (2) used to inject carbon dioxide into a carbon dioxide injection well, as defined in section 2, and amendments thereto; or (3) used to recover carbon dioxide from sequestration

26 (b) There shall be added to federal adjusted gross income:

27 (i) Interest income less any related expenses directly incurred in the
28 purchase of state or political subdivision obligations, to the extent that
29 the same is not included in federal adjusted gross income, on obligations
30 of any state or political subdivision thereof, but to the extent that interest
31 income on obligations of this state or a political subdivision thereof issued
32 prior to January 1, 1988, is specifically exempt from income tax under the
33 laws of this state authorizing the issuance of such obligations, it shall be
34 excluded from computation of Kansas adjusted gross income whether or
35 not included in federal adjusted gross income. Interest income on obli-
36 gations of this state or a political subdivision thereof issued after Decem-
37 ber 31, 1987, shall be excluded from computation of Kansas adjusted
38 gross income whether or not included in federal adjusted gross income.

39 (ii) Taxes on or measured by income or fees or payments in lieu of
40 income taxes imposed by this state or any other taxing jurisdiction to the
41 extent deductible in determining federal adjusted gross income and not
42 credited against federal income tax. This paragraph shall not apply to taxes
43 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amend-

- 1 ments thereto, for privilege tax year 1995, and all such years thereafter.
- 2 (iii) The federal net operating loss deduction.
- 3 (iv) Federal income tax refunds received by the taxpayer if the de-
4 duction of the taxes being refunded resulted in a tax benefit for Kansas
5 income tax purposes during a prior taxable year. Such refunds shall be
6 included in income in the year actually received regardless of the method
7 of accounting used by the taxpayer. For purposes hereof, a tax benefit
8 shall be deemed to have resulted if the amount of the tax had been de-
9 ducted in determining income subject to a Kansas income tax for a prior
10 year regardless of the rate of taxation applied in such prior year to the
11 Kansas taxable income, but only that portion of the refund shall be in-
12 cluded as bears the same proportion to the total refund received as the
13 federal taxes deducted in the year to which such refund is attributable
14 bears to the total federal income taxes paid for such year. For purposes
15 of the foregoing sentence, federal taxes shall be considered to have been
16 deducted only to the extent such deduction does not reduce Kansas tax-
17 able income below zero.
- 18 (v) The amount of any depreciation deduction or business expense
19 deduction claimed on the taxpayer's federal income tax return for any
20 capital expenditure in making any building or facility accessible to the
21 handicapped, for which expenditure the taxpayer claimed the credit al-
22 lowed by K.S.A. 79-32,177, and amendments thereto.
- 23 (vi) Any amount of designated employee contributions picked up by
24 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
25 and amendments to such sections.
- 26 (vii) The amount of any charitable contribution made to the extent
27 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
28 79-32,196, and amendments thereto.
- 29 (viii) The amount of any costs incurred for improvements to a swine
30 facility, claimed for deduction in determining federal adjusted gross in-
31 come, to the extent the same is claimed as the basis for any credit allowed
32 pursuant to K.S.A. 2006 Supp. 79-32,204 and amendments thereto.
- 33 (ix) The amount of any ad valorem taxes and assessments paid and
34 the amount of any costs incurred for habitat management or construction
35 and maintenance of improvements on real property, claimed for deduc-
36 tion in determining federal adjusted gross income, to the extent the same
37 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203
38 and amendments thereto.
- 39 (x) Amounts received as nonqualified withdrawals, as defined by
40 K.S.A. 2006 Supp. 75-643, and amendments thereto, if, at the time of
41 contribution to a family postsecondary education savings account, such
42 amounts were subtracted from the federal adjusted gross income pur-
43 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-

1 ments thereto, or if such amounts are not already included in the federal
2 adjusted gross income.

3 (xi) The amount of any contribution made to the same extent the
4 same is claimed as the basis for the credit allowed pursuant to K.S.A.
5 2006 Supp. 74-50,154, and amendments thereto.

6 (xii) For taxable years commencing after December 31, 2004,
7 amounts received as withdrawals not in accordance with the provisions
8 of K.S.A. 2006 Supp. 74-50,204, and amendments thereto, if, at the time
9 of contribution to an individual development account, such amounts were
10 subtracted from the federal adjusted gross income pursuant to paragraph
11 (xiii) of subsection (c), or if such amounts are not already included in the
12 federal adjusted gross income.

13 (xiii) The amount of any expenditures claimed for deduction in de-
14 termining federal adjusted gross income, to the extent the same is claimed
15 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
16 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

17 (xiv) The amount of any amortization deduction claimed in deter-
18 mining federal adjusted gross income to the extent the same is claimed
19 for deduction pursuant to K.S.A. 2006 Supp. 79-32,221, and amendments
20 thereto.

21 (xv) The amount of any expenditures claimed for deduction in deter-
22 mining federal adjusted gross income, to the extent the same is claimed
23 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
24 32,223 through 79-32,226, and amendments thereto.

25 (xvi) The amount of any amortization deduction claimed in deter-
26 mining federal adjusted gross income to the extent the same is claimed
27 for deduction pursuant to K.S.A. 2006 Supp. 79-32,227, and amendments
28 thereto.

29 (xvii) The amount of any expenditures claimed for deduction in de-
30 termining federal adjusted gross income, to the extent the same is claimed
31 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
32 32,228 through 79-32,231, and amendments thereto.

33 (xviii) The amount of any amortization deduction claimed in deter-
34 mining federal adjusted gross income to the extent the same is claimed
35 for deduction pursuant to K.S.A. 2006 Supp. 79-32,232, and amendments
36 thereto.

37 (xix) The amount of any expenditures claimed for deduction in de-
38 termining federal adjusted gross income, to the extent the same is claimed
39 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
40 32,233 through 79-32,236, and amendments thereto.

41 (xx) The amount of any amortization deduction claimed in determin-
42 ing federal adjusted gross income to the extent the same is claimed for
43 deduction pursuant to K.S.A. 2006 Supp. 79-32,237, and amendments

1 thereto.

2 (xxi) The amount of any expenditures claimed for deduction in de-
3 termining federal adjusted gross income, to the extent the same is claimed
4 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
5 32,238 through 79-32,241, and amendments thereto.

6 (xxii) *The amount of any amortization deduction claimed in deter-*
7 *mining federal adjusted gross income to the extent the same is claimed for*
8 *deduction pursuant to section 7, and amendments thereto.*

9 (c) There shall be subtracted from federal adjusted gross income:

10 (i) Interest or dividend income on obligations or securities of any
11 authority, commission or instrumentality of the United States and its pos-
12 sessions less any related expenses directly incurred in the purchase of
13 such obligations or securities, to the extent included in federal adjusted
14 gross income but exempt from state income taxes under the laws of the
15 United States.

16 (ii) Any amounts received which are included in federal adjusted
17 gross income but which are specifically exempt from Kansas income tax-
18 ation under the laws of the state of Kansas.

19 (iii) The portion of any gain or loss from the sale or other disposition
20 of property having a higher adjusted basis for Kansas income tax purposes
21 than for federal income tax purposes on the date such property was sold
22 or disposed of in a transaction in which gain or loss was recognized for
23 purposes of federal income tax that does not exceed such difference in
24 basis, but if a gain is considered a long-term capital gain for federal in-
25 come tax purposes, the modification shall be limited to that portion of
26 such gain which is included in federal adjusted gross income.

27 (iv) The amount necessary to prevent the taxation under this act of
28 any annuity or other amount of income or gain which was properly in-
29 cluded in income or gain and was taxed under the laws of this state for a
30 taxable year prior to the effective date of this act, as amended, to the
31 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
32 the right to receive the income or gain, or to a trust or estate from which
33 the taxpayer received the income or gain.

34 (v) The amount of any refund or credit for overpayment of taxes on
35 or measured by income or fees or payments in lieu of income taxes im-
36 posed by this state, or any taxing jurisdiction, to the extent included in
37 gross income for federal income tax purposes.

38 (vi) Accumulation distributions received by a taxpayer as a beneficiary
39 of a trust to the extent that the same are included in federal adjusted
40 gross income.

41 (vii) Amounts received as annuities under the federal civil service
42 retirement system from the civil service retirement and disability fund
43 and other amounts received as retirement benefits in whatever form

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1 which were earned for being employed by the federal government or for
2 service in the armed forces of the United States.

3 (viii) Amounts received by retired railroad employees as a supple-
4 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
5 et seq.

6 (ix) Amounts received by retired employees of a city and by retired
7 employees of any board of such city as retirement allowances pursuant to
8 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
9 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
10 amendments thereto.

11 (x) For taxable years beginning after December 31, 1976, the amount
12 of the federal tentative jobs tax credit disallowance under the provisions
13 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
14 the amount of the targeted jobs tax credit and work incentive credit dis-
15 allowances under 26 U.S.C. 280 C.

16 (xi) For taxable years beginning after December 31, 1986, dividend
17 income on stock issued by Kansas Venture Capital, Inc.

18 (xii) For taxable years beginning after December 31, 1989, amounts
19 received by retired employees of a board of public utilities as pension and
20 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
21 and amendments thereto.

22 (xiii) For taxable years beginning after December 31, 2004, amounts
23 contributed to and the amount of income earned on contributions de-
24 posited to an individual development account under K.S.A. 2006 Supp.
25 74-50,201, et seq., and amendments thereto.

26 (xiv) For all taxable years commencing after December 31, 1996, that
27 portion of any income of a bank organized under the laws of this state or
28 any other state, a national banking association organized under the laws
29 of the United States, an association organized under the savings and loan
30 code of this state or any other state, or a federal savings association or-
31 ganized under the laws of the United States, for which an election as an
32 S corporation under subchapter S of the federal internal revenue code is
33 in effect, which accrues to the taxpayer who is a stockholder of such
34 corporation and which is not distributed to the stockholders as dividends
35 of the corporation.

36 (xv) For all taxable years beginning after December 31, 1999,
37 amounts not exceeding ~~\$2,000, or \$4,000~~ \$3,000 or \$6,000 for a married
38 couple filing a joint return, for each designated beneficiary which are
39 contributed to a family postsecondary education savings account estab-
40 lished under the Kansas postsecondary education savings program for the
41 purpose of paying the qualified higher education expenses of a designated
42 beneficiary at an institution of postsecondary education. For all taxable
43 years beginning after December 31, ~~2004~~ 2006, amounts not exceeding

1 \$3,000, or \$6,000 for a married couple filing a joint return, for each des-
2 ignated beneficiary which are contributed to a ~~family postsecondary ed-~~
3 ~~ucation savings account established under the Kansas postsecondary ed-~~
4 ~~ucation savings program~~ *qualified tuition program established and*
5 *maintained by another state or agency or instrumentality thereof pursu-*
6 *ant to section 529 of the internal revenue code of 1986, as amended*, for
7 the purpose of paying the qualified higher education expenses of a des-
8 ignated beneficiary at an institution of postsecondary education. The
9 terms and phrases used in this paragraph shall have the meaning respec-
10 tively ascribed thereto by the provisions of K.S.A. 2006 Supp. 75-643, and
11 amendments thereto, and the provisions of such section are hereby in-
12 corporated by reference for all purposes thereof.

13 (xvi) For the tax year beginning after December 31, 2004, an amount
14 not exceeding \$500; for the tax year beginning after December 31, 2005,
15 an amount not exceeding \$600; for the tax year beginning after December
16 31, 2006, an amount not exceeding \$700; for the tax year beginning after
17 December 31, 2007, an amount not exceeding \$800; for the tax year
18 beginning December 31, 2008, an amount not exceeding \$900; and for
19 all taxable years commencing after December 31, 2009, an amount not
20 exceeding \$1,000 of the premium costs for qualified long-term care in-
21 surance contracts, as defined by subsection (b) of section 7702B of public
22 law 104-191.

23 (xvii) For all taxable years beginning after December 31, 2004,
24 amounts received by taxpayers who are or were members of the armed
25 forces of the United States, including service in the Kansas army and air
26 national guard, as a recruitment, sign up or retention bonus received by
27 such taxpayer as an incentive to join, enlist or remain in the armed services
28 of the United States, including service in the Kansas army and air national
29 guard, and amounts received for repayment of educational or student
30 loans incurred by or obligated to such taxpayer and received by such
31 taxpayer as a result of such taxpayer's service in the armed forces of the
32 United States, including service in the Kansas army and air national guard.

33 (xviii) For all taxable years beginning after December 31, 2004,
34 amounts received by taxpayers who are eligible members of the Kansas
35 army and air national guard as a reimbursement pursuant to K.S.A. 48-
36 281, and amendments thereto, and amounts received for death benefits
37 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-
38 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
39 amendments thereto, to the extent that such death benefits are included
40 in federal adjusted gross income of the taxpayer.

41 (d) There shall be added to or subtracted from federal adjusted gross
42 income the taxpayer's share, as beneficiary of an estate or trust, of the
43 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and

1 amendments thereto.

2 (e) The amount of modifications required to be made under this sec-
3 tion by a partner which relates to items of income, gain, loss, deduction
4 or credit of a partnership shall be determined under K.S.A. 79-32,131,
5 and amendments thereto, to the extent that such items affect federal
6 adjusted gross income of the partner.

7 Sec. 9. K.S.A. 2006 Supp. 79-32,120 is hereby amended to read as
8 follows: 79-32,120. (a) If federal taxable income of an individual is deter-
9 mined by itemizing deductions from such individual's federal adjusted
10 gross income, such individual may elect to deduct the Kansas itemized
11 deduction in lieu of the Kansas standard deduction. The Kansas itemized
12 deduction of an individual means the total amount of deductions from
13 federal adjusted gross income, other than federal deductions for personal
14 exemptions, as provided in the federal internal revenue code with the
15 modifications specified in this section.

16 (b) The total amount of deductions from federal adjusted gross in-
17 come shall be reduced by the total amount of income taxes imposed by
18 or paid to this state or any other taxing jurisdiction to the extent that the
19 same are deducted in determining the federal itemized deductions and
20 by the amount of all depreciation deductions claimed for any real or
21 tangible personal property upon which the deduction allowed by K.S.A.
22 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 7,
23 and amendments thereto, is or has been claimed.

24 Sec. 10. K.S.A. 2006 Supp. 79-32,138 is hereby amended to read as
25 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
26 under this act shall be the corporation's federal taxable income for the
27 taxable year with the modifications specified in this section.

28 (b) There shall be added to federal taxable income: (i) The same
29 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and
30 amendments thereto, with respect to resident individuals.

31 (ii) The amount of all depreciation deductions claimed for any prop-
32 erty upon which the deduction allowed by K.S.A. 2006 Supp. 79-32,221,
33 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 7, and amendments thereto,
34 is claimed.

35 (iii) The amount of any charitable contribution deduction claimed for
36 any contribution or gift to or for the use of any racially segregated edu-
37 cational institution.

38 (c) There shall be subtracted from federal taxable income: (i) The
39 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,
40 and amendments thereto, with respect to resident individuals.

41 (ii) The federal income tax liability for any taxable year commencing
42 prior to December 31, 1971, for which a Kansas return was filed after
43 reduction for all credits thereon, except credits for payments on estimates

1 of federal income tax, credits for gasoline and lubricating oil tax, and for
2 foreign tax credits if, on the Kansas income tax return for such prior year,
3 the federal income tax deduction was computed on the basis of the federal
4 income tax paid in such prior year, rather than as accrued. Notwithstand-
5 ing the foregoing, the deduction for federal income tax liability for any
6 year shall not exceed that portion of the total federal income tax liability
7 for such year which bears the same ratio to the total federal income tax
8 liability for such year as the Kansas taxable income, as computed before
9 any deductions for federal income taxes and after application of subsec-
10 tions (d) and (e) of this section as existing for such year, bears to the
11 federal taxable income for the same year.

12 (iii) An amount for the amortization deduction allowed pursuant to
13 K.S.A. 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 *or sec-*
14 *tion 7*, and amendments thereto.

15 (iv) For all taxable years commencing after December 31, 1987, the
16 amount included in federal taxable income pursuant to the provisions of
17 section 78 of the internal revenue code.

18 (v) For all taxable years commencing after December 31, 1987, 80%
19 of dividends from corporations incorporated outside of the United States
20 or the District of Columbia which are included in federal taxable income.

21 (d) If any corporation derives all of its income from sources within
22 Kansas in any taxable year commencing after December 31, 1979, its
23 Kansas taxable income shall be the sum resulting after application of
24 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
25 taxable income in any such taxable year, after excluding any refunds of
26 federal income tax and before the deduction of federal income taxes pro-
27 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271
28 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund
29 of federal income tax as determined under paragraph (iv) of subsection
30 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-
31 tion for federal income taxes as provided by subsection (c)(ii) shall be
32 such corporation's Kansas taxable income.

33 (e) A corporation may make an election with respect to its first taxable
34 year commencing after December 31, 1982, whereby no addition modi-
35 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and
36 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.
37 79-32,138, as those subsections existed prior to their amendment by this
38 act, shall be required to be made for such taxable year.

39 Sec. 11. K.S.A. 2006 Supp. 79-32,117, 79-32,117l, 79-32,120 and 79-
40 32,138 are hereby repealed.

41 Sec. 12. This act shall take effect and be in force from and after its
42 publication in the statute book.

HOUSE BILL No. 2419

By Committee on Energy and Utilities

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9 AN ACT enacting the carbon dioxide reduction act; providing for income
10 tax reductions and property tax exemptions; providing for regulation
11 of carbon dioxide injection wells; amending K.S.A. 2006 Supp. 79-
12 32,117, 79-32,120 and 79-32,138 and repealing the existing sections;
13 also repealing K.S.A. 2006 Supp. 79-32,117l.
14

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

16 New Section 1. Sections 1 through 7, and amendments thereto, may
17 be cited as the carbon dioxide reduction act.

18 New Sec. 2. (a) As used in sections 2 through 5, and amendments
19 thereto:

20 (1) "Carbon dioxide injection well" means any hole or penetration of
21 the surface of the earth used to inject carbon dioxide for underground
22 storage or for enhanced recovery of hydrocarbons and any associated
23 machinery and equipment used for such injection of carbon dioxide. "Car-
24 bon dioxide injection well" does not include underground storage.

25 (2) "Commission" means the state corporation commission.

26 (3) "Underground storage" means any underground formation where
27 carbon dioxide is injected for sequestration.

28 ~~(b) For the purposes of protecting the health, safety and property of~~
29 ~~the people of the state, and preventing escape of carbon dioxide into the~~
30 ~~atmosphere and pollution of soil and surface and subsurface water det-~~
31 ~~ritmental to public health or to plant, animal and aquatic life, the com-~~
32 ~~mission, on or before January 1, 2008, shall adopt separate and specific~~
33 ~~rules and regulations establishing requirements, procedures and stan-~~
34 ~~dards for the safe and secure injection of carbon dioxide and maintenance~~
35 ~~of underground storage of carbon dioxide. Such rules and regulations shall~~
36 ~~include, but not be limited to: (1) Site selection criteria; (2) design and~~
37 ~~development criteria; (3) operation criteria; (4) casing requirements; (5)~~
38 ~~monitoring and measurement requirements; (6) safety requirements, in-~~
39 ~~cluding public notification; (7) closure and abandonment requirements,~~
40 ~~including the financial requirements of subsection (f); and (8) long term~~
41 ~~monitoring.~~

42 (e) ~~The commission may adopt rules and regulations establishing fees~~
43 ~~for permitting, monitoring and inspecting operators of carbon dioxide~~

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1 injection wells and underground storage. Fees collected by the commis-
2 sion under this subsection shall be remitted by the commission to the
3 state treasurer in accordance with the provisions of K.S.A. 75 4215, and
4 amendments thereto. Upon receipt of each such remittance, the state
5 treasurer shall deposit the entire amount in the state treasury and credit
6 it to the carbon dioxide injection well and underground storage fund.

7 (d) The commission or the commission's duly authorized represen-
8 tative may impose on any holder of a permit issued pursuant to this sec-
9 tion such requirements relating to inspecting, monitoring, investigating,
10 recording and reporting as the commission or representative deems nec-
11 essary to administer the provisions of this section and rules and regula-
12 tions adopted hereunder.

13 (e) Any company or operator receiving a permit under the provisions
14 of this act shall demonstrate annually to the commission evidence, satis-
15 factory to the commission, that the permit holder has financial ability to
16 cover the cost of closure of the permitted facility as required by the
17 commission.

18 (f) The commission may enter into contracts for services from con-
19 sultants and other experts for the purposes of assisting in the drafting of
20 rules and regulations pursuant to this section.

21 (g) Rules and regulations adopted under this act shall apply to any
22 carbon dioxide injection well or underground storage, whether in exis-
23 tence on the effective date of this act or thereafter.

24 New Sec. 3. (a) (1) There is hereby established in the state treasury
25 the carbon dioxide injection well and underground storage fund to ad-
26 minister the provisions of sections 2 through 5, and amendments thereto.
27 Such fund shall be administered by the commission in accordance with
28 the provisions of this section.

29 (2) The commission shall remit to the state treasurer in accordance
30 with the provisions of K.S.A. 75 4215, and amendments thereto, all mon-
31 eys received by the commission for the purposes of sections 2 through 5,
32 and amendments thereto. Upon receipt of the remittance the state trea-
33 surer shall deposit the entire amount in the state treasury and credit it to
34 the fund. The commission is authorized to receive from any private or
35 governmental source any funds made available for the purposes of sec-
36 tions 2 through 5, and amendments thereto.

37 (3) All expenditures from the carbon dioxide injection well and un-
38 derground storage fund shall be made in accordance with appropriation
39 acts and upon warrants of the director of accounts and reports issued
40 pursuant to vouchers approved by the chairperson of the commission or
41 a person designated by the chairperson.

42 (b) The commission is authorized to use moneys from the carbon
43 dioxide injection well and underground storage fund to pay the cost of:

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- 1 (1) All activities related to permitting activities, including but not lim-
2 ited to, development and issuance of permits, compliance monitoring,
3 inspections, well closures, underground storage closure, long term mon-
4 itoring and enforcement actions;
- 5 (2) review and witnessing of test procedures;
- 6 (3) review and witnessing of routine workover or repair procedures;
- 7 (4) investigation of violations, complaints, pollution and events af-
8 fecting public health;
- 9 (5) design and review of remedial action plans;
- 10 (6) contracting for services needed to supplement the commission's
11 staff expertise in facility investigations;
- 12 (7) consultation needed concerning remedial action at a permitted
13 facility;
- 14 (8) mitigation of adverse environmental impacts;
- 15 (9) emergency or long term remedial activities;
- 16 (10) legal costs, including expert witnesses, incurred in administration
17 of the provisions of sections 2 through 5, and amendments thereto; and
- 18 (11) costs of program administration.
- 19 (c) On or before the 10th of each month, the director of accounts
20 and reports shall transfer from the state general fund to the carbon di-
21 oxide injection well and underground storage fund interest earnings based
22 on:
- 23 (1) The average daily balance of moneys in the carbon dioxide injec-
24 tion well and underground storage fund for the preceding month; and
- 25 (2) the net earnings rate of the pooled money investment portfolio
26 for the preceding months.
- 27 New Sec. 4. (a) The commission, upon a finding that a person has
28 violated any provision of section 2, and amendments thereto, or rules and
29 regulations adopted thereunder, may impose a penalty not to exceed
30 \$10,000 per violation which shall constitute an economic deterrent to the
31 violation for which it is assessed and, in the case of a continuing violation,
32 every day such violation continues shall be deemed a separate violation.
- 33 (b) No penalty shall be imposed pursuant to this section except after
34 an opportunity for hearing upon the written order of the commission to
35 the person who committed the violation. The order shall state the viola-
36 tion and the penalty to be imposed.
- 37 (c) Whenever the commission or the commission's duly authorized
38 agents find that the escape of carbon dioxide into the atmosphere from
39 injection of carbon dioxide is not being prevented or that the soil or waters
40 of the state are not being protected from pollution resulting from inje-
41 ction of carbon dioxide, the commission or the commission's duly author-
42 ized agents shall issue an order prohibiting such injection. Any person
43 aggrieved by such order may request in writing, within 15 days after

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1 ~~service of the order, a hearing on the order. Upon receipt of a timely~~
2 ~~request, a hearing shall be conducted in accordance with the provisions~~
3 ~~of the Kansas administrative procedure act.~~

4 ~~(d) Any action of the commission pursuant to this section is subject~~
5 ~~to review in accordance with the act for judicial review and civil enforce-~~
6 ~~ment of agency actions.~~

7 ~~New Sec. 5. (a) In performing investigations or administrative func-~~
8 ~~tions relating to prevention of escape of carbon dioxide into the atmos-~~
9 ~~phere from injection of carbon dioxide or prevention of pollution of the~~
10 ~~soil or waters of the state, the commission or the commission's duly au-~~
11 ~~thorized representatives may enter any property or facility which is sub-~~
12 ~~ject to the provisions of section 2, and amendments thereto, for the pur-~~
13 ~~pose of observing, monitoring, collecting samples, examining records and~~
14 ~~facilities to determine compliance or noncompliance with state laws and~~
15 ~~rules and regulations relating to air pollution, water pollution, soil pol-~~
16 ~~lution or public health or safety.~~

17 ~~(b) The representatives of the commission shall have the right of in-~~
18 ~~gress and egress upon any lands to halt escape of carbon dioxide into the~~
19 ~~atmosphere from injection of carbon dioxide and to clean up pollution~~
20 ~~from injection of carbon dioxide over which the commission has jurisdic-~~
21 ~~tion pursuant to section 2, and amendments thereto. Such representatives~~
22 ~~shall have the power to occupy such land if necessary to investigate and~~
23 ~~prevent such escape or clean up such pollution or to investigate and plug~~
24 ~~any such carbon dioxide injection well. Any representative entering upon~~
25 ~~any land to investigate and prevent such escape or clean up such pollution~~
26 ~~or to investigate and plug any such carbon dioxide injection well shall not~~
27 ~~be liable for any damages necessarily resulting therefrom, except damages~~
28 ~~to growing crops, livestock or improvements on the land. Upon comple-~~
29 ~~tion of activities on such land, such representative shall restore the prem-~~
30 ~~ises to the original contour and condition as nearly as practicable.~~

31 ~~New Sec. 6. (a) The following described property, to the extent~~
32 ~~herein specified, shall be exempt from all property taxes levied under the~~
33 ~~laws of the state of Kansas: Any carbon dioxide capture and sequestration~~
34 ~~property.~~

35 ~~(b) The provisions of subsection (a) shall apply from and after pur-~~
36 ~~chase or commencement of construction or installation of such property~~
37 ~~and for the five taxable years immediately following the taxable year in~~
38 ~~which construction or installation of such property is completed.~~

39 ~~(c) The provisions of this section shall apply to all taxable years com-~~
40 ~~mencing after December 31, 2007.~~

41 ~~(d) As used in this section, "carbon dioxide capture and sequestration~~
42 ~~property" means: (1) Any machinery and equipment used to capture car-~~
43 ~~bon dioxide from industrial and other anthropogenic sources; and (2) any~~

see attachment and renumber remaining sections accordingly

, utilization

, utilization

or utilize

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1 carbon dioxide injection well, as defined in section 2, and amendments
2 thereto.

3 New Sec. 7. (a) A taxpayer shall be entitled to a deduction from Kan-
4 sas adjusted gross income with respect to the amortization of the amor-
5 tizable costs of carbon dioxide capture machinery and equipment based
6 upon a period of 10 years. Such amortization deduction shall be an
7 amount equal to 55% of the amortizable costs of such machinery and
8 equipment for the first taxable year in which such machinery and equip-
9 ment are in operation and 5% of the amortizable costs of such machinery
10 and equipment for each of the next nine taxable years.

and utilization

11 (b) The election of the taxpayer to claim the deduction allowed by
12 subsection (a) shall be made by filing a statement of such election with
13 the secretary of revenue in the manner and form and within the time
14 prescribed by rules and regulations adopted by the secretary.

15 (c) The provisions of this section shall apply to all taxable years com-
16 mencing after December 31, 2007.

17 (d) The secretary of revenue shall adopt such rules and regulations
18 as deemed necessary to carry out the provisions of this section.

and utilization

19 (e) As used in this section, "carbon dioxide capture machinery and
20 equipment" ~~has the meaning provided by section 6, and amendments~~
21 ~~thereto.~~

means any machinery and equipment which is located in this state and
is: (1) Used to capture or utilize carbon dioxide from industrial and
other anthropogenic sources; and (2) used to inject carbon dioxide into
a carbon dioxide injection well, as defined in section 2, and
amendments thereto;

22 Sec. 8. K.S.A. 2006 Supp. 79-32,117 is hereby amended to read as
23 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
24 means such individual's federal adjusted gross income for the taxable year,
25 with the modifications specified in this section.

26 (b) There shall be added to federal adjusted gross income:

27 (i) Interest income less any related expenses directly incurred in the
28 purchase of state or political subdivision obligations, to the extent that
29 the same is not included in federal adjusted gross income, on obligations
30 of any state or political subdivision thereof, but to the extent that interest
31 income on obligations of this state or a political subdivision thereof issued
32 prior to January 1, 1988, is specifically exempt from income tax under the
33 laws of this state authorizing the issuance of such obligations, it shall be
34 excluded from computation of Kansas adjusted gross income whether or
35 not included in federal adjusted gross income. Interest income on obli-
36 gations of this state or a political subdivision thereof issued after Decem-
37 ber 31, 1987, shall be excluded from computation of Kansas adjusted
38 gross income whether or not included in federal adjusted gross income.

39 (ii) Taxes on or measured by income or fees or payments in lieu of
40 income taxes imposed by this state or any other taxing jurisdiction to the
41 extent deductible in determining federal adjusted gross income and not
42 credited against federal income tax. This paragraph shall not apply to taxes
43 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amend-

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1 ments thereto, for privilege tax year 1995, and all such years thereafter.
 2 (iii) The federal net operating loss deduction.
 3 (iv) Federal income tax refunds received by the taxpayer if the de-
 4 duction of the taxes being refunded resulted in a tax benefit for Kansas
 5 income tax purposes during a prior taxable year. Such refunds shall be
 6 included in income in the year actually received regardless of the method
 7 of accounting used by the taxpayer. For purposes hereof, a tax benefit
 8 shall be deemed to have resulted if the amount of the tax had been de-
 9 ducted in determining income subject to a Kansas income tax for a prior
 10 year regardless of the rate of taxation applied in such prior year to the
 11 Kansas taxable income, but only that portion of the refund shall be in-
 12 cluded as bears the same proportion to the total refund received as the
 13 federal taxes deducted in the year to which such refund is attributable
 14 bears to the total federal income taxes paid for such year. For purposes
 15 of the foregoing sentence, federal taxes shall be considered to have been
 16 deducted only to the extent such deduction does not reduce Kansas tax-
 17 able income below zero.
 18 (v) The amount of any depreciation deduction or business expense
 19 deduction claimed on the taxpayer's federal income tax return for any
 20 capital expenditure in making any building or facility accessible to the
 21 handicapped, for which expenditure the taxpayer claimed the credit al-
 22 lowed by K.S.A. 79-32,177, and amendments thereto.
 23 (vi) Any amount of designated employee contributions picked up by
 24 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
 25 and amendments to such sections.
 26 (vii) The amount of any charitable contribution made to the extent
 27 the same is claimed as the basis for the credit allowed pursuant to K.S.A.
 28 79-32,196, and amendments thereto.
 29 (viii) The amount of any costs incurred for improvements to a swine
 30 facility, claimed for deduction in determining federal adjusted gross in-
 31 come, to the extent the same is claimed as the basis for any credit allowed
 32 pursuant to K.S.A. 2006 Supp. 79-32,204 and amendments thereto.
 33 (ix) The amount of any ad valorem taxes and assessments paid and
 34 the amount of any costs incurred for habitat management or construction
 35 and maintenance of improvements on real property, claimed for deduc-
 36 tion in determining federal adjusted gross income, to the extent the same
 37 is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203
 38 and amendments thereto.
 39 (x) Amounts received as nonqualified withdrawals, as defined by
 40 K.S.A. 2006 Supp. 75-643, and amendments thereto, if, at the time of
 41 contribution to a family postsecondary education savings account, such
 42 amounts were subtracted from the federal adjusted gross income pur-
 43 suant to paragraph (xv) of subsection (c) of K.S.A. 79-32,117, and amend-

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1 ments thereto, or if such amounts are not already included in the federal
2 adjusted gross income.

3 (xi) The amount of any contribution made to the same extent the
4 same is claimed as the basis for the credit allowed pursuant to K.S.A.
5 2006 Supp. 74-50,154, and amendments thereto.

6 (xii) For taxable years commencing after December 31, 2004,
7 amounts received as withdrawals not in accordance with the provisions
8 of K.S.A. 2006 Supp. 74-50,204, and amendments thereto, if, at the time
9 of contribution to an individual development account, such amounts were
10 subtracted from the federal adjusted gross income pursuant to paragraph
11 (xiii) of subsection (c), or if such amounts are not already included in the
12 federal adjusted gross income.

13 (xiii) The amount of any expenditures claimed for deduction in de-
14 termining federal adjusted gross income, to the extent the same is claimed
15 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
16 32,217 through 79-32,220 or 79-32,222, and amendments thereto.

17 (xiv) The amount of any amortization deduction claimed in deter-
18 mining federal adjusted gross income to the extent the same is claimed
19 for deduction pursuant to K.S.A. 2006 Supp. 79-32,221, and amendments
20 thereto.

21 (xv) The amount of any expenditures claimed for deduction in deter-
22 mining federal adjusted gross income, to the extent the same is claimed
23 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
24 32,223 through 79-32,226, and amendments thereto.

25 (xvi) The amount of any amortization deduction claimed in deter-
26 mining federal adjusted gross income to the extent the same is claimed
27 for deduction pursuant to K.S.A. 2006 Supp. 79-32,227, and amendments
28 thereto.

29 (xvii) The amount of any expenditures claimed for deduction in de-
30 termining federal adjusted gross income, to the extent the same is claimed
31 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
32 32,228 through 79-32,231, and amendments thereto.

33 (xviii) The amount of any amortization deduction claimed in deter-
34 mining federal adjusted gross income to the extent the same is claimed
35 for deduction pursuant to K.S.A. 2006 Supp. 79-32,232, and amendments
36 thereto.

37 (xix) The amount of any expenditures claimed for deduction in de-
38 termining federal adjusted gross income, to the extent the same is claimed
39 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
40 32,233 through 79-32,236, and amendments thereto.

41 (xx) The amount of any amortization deduction claimed in determin-
42 ing federal adjusted gross income to the extent the same is claimed for
43 deduction pursuant to K.S.A. 2006 Supp. 79-32,237, and amendments

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1 thereto.

2 (xxi) The amount of any expenditures claimed for deduction in de-
3 termining federal adjusted gross income, to the extent the same is claimed
4 as the basis for any credit allowed pursuant to K.S.A. 2006 Supp. 79-
5 32,238 through 79-32,241, and amendments thereto.

6 (xxii) *The amount of any amortization deduction claimed in deter-*
7 *mining federal adjusted gross income to the extent the same is claimed for*
8 *deduction pursuant to section 7, and amendments thereto.*

9 (c) There shall be subtracted from federal adjusted gross income:

10 (i) Interest or dividend income on obligations or securities of any
11 authority, commission or instrumentality of the United States and its pos-
12 sessions less any related expenses directly incurred in the purchase of
13 such obligations or securities, to the extent included in federal adjusted
14 gross income but exempt from state income taxes under the laws of the
15 United States.

16 (ii) Any amounts received which are included in federal adjusted
17 gross income but which are specifically exempt from Kansas income tax-
18 ation under the laws of the state of Kansas.

19 (iii) The portion of any gain or loss from the sale or other disposition
20 of property having a higher adjusted basis for Kansas income tax purposes
21 than for federal income tax purposes on the date such property was sold
22 or disposed of in a transaction in which gain or loss was recognized for
23 purposes of federal income tax that does not exceed such difference in
24 basis, but if a gain is considered a long-term capital gain for federal in-
25 come tax purposes, the modification shall be limited to that portion of
26 such gain which is included in federal adjusted gross income.

27 (iv) The amount necessary to prevent the taxation under this act of
28 any annuity or other amount of income or gain which was properly in-
29 cluded in income or gain and was taxed under the laws of this state for a
30 taxable year prior to the effective date of this act, as amended, to the
31 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
32 the right to receive the income or gain, or to a trust or estate from which
33 the taxpayer received the income or gain.

34 (v) The amount of any refund or credit for overpayment of taxes on
35 or measured by income or fees or payments in lieu of income taxes im-
36 posed by this state, or any taxing jurisdiction, to the extent included in
37 gross income for federal income tax purposes.

38 (vi) Accumulation distributions received by a taxpayer as a beneficiary
39 of a trust to the extent that the same are included in federal adjusted
40 gross income.

41 (vii) Amounts received as annuities under the federal civil service
42 retirement system from the civil service retirement and disability fund
43 and other amounts received as retirement benefits in whatever form

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1 which were earned for being employed by the federal government or for
2 service in the armed forces of the United States.

3 (viii) Amounts received by retired railroad employees as a supple-
4 mental annuity under the provisions of 45 U.S.C. 228b (a) and 228c (a)(1)
5 et seq.

6 (ix) Amounts received by retired employees of a city and by retired
7 employees of any board of such city as retirement allowances pursuant to
8 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
9 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and
10 amendments thereto.

11 (x) For taxable years beginning after December 31, 1976, the amount
12 of the federal tentative jobs tax credit disallowance under the provisions
13 of 26 U.S.C. 280 C. For taxable years ending after December 31, 1978,
14 the amount of the targeted jobs tax credit and work incentive credit dis-
15 allowances under 26 U.S.C. 280 C.

16 (xi) For taxable years beginning after December 31, 1986, dividend
17 income on stock issued by Kansas Venture Capital, Inc.

18 (xii) For taxable years beginning after December 31, 1989, amounts
19 received by retired employees of a board of public utilities as pension and
20 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249
21 and amendments thereto.

22 (xiii) For taxable years beginning after December 31, 2004, amounts
23 contributed to and the amount of income earned on contributions de-
24 posited to an individual development account under K.S.A. 2006 Supp.
25 74-50,201, et seq., and amendments thereto.

26 (xiv) For all taxable years commencing after December 31, 1996, that
27 portion of any income of a bank organized under the laws of this state or
28 any other state, a national banking association organized under the laws
29 of the United States, an association organized under the savings and loan
30 code of this state or any other state, or a federal savings association or-
31 ganized under the laws of the United States, for which an election as an
32 S corporation under subchapter S of the federal internal revenue code is
33 in effect, which accrues to the taxpayer who is a stockholder of such
34 corporation and which is not distributed to the stockholders as dividends
35 of the corporation.

36 (xv) For all taxable years beginning after December 31, 1999,
37 amounts not exceeding ~~\$2,000, or \$4,000~~ \$3,000 or \$6,000 for a married
38 couple filing a joint return, for each designated beneficiary which are
39 contributed to a family postsecondary education savings account estab-
40 lished under the Kansas postsecondary education savings program for the
41 purpose of paying the qualified higher education expenses of a designated
42 beneficiary at an institution of postsecondary education. For all taxable
43 years beginning after December 31, ~~2004~~ 2006, amounts not exceeding

1 \$3,000, or \$6,000 for a married couple filing a joint return, for each des-
2 ignated beneficiary which are contributed to a ~~family postsecondary ed-~~
3 ~~ucation savings account established under the Kansas postsecondary ed-~~
4 ~~ucation savings program~~ *qualified tuition program established and*
5 *maintained by another state or agency or instrumentality thereof pursu-*
6 *ant to section 529 of the internal revenue code of 1986, as amended,* for
7 the purpose of paying the qualified higher education expenses of a des-
8 ignated beneficiary at an institution of postsecondary education. The
9 terms and phrases used in this paragraph shall have the meaning respec-
10 tively ascribed thereto by the provisions of K.S.A. 2006 Supp. 75-643, and
11 amendments thereto, and the provisions of such section are hereby in-
12 corporated by reference for all purposes thereof.

13 (xvi) For the tax year beginning after December 31, 2004, an amount
14 not exceeding \$500; for the tax year beginning after December 31, 2005,
15 an amount not exceeding \$600; for the tax year beginning after December
16 31, 2006, an amount not exceeding \$700; for the tax year beginning after
17 December 31, 2007, an amount not exceeding \$800; for the tax year
18 beginning December 31, 2008, an amount not exceeding \$900; and for
19 all taxable years commencing after December 31, 2009, an amount not
20 exceeding \$1,000 of the premium costs for qualified long-term care in-
21 surance contracts, as defined by subsection (b) of section 7702B of public
22 law 104-191.

23 (xvii) For all taxable years beginning after December 31, 2004,
24 amounts received by taxpayers who are or were members of the armed
25 forces of the United States, including service in the Kansas army and air
26 national guard, as a recruitment, sign up or retention bonus received by
27 such taxpayer as an incentive to join, enlist or remain in the armed services
28 of the United States, including service in the Kansas army and air national
29 guard, and amounts received for repayment of educational or student
30 loans incurred by or obligated to such taxpayer and received by such
31 taxpayer as a result of such taxpayer's service in the armed forces of the
32 United States, including service in the Kansas army and air national guard.

33 (xviii) For all taxable years beginning after December 31, 2004,
34 amounts received by taxpayers who are eligible members of the Kansas
35 army and air national guard as a reimbursement pursuant to K.S.A. 48-
36 281, and amendments thereto, and amounts received for death benefits
37 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to sec-
38 tion 1 or section 2 of chapter 207 of the 2005 session laws of Kansas, and
39 amendments thereto, to the extent that such death benefits are included
40 in federal adjusted gross income of the taxpayer.

41 (d) There shall be added to or subtracted from federal adjusted gross
42 income the taxpayer's share, as beneficiary of an estate or trust, of the
43 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and

1 amendments thereto.

2 (e) The amount of modifications required to be made under this sec-
3 tion by a partner which relates to items of income, gain, loss, deduction
4 or credit of a partnership shall be determined under K.S.A. 79-32,131,
5 and amendments thereto, to the extent that such items affect federal
6 adjusted gross income of the partner.

7 Sec. 9. K.S.A. 2006 Supp. 79-32,120 is hereby amended to read as
8 follows: 79-32,120. (a) If federal taxable income of an individual is deter-
9 mined by itemizing deductions from such individual's federal adjusted
10 gross income, such individual may elect to deduct the Kansas itemized
11 deduction in lieu of the Kansas standard deduction. The Kansas itemized
12 deduction of an individual means the total amount of deductions from
13 federal adjusted gross income, other than federal deductions for personal
14 exemptions, as provided in the federal internal revenue code with the
15 modifications specified in this section.

16 (b) The total amount of deductions from federal adjusted gross in-
17 come shall be reduced by the total amount of income taxes imposed by
18 or paid to this state or any other taxing jurisdiction to the extent that the
19 same are deducted in determining the federal itemized deductions and
20 by the amount of all depreciation deductions claimed for any real or
21 tangible personal property upon which the deduction allowed by K.S.A.
22 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 7,
23 and amendments thereto, is or has been claimed.

24 Sec. 10. K.S.A. 2006 Supp. 79-32,138 is hereby amended to read as
25 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
26 under this act shall be the corporation's federal taxable income for the
27 taxable year with the modifications specified in this section.

28 (b) There shall be added to federal taxable income: (i) The same
29 modifications as are set forth in subsection (b) of K.S.A. 79-32,117, and
30 amendments thereto, with respect to resident individuals.

31 (ii) The amount of all depreciation deductions claimed for any prop-
32 erty upon which the deduction allowed by K.S.A. 2006 Supp. 79-32,221,
33 79-32,227, 79-32,232 ~~or~~, 79-32,237 or section 7, and amendments thereto,
34 is claimed.

35 (iii) The amount of any charitable contribution deduction claimed for
36 any contribution or gift to or for the use of any racially segregated edu-
37 cational institution.

38 (c) There shall be subtracted from federal taxable income: (i) The
39 same modifications as are set forth in subsection (c) of K.S.A. 79-32,117,
40 and amendments thereto, with respect to resident individuals.

41 (ii) The federal income tax liability for any taxable year commencing
42 prior to December 31, 1971, for which a Kansas return was filed after
43 reduction for all credits thereon, except credits for payments on estimates

1 of federal income tax, credits for gasoline and lubricating oil tax, and for
2 foreign tax credits if, on the Kansas income tax return for such prior year,
3 the federal income tax deduction was computed on the basis of the federal
4 income tax paid in such prior year, rather than as accrued. Notwithstand-
5 ing the foregoing, the deduction for federal income tax liability for any
6 year shall not exceed that portion of the total federal income tax liability
7 for such year which bears the same ratio to the total federal income tax
8 liability for such year as the Kansas taxable income, as computed before
9 any deductions for federal income taxes and after application of subsec-
10 tions (d) and (e) of this section as existing for such year, bears to the
11 federal taxable income for the same year.

12 (iii) An amount for the amortization deduction allowed pursuant to
13 K.S.A. 2006 Supp. 79-32,221, 79-32,227, 79-32,232 ~~or~~, 79-32,237 or sec-
14 tion 7, and amendments thereto.

15 (iv) For all taxable years commencing after December 31, 1987, the
16 amount included in federal taxable income pursuant to the provisions of
17 section 78 of the internal revenue code.

18 (v) For all taxable years commencing after December 31, 1987, 80%
19 of dividends from corporations incorporated outside of the United States
20 or the District of Columbia which are included in federal taxable income.

21 (d) If any corporation derives all of its income from sources within
22 Kansas in any taxable year commencing after December 31, 1979, its
23 Kansas taxable income shall be the sum resulting after application of
24 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
25 taxable income in any such taxable year, after excluding any refunds of
26 federal income tax and before the deduction of federal income taxes pro-
27 vided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-3271
28 to K.S.A. 79-3293, inclusive, and amendments thereto, plus any refund
29 of federal income tax as determined under paragraph (iv) of subsection
30 (b) of K.S.A. 79-32,117, and amendments thereto, and minus the deduc-
31 tion for federal income taxes as provided by subsection (c)(ii) shall be
32 such corporation's Kansas taxable income.

33 (e) A corporation may make an election with respect to its first taxable
34 year commencing after December 31, 1982, whereby no addition modi-
35 fications as provided for in subsection (b)(ii) of K.S.A. 79-32,138 and
36 subtraction modifications as provided for in subsection (c)(iii) of K.S.A.
37 79-32,138, as those subsections existed prior to their amendment by this
38 act, shall be required to be made for such taxable year.

39 Sec. 11. K.S.A. 2006 Supp. 79-32,117, 79-32,1171, 79-32,120 and 79-
40 32,138 are hereby repealed.

41 Sec. 12. This act shall take effect and be in force from and after its
42 publication in the statute book.

New Sec. 3 (a) Any person, company or corporation engaged in the business of capturing, utilizing or sequestering carbon dioxide may provide for financing and acquiring the necessary land, easements and right of way, and may own, lease, construct, operate and maintain carbon dioxide injection wells, underground storage facilities and any other machinery, equipment or facilities necessary for such business. For carbon dioxide injection wells and underground storage, the plans and specifications for such facilities shall be submitted to and be approved by the state corporation commission. The commission, in giving approval, shall determine that the proposed method of capturing, utilizing or sequestering carbon dioxide: (1) Will not result in the loss or waste of carbon dioxide; and (2) is a feasible method to be employed in protecting the water resources of the state from preventable pollution. The commission shall give notice of its approval or disapproval and the findings of any investigation conducted by the commission to the person, company or corporation submitting the plans and specifications.

(b) (c) If such person, company or corporation desires to contest the decision or findings of the commission, such person, company or corporation shall give notice to the commission within 10 days after receipt of notice thereof. Thereupon, the commission shall proceed to hear and determine the matter in accordance with the provisions of the Kansas administrative procedure act. After conclusion of the hearing the commission shall give notice of the commission's decision to such person, company or corporation.

(c) (d) Actions for judicial review of any action of the commission under the provisions of this act may be brought in accordance with the act for judicial review and civil enforcement of agency actions. The action for review shall be brought in the district court having venue and first acquiring jurisdiction of the matter. Notwithstanding the provisions of K.S.A. 77-622 and amendments thereto, the authority of the court shall be limited to a judgment either affirming or setting aside in whole or in part the agency action. Before any action for judicial review may be brought by a person who was a party to the proceeding resulting in the agency action, a petition for reconsideration shall first be filed with the commission in accordance with the provisions of K.S.A. 77-529, and amendments thereto. An action for judicial review may be brought by any person aggrieved by the agency action, whether or not such person was the petitioner for reconsideration. If no petition for reconsideration is filed, any person aggrieved by the agency action who was not a party to the proceeding before the commission may bring an action for judicial review of such agency action. Any action for review pursuant to this section shall have precedence in any court and on motion shall be advanced over any civil cause of different nature pending in such court. In any such action, a county abstract may be filed by the commission or any other interested party.

1 service of the order, a hearing on the order. Upon receipt of a timely
2 request, a hearing shall be conducted in accordance with the provisions
3 of the Kansas administrative procedure act.

4 (d) Any action of the commission pursuant to this section is subject
5 to review in accordance with the act for judicial review and civil enforce-
6 ment of agency actions.

7 New Sec. 5. (a) In performing investigations or administrative func-
8 tions relating to prevention of escape of carbon dioxide into the atmos-
9 phere from injection of carbon dioxide or prevention of pollution of the
10 soil or waters of the state, the commission or the commission's duly au-
11 thorized representatives may enter any property or facility which is sub-
12 ject to the provisions of section 2, and amendments thereto, for the pur-
13 pose of observing, monitoring, collecting samples, examining records and
14 facilities to determine compliance or noncompliance with state laws and
15 rules and regulations relating to air pollution, water pollution, soil pol-
16 lution or public health or safety.

17 (b) The representatives of the commission shall have the right of in-
18 gress and egress upon any lands to halt escape of carbon dioxide into the
19 atmosphere from injection of carbon dioxide and to clean up pollution
20 from injection of carbon dioxide over which the commission has jurisdic-
21 tion pursuant to section 2, and amendments thereto. Such representatives
22 shall have the power to occupy such land if necessary to investigate and
23 prevent such escape or clean up such pollution or to investigate and plug
24 any such carbon dioxide injection well. Any representative entering upon
25 any land to investigate and prevent such escape or clean up such pollution
26 or to investigate and plug any such carbon dioxide injection well shall not
27 be liable for any damages necessarily resulting therefrom, except damages
28 to growing crops, livestock or improvements on the land. Upon comple-
29 tion of activities on such land, such representative shall restore the prem-
30 ises to the original contour and condition as nearly as practicable.

31 New Sec. 6. (a) The following described property, to the extent
32 herein specified, shall be exempt from all property taxes levied under the
33 laws of the state of Kansas: Any carbon dioxide capture and sequestration
34 property.

35 (b) The provisions of subsection (a) shall apply from and after pur-
36 chase or commencement of construction or installation of such property
37 and for the five taxable years immediately following the taxable year in
38 which construction or installation of such property is completed.

39 (c) The provisions of this section shall apply to all taxable years com-
40 mencing after December 31, ~~2007~~.

2006

41 (d) As used in this section, "carbon dioxide capture and sequestration
42 property" means: (1) Any machinery and equipment used to capture car-
43 bon dioxide from industrial and other anthropogenic sources; and (2) any

, including the utilization of carbon dioxide in an industrial algae system

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Comments To:
Energy and Utilities Committee
Regarding HB 2429
Submitted by: Kansas Biological Survey
February 19, 2007

Chairman Holmes and members of the Committee, my name is Ed Martinko. I am the State Biologist and Director of the Kansas Biological Survey, and I would like to thank you for the opportunity to speak before the committee.

Like the Geological Survey, the Kansas Biological Survey is a research and service unit of the University of Kansas and a non-regulatory agency of the State. In addition to our statewide surveys of the plants and animals of Kansas, we also have active research programs in water resources, land and wildlife resources, and information technology. The Biological Survey is neither in favor of nor opposed to HB 2429. However, because we are identified in this bill as playing an active role in the technology development and reclamation research component, I felt it would be beneficial for the committee to learn about our experience and capabilities as you deliberate on the merits of the proposed legislation.

The Kansas Biological Survey

KBS' research activities cover a broad array of environmentally-related topics and applications of state-of-the-art technologies. For example, the KBS Water Resources Division works closely with the Kansas Water Office, the Kansas Department of Health and Environment, and the Kansas Department of Wildlife and Parks on a variety of water quality issues in reservoirs, rivers, and streams. In particular, KBS is working with state and local governments as well as with the Corps of Engineers on taste and odor problems in drinking water supplies and sediment build-up in Kansas reservoirs. We are also developing and using new, very accurate bathymetric mapping techniques to inventory reservoir sediment build-up for use by the Kansas Water Office and the State Conservation Commission as a basis for sediment removal and reservoir restoration. Another KBS program, The Kansas Applied Remote Sensing Program, conducts research on satellite remote sensing and geographic information systems (GIS) technologies in support of new applications. These include, for example, the development and maintenance of state-of-the-art Kansas land use and land cover digital databases for the

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Kansas GIS Policy Board. Also we produce the GreenReport, a weekly web-based report derived from satellite data to monitor the progress and relative conditions of crops and natural vegetation in Kansas and the continental U.S.

Reclamation Initiatives

HB 2429 would provide the opportunity to build on preliminary reclamation studies conducted by KBS with several agencies. For example, KBS staff has worked with the Kansas Corporation Commission (KCC) to study ways to reduce on-site and downstream impacts on water from hydrocarbon extraction at one site near Leon, Kansas. This included the re-establishment of vegetative cover to improve downstream water quality. Likewise, we have utilized our expertise in remote sensing technology to assist KCC in the identification of uncapped wellheads (attached photo) and in mapping areas of damage from oilfield brine discharge.

In southeast Kansas, KBS staff worked with the Kansas Department of Health and Environment (KDHE) to study lead- and zinc-damaged lands and provide technical assistance in Cherokee County, Kansas, to monitor and restore vegetative cover in preparation for future clean-up initiatives. KBS has also worked with the Kansas Department of Transportation (KDOT) to study the vegetation and hydrology of wetland mitigation and restoration sites near Wichita, Kingman, Enterprise, Medicine Lodge, and Lawrence.

Based on our expertise and previous experience, I am confident that, with the funding provided in HB 2429, the Biological Survey would be able to establish the research and reclamation program set forth in the bill.

Again, thank you for the opportunity to speak before the committee, and I would be happy to answer any questions you may have.

Archival aerial photography to locate abandoned oilfield features



Aerial photography can be invaluable for locating abandoned uncapped oil wells that threaten an area's groundwater supplies. In the example above, KBS used archived aerial photography from 1963 to locate an uncapped oil well (yellow arrows) in an area in Butler County that had been developed into a golf course. This example saved considerable time and effort in locating the wellhead, and minimized the possible damage to greens and fairways.

TESTIMONY

In support of HB 2429

Presented to the
HOUSE COMMITTEE ON ENERGY AND UTILITIES

February 19, 2007

William E. Harrison

State Geologist and Director
Kansas Geological Survey
The University of Kansas
Lawrence, Kansas

Mr. Chairman, members of the Committee, my name is Bill Harrison. I am director of the Kansas Geological Survey at KU and I am the Kansas State Geologist. The Kansas Geological Survey is a research and service division of the University of Kansas. Its mission is to study and report on the state's geologic resources and hazards. I am here today to comment on House Bill 2429.

Although oil production in Kansas dates back to the late 1800's, the petroleum industry in the state has changed almost continuously. These changes are directly related to two factors. The first issue concerns the size of the statewide resource base. The second factor, is the free-market price of a barrel of oil. In the 1950's and 60's, it was not unusual for companies like Phillips, Conoco, and Kerr-McGee to have active exploration and production programs in Kansas. In the 1970's, Cities Service – with funding from the U.S. Department of Energy – embarked on a multi-year investigation to recover additional oil from the El Dorado Field, the most productive oil field in Kansas history. When companies such as these were active in the state, they were able to direct resources – primarily people and money – in their oil fields to increase production (and profits). Multi-national corporations almost always have a range of opportunities to make investments. They chose to drill and produce in Kansas because there were opportunities to discover fields like El Dorado, which has yielded over 300 million barrels of oil and is producing even today. This kind of potential no longer exists in Kansas. Many industry activities in the state are currently carried out by owner-operator companies that (a) do not have the resources of the existing ConocoPhillips Corporation and (b) cannot assume the same risk levels of larger companies.

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For many years, the U.S. Department of Energy made petroleum-oriented research investments in Kansas. The Kansas Geological Survey, in collaboration with industry partners, has received DOE support. Historically, these projects have been largely guided by industry needs and implementation has been by industry-KGS technical teams. Today the fossil energy program of DOE has undergone massive redirection and the Tulsa Project Office for oil and gas is being phased out. The combined loss of major oil company activity and the loss of U.S. Department of Energy Fossil Energy funding makes it highly unlikely that meaningful Kansas-specific oil and gas research activities will be carried out. The value of oil and gas production in Kansas last year was over 4 billion dollars. That generated tax (severance and ad valorem) revenues of \$300 million. Technical breakthroughs in areas such as enhanced oil production can extend the productive life of Kansas fields. If new research on Kansas oil and gas fields cannot extend production, the revenue streams provided by petroleum production throughout the state will get progressively smaller over time.

Compared to other parts of the country, oil reservoirs in Kansas do not give up as much of their original oil. Kansas and Oklahoma reservoirs probably yield, on average, about one-third of their original total oil due to primary production and subsequent waterflood. This means about 65% of the original oil is left in these reservoirs after the first two phases of production. This residual oil is an extremely attractive target when you consider that location is well-known and it is not necessary to spend money on expensive exploration and drilling activities. Without high-risk field-oriented research studies to recover this residual oil, that oil will remain locked up in the earth essentially forever.

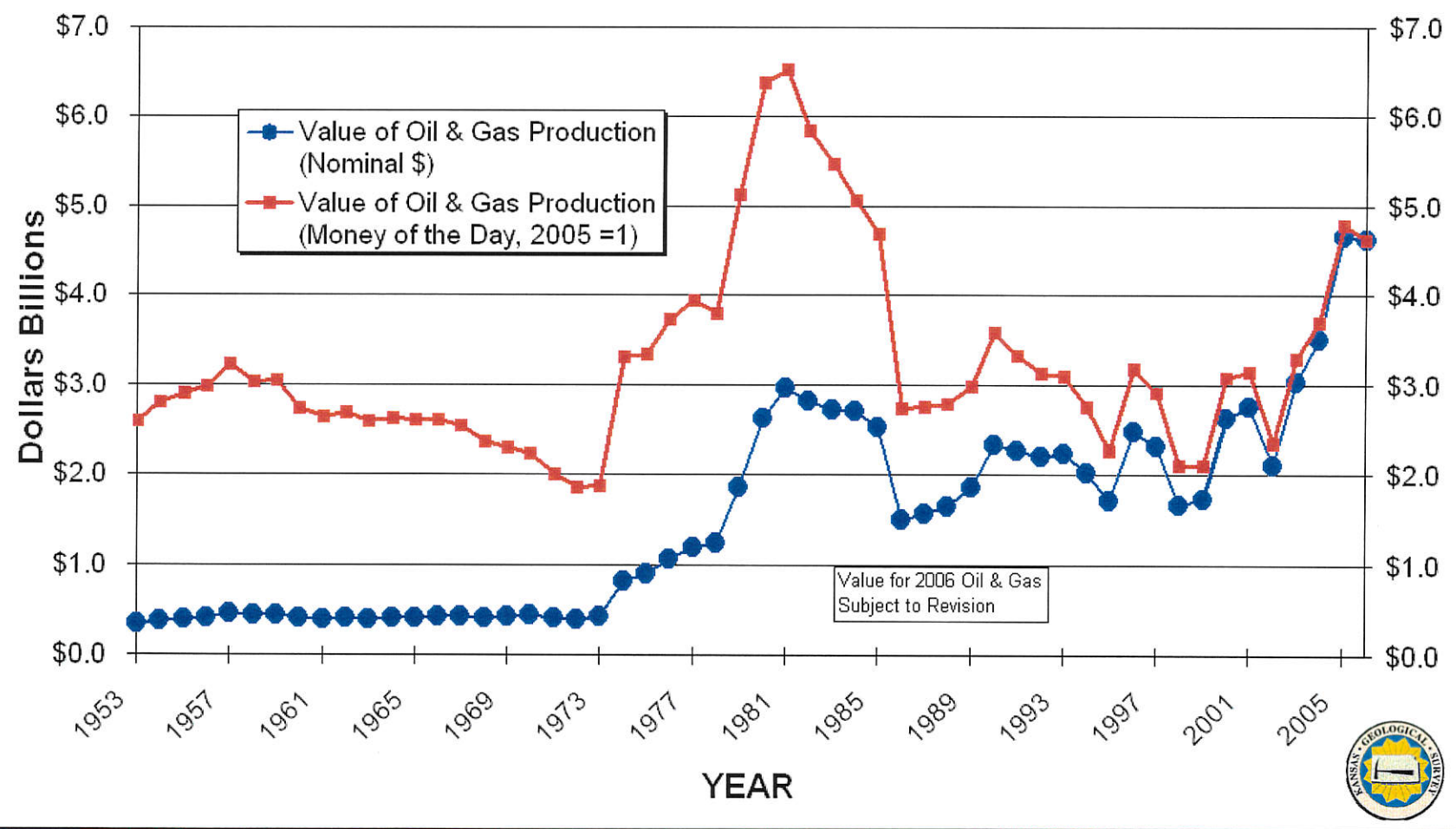
Oil and gas field studies are expensive. Drilling, coring, and geophysical programs can easily cost hundreds of thousands of dollars. These costs are typically the reason that more oil and gas field studies are not conducted. For example, horizontal drilling is a key technology in coal-bed methane exploration. To date, in the State of Kansas, there is not a single core from a horizontal well in the public domain. Thus, our geologic understanding of this potentially important resource is severely limited. HB 2429 provides a viable means to defray costs of studies that could yield the breakthrough knowledge needed to stimulate and promote cost-effective exploration or production technology.

The demand for research dollars is always greater than the dollars available. It is prudent to be very selective in underwriting research activities and especially so when Kansas taxpayer dollars are involved. Such proposed technical activities should (a) be conducted by experienced staff with powerful Kansas-based experience factors, (b) have good-to-excellent return-on-investment potential for the state, (c) provide public domain results, and (d) engage appropriate stakeholders. A reasonable question for those who decide on such matters might be, "if these research dollars are the only ones available, is this the best use of them?" HB2429 appears to meet all these conditions. The Kansas Geological Survey has a sustained history of geologic research leading to more efficient use of the state's natural resources. A recent example is a recently concluded study of the Hugoton Natural Gas field that yielded a better understanding of, the largest natural gas field in the world. This funding will help the Survey work with producers to extend the life of the state's resources. HB 2429 will provide for similar work throughout the state's oil and natural gas fields and I urge your serious deliberation of it.

Value of Oil & Gas

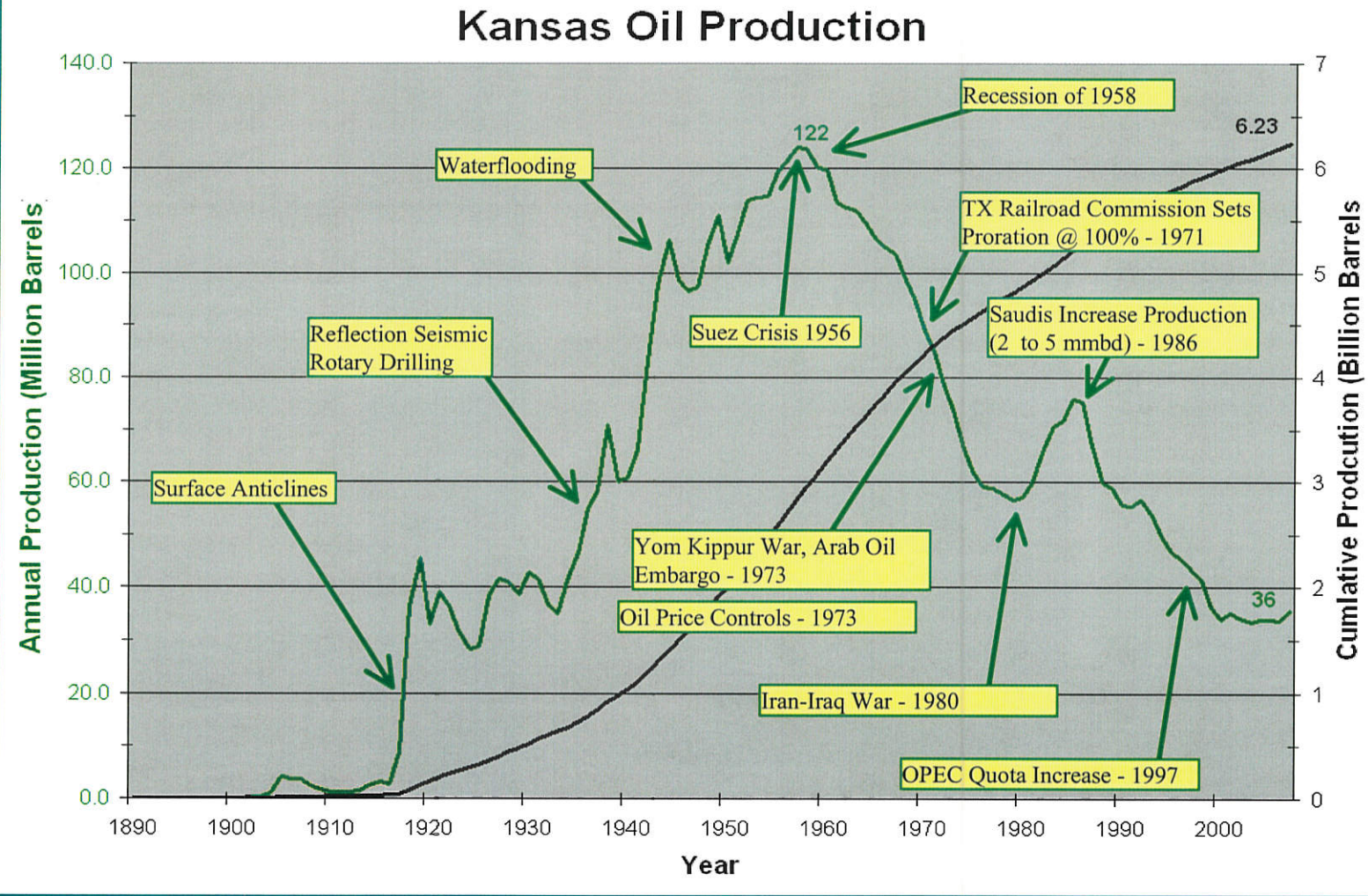
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KANSAS PRODUCTION VALUE (Today's Dollars)



Kansas Historical Oil Production

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TOM SLOAN
REPRESENTATIVE, 45TH DISTRICT
DOUGLAS COUNTY

STATE CAPITOL BUILDING
ROOM 113-S
TOPEKA, KANSAS 66612
(785) 296-7654
1-800-432-3924

772 HWY 40
LAWRENCE, KANSAS 66049-4174
(785) 841-1526
sloan@house.state.ks.us



TOPEKA
HOUSE OF
REPRESENTATIVES

Testimony on HB 2429 - House Energy & Utilities Committee - February 19, 2007

Mr. Chairman, members of the Committee: HB 2429 is a product of the Joint Special Committee on Energy on which four members of this Committee served last year. The Committee was charged with examining the state of Kansas' energy present and future with the responsibility to recommend policies and legislation to better ensure our energy self-sufficiency and guarantee a healthy economy.

HB 2429 proposes to transfer up to two million dollars per year from the State General Fund to support: 1) research and grant matching requirements by the Kansas Geological Survey to enhance and continue production from existing oil and gas fields, methane gas fields, and other sub-surface resources (e.g., hydrogen); 2) provide funds for the Kansas Biological Survey to engage in research and grant matching requirements to study remediation of scarred soils and reclamation of waters; 3) support the public energy conservation goals of the Kansas Energy Council and Kansas Corporation Commission; and 4) support research and grant matching requirements in the broad field of alternative energy research (e.g., improving turbine or small gasoline engine efficiencies).

The bill "ties" the dollars transferred from the SGF to sales taxes paid by the oil and gas industry. This simply was an attempt to "tie" the expenditures to the source of those state revenues. The transfer of identified funds paid into the SGF by an identified group of taxpayers is not unique. For example, municipal and rural drinking water systems pay three cents per 1,000 gallons of treated water sold at retail into the SGF. Several years ago the Legislature "moved" those dollars to a fund specifically charged with extending the productive lives of the state's municipal drinking water lakes and providing on-site technical assistance to small water systems. The Legislature's intent was for the payers of those fees to benefit by receiving directed, enhanced services.

So too with HB 2924, except that the sales tax dollars paid by the oil and gas industry are not currently readily identifiable within the SGF. But the intent of the bill is that by investing in research, the productive lives of the existing hydro-carbon fields can be extended to the benefit of producers, Royalty owners, employees, local governments, and the State.

The less significant components of the bill (e.g., the composition of the Advisory Board, removing the "tie" to sales taxes paid by the industry) can be debated and amended if the

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Committee wishes, but I encourage you to keep in mind that the key element of the bill is to create an increased state commitment to extending the productive lives of our existing oil and gas fields and researching ways to increase the State's useable waters. At a time when we are passing legislation to provide tax incentives for businesses to come to Kansas, it seems appropriate that we make a relatively small investment in preserving an important sector of our State's economy.



Kansas Independent Oil & Gas Association
800 SW Jackson Street – Suite 1400
Topeka, Kansas 66612-1216
785-232-7772 Fax 785-232-0917
Email: kiogaed@swbell.net

Testimony to House Energy & Utilities Committee

House Bill 2429 – An Act concerning energy and reclamation research; creating the Kansas energy enhancement and environmental reclamation fund;

Edward P. Cross, Executive Vice President
Kansas Independent Oil & Gas Association

February 19, 2007

Good morning Chairman Holmes and members of the committee. I am Edward Cross, Executive Vice President of the Kansas Independent Oil & Gas Association (KIOGA). KIOGA is a 1,400 member trade association representing the interests of independent oil and gas producers in Kansas. I am here today to express our opposition and concerns surrounding House Bill 2429 (HB 2429).

HB 2429 creates the Kansas energy enhancement and environmental reclamation fund. Monies for the fund would be created by earmarking the State General Fund in an amount not less than \$1 million nor more than \$2 million annually. The fund is created by earmarking retailer's sales tax and income tax attributable to exploration, development, and production of oil, natural gas, methane, biofuels, and other energy resources. All monies credited to the Kansas energy enhancement and environmental reclamation fund shall be used as follows:

- 15% to Kansas Biological Survey to research and develop oil and gas reclamation;
- 15% to fund competitive grants;
- 60% to Kansas Geological Survey to conduct oil and gas research and development
- 10% to an energy conservation practice and public education program;
- No more than 10% of money allocated shall be used for administrative purposes.

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Oil and gas research and development (R&D) is vital in order to maintain oil and gas production from existing sources and to find and produce new ones. Kansas organizations like the Tertiary Oil Recovery Project (TORP) and the North Midcontinent Petroleum Technology Transfer Council (PTTC) create a conduit to move R&D into the hands of Kansas producers, where it becomes a production tool.

The Kansas oil and gas producing community relies on new and evolving technology to solve problems and realize opportunities. The industry is comprised of small independent oil and gas operators that have little time and/or resources to perform due diligence on newer options that may be available. Learning and applying new technologies often helps our bottom line. Two University of Kansas research and technology transfer organizations, TORP and PTTC, has conducted many workshops across Kansas. Several KIOGA members are motivated to position organizations like TORP and PTTC into industry-funded organizations. KIOGA has met with these organizations several times over the past year and are working to develop an industry funded model to conduct the needed R&D.

While the oil and gas industry is supportive of oil and gas R&D, we do have reservations about establishing a statutory funding mechanism and doing so with limited industry participation in oversight. R&D is important for the industry, as long as the R&D is focused on the technologies and enhancements relevant to the Kansas oil and gas industry. The oil and gas R&D efforts need to be responsible to the needs of the oil and gas industry and not just an annual \$1 million to \$2 million allocation to fund "oil and gas R&D" projects to study.

Several oil and gas R&D organizations exist in Kansas. Organizations like TORP, PTTC, and the Kansas Geological Survey appear to overlap with their R&D efforts. HB 2429 appears to leave out TORP and PTTC, organizations that provide pragmatic technologies that can be quickly applied if the technology fits the application and the economic situation. We in the oil and gas industry are not clear how these organizations work together or independently. Each of these groups has advisory boards that are not legally constituted. The energy enhancement advisory board created by HB 2429 consists of representatives from Kansas Geological Survey, Kansas Independent Oil & Gas Association, Eastern Kansas Oil & Gas Association, state board of regents, alternative research, ethanol producers, Kansas Energy Council, Kansas Biological Survey, and general public. We question who will have oversight of the funds. Will the R&D organizations compete for the same dollars? Will each of the groups have equal opportunity to R&D monies? How is industry assured that the R&D is focused on what the industry needs versus esoteric R&D projects implemented to consume the statutory allocation?

HB 2429 earmarks state general fund monies for activities already being done. The Kansas Corporation Commission Oil & Gas Conservation Division (KCC) has had an oil and gas reclamation program in place since 2003. The KCC, in conjunction with the National Energy Technology Laboratory and ALL Consulting, conducts research comparing various means of

remediating soil impacted by crude oil and salt water. The KCC has developed a Soil Remediation Planner that gives oil and gas operators and landowners helpful, economic recommendations, including an interactive website that uses site-specific data to help design appropriate remediation processes. The KCC's superlative efforts were recognized nationally by the Interstate Oil & Gas Compact Commission (IOGCC) in 2006 when they received the coveted Chairman's Stewardship Award for Environmental Partnership Award. The KCC Oil & Gas Conservation Division is a fee funded agency funded through fees on the oil and gas industry. In addition, the Integrated Petroleum Environmental Consortium (IPEC) conducts workshops and provides free material to oil and gas operators for bioremediation of hydrocarbon contaminated soils and salt impacted soils. IPEC frequently participates in KIOGA events and many Kansas oil and gas operators gain from IPEC research. IPEC is funded by the USEPA.

HB 2429 earmarks state general fund monies for activities already being conducted or being developed through the private sector. The State of Kansas also have other problems whose claims on scarce resources are at least as urgent as providing state general revenue funding for activities already being conducted or developed in the private sector. We think the bill needs more thought to make meaningful legislation that creates value for the Kansas oil and gas industry. Thank you for your time and consideration. I stand for questions.



The University of Kansas

Tertiary Oil Recovery Project

December 20, 2006

Edward P. Cross
Kansas Independent Oil & Gas Association
800 SW Jackson, Suite 1400
Topeka, KS 66612-1216

Dear Ed,

We are writing concerning the enclosed conceptual bill for "Funding Energy and Reclamation Research in Kansas" apparently being supported by Representative Tom Sloan. As we think you are aware, TORP has had no involvement in the preparation of this bill. We wanted to make sure you are aware of this. We also request that you inform the KIOGA Board that we have had no involvement.

Sincerely,

Don W. Green
Co-Director
Tertiary Oil Recovery Project

G. Paul Willhite
Co-Director
Tertiary Oil Recovery Project



NORTH MIDCONTINENT REGION



KANSAS RESERVOIR LOG ANALYSIS MARCH 2007 WORKSHOPS

Sharpen your log skills by taking one or both of these two one-day workshop courses!

"The Crash Course in Log Analysis"

Thursday, March 8

An overview of common log types, and log analysis techniques using Kansas examples, for estimation of porosity and water saturation, as well as prediction of fluid recovery. Log analysis procedures will be demonstrated using EXCEL freeware log analysis that will be distributed to participants in addition to the course manual. Participants will also be instructed in how to access logs, both paper and digital, over the Internet.

Instructors - John Doveton & Dana Adkins-Heljeson

"Reading the Rocks from Wireline Logs"

Friday, March 9

This one-day course is designed for geologists, petroleum engineers and others who want to learn how to recognize rock types from wireline logs, both to expand their subsurface geological skills and to enable them to make more detailed reservoir characterizations. Topics include an overview of logging tool fundamentals and the geological properties recorded on wireline logs; applications of gamma-ray and spectral gamma-ray logs; analysis of dipmeters and review of imaging logs; lithology discrimination on overlays of neutron, density, and photoelectric factor logs; log crossplots; compositional analysis using Excel. The workshop will be illustrated by numerous log examples from the Mid-Continent, ranging in age from the Precambrian to the Tertiary.

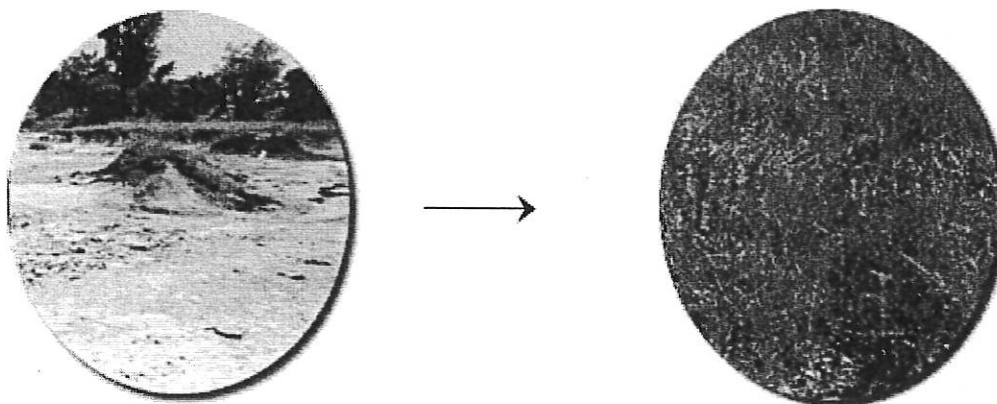
Instructor - John Doveton

Both courses will be held at the Kansas Geological Survey in Lawrence, Kansas with a morning session of 9 am - 12:00 pm and afternoon program between 1:00 - 4:30 pm. A sandwich lunch will be provided, as well as refreshments for mid-morning and mid-afternoon breaks. A course participant may elect to take either one or both of these courses, with a cost of \$55 for one course, or \$110 for both. Each course is offered for 6 hours of professional education (0.6 CEU).

REGISTRATION FORM OVERLEAF!!

9-5

Site Specific Remediation Planner



Remediation of brine scars to soil resources caused by the historic production of oil and gas can be achieved with the aid of this website. While not every problem or situation can be anticipated for each site, the steps listed below will be useful in designing an effective and economic remediation plan for most Kansas sites.

1. **Soil Characterization** - Collect and perform specific lab analyses of several soil samples.
2. **Soil Amendments** - Use this website to compute necessary soil additives.
3. **Re-vegetation** - Use this website for recommendations for appropriate seeds and transplants.
4. **Irrigation** - Use this site for recommendations for irrigation requirements.

Getting started: The object of brine scar remediation is to leach salts out of the root-zone, which extends approximately 4 to 6 feet below the surface. It is, however, not desirable for salts to leach into useable groundwater. If there is evidence of shallow groundwater such as nearby shallow water wells, **contact the staff** at the appropriate KCC District field office before proceeding. Prolonged exposure to salt water can kill plants, damage soil structure, and cause long-lasting scars. An effective soil remediation plan must address all these factors.

Soil is the first concern; to learn more about the basics of Soil Science, soil sampling, and soil testing refer to the additional websites listed below:

- **U.S. Department of Agriculture**
- **KSU County Extension Service**

To develop a site specific remediation plan the first step is to analyze the soil for total salinity and sodium content.

- **Soil salinity** is the total of the dissolved salts and is related to the soil's ability to grow plants.
- **Sodium content** can be indirectly related to the structure of the soil and its ability to conduct water. Soils with high levels of sodium are generally "tight" and do not allow water to move efficiently through the soil.

The soil at the site must be sampled in an organized and complete manner over the entire scarred area. This can be best accomplished by collecting several "composite samples" across the scarred area to determine average soil properties. A **soil sampling guide** is available to assist you in the proper method of collecting and documenting soil data.



Continuing Engineering & Science Education

2007 Professional Development Training Calendar

Petroleum Engineering for Non-Engineers

Instructor: John Farina
February 27-March 1 * Houston, Texas
May 8-10 * Tulsa, Oklahoma
November 13-15 * Houston, Texas

Fundamentals of Titles, Leases & Contracts

Instructor: Lewis G. Mosburg, Jr.
March 6-8 * Houston, Texas
September 11-13 * Houston, Texas

Appraisal of Oil & Gas Properties

Instructors: John Gustavson & Ed Moritz
March 17-28 * Denver, Colorado
October 17-18 * Houston, Texas

Advanced Concepts of Titles, Leases & Contracts

Instructor: Lewis G. Mosburg, Jr.
April 17-19 * Houston, Texas

Basic Petroleum Geology for the Non-Geologist

Instructor: Norman J. Hyne
April 24-26 * Houston, Texas
August 28-30 * Houston, Texas
September 18-20 * Denver, Colorado
December 4-6 * Houston, Texas

Problems & Pitfalls in Joint Operating Agreements

Instructor: Lewis G. Mosburg, Jr.
May 15-17 * Houston, Texas
October 23-25 * Houston, Texas

Basics of Well Log Interpretation

Instructor: George R. Bole
May 22-23 * Houston, Texas
October 11-12 * Tulsa, Oklahoma

Fluid Flow Projects: Two-Phase Flow in Pipes

Instructors: Cem Sarica & Jim Brill
May 7-11 * Tulsa, Oklahoma

Other programs of interest:

Online Course: Petroleum Exploration & Production - An Overview

Executive Leadership Institute for Technical Professionals & Engineers

February - November 2007 * Tulsa, Oklahoma

14th Annual International Petroleum Environmental Conference

November 6-9 * Houston, Texas

Nodal Analysis & Introduction to Artificial Lift Systems

Instructor: Mauricio Prado

Dates & Locations to be determined

For detailed information - just follow the links provided in this email to our web site (www.cese.utulsa.edu), or contact our office at:

The University of Tulsa, Continuing Engineering & Science Education

600 S. College Avenue, Tulsa, OK 74104

Phone: 918-631-3088

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We are looking forward to seeing your company represented at the seminars.

Nancy Kruse

The University of Tulsa

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***P.S. Sign-up today and then forward this email announcement to others whom you feel would be interested in our educational seminars.
Thank you!***

Bioremediation of Hydrocarbon Contaminated Soils - Two Day Workshop

This pragmatic workshop teaches in-depth bioremediation in a way that is particularly relevant to technical personnel from oil companies and oil service companies, landmen, environmental attorneys, non-technical personnel supporting engineers and geologists, state and federal regulators/technicians, agricultural extension agents, and soil scientists. Participants learn how to design, plan, and implement biological treatment processes in the field.

When: March 13 and 14, 2007 (2 full days: 8:30 am - 4:30 pm)
Where: University of Tulsa, Keplinger Hall, 4th & Gary, Tulsa, OK
Fee: \$450 each attendee or \$400 each if 3 or more attend from the same company

To register send your check payable to Sublette Consulting, Inc. and mail to P.O. Box 4142, Tulsa, OK 74159.

Feel free to contact me (918-631-3284 or sheila-kumpe@utulsa.edu) if you have questions.

Workshop Materials

Materials include a comprehensive workbook, a set of laminated guidelines for the Bioremediation of Crude Oil Spills and Remediation of Small Brine Spills, a DVD on Cost Effective Environmental Strategies and a DVD on the Bioremediation of Crude Oils Spills in Soil.

Workshop Agenda

◇ How the bugs work (basic microbiology)

- Basic metabolism
- Characteristics of microorganisms important to biodegradation
- The growth process

◇ What the bugs need to survive (nutrients, environmental conditions)

- Carbon and energy sources
- N,P,K and mineral needs
- Response to oxygen
- The limiting nutrient
- Microbial communities and interactions
- Environmental constraints (temperature, pH, salinity)