Approved: March 31, 2008
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 12, 2008 in Room 519-S of the Capitol.

All members were present.

Committee staff present:
Chris Courtwright, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Ryan Hoffman, Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Representative Dale Swenson
Representative Holland
George Lippencott, AARP

Written testimony only:
Paula Gilchrist, Douglas County Treasurer
Stacy Kurtz, Director of Taxation and Accounting, Douglas County
Matt Shatto, City of Lenexa

Others attending:
See attached list.

HCR 5015 - State constitutional amendment; taxation; watercraft.

Chris Courtwright said that **HCR 5015** is a proposed constitutional amendment that would go on the November ballot, and it would amend the property tax classification amendment to the Kansas Constitution to authorize the legislature, if it so chooses, to set up a new separate tax system for watercraft.

The Chairman opened the public hearing on **HCR 5015.**

Representative Dale Swenson testified in support of **HCR 5015**. He said it would allow the legislature to classify and tax watercraft upon a basis different from other property beginning in tax year 2009. Watercraft currently is assessed as "all other" personal property at 30 percent of its fair market value. He urged passage of **HCR 5015** (Attachment 1).

The Chairman closed the public hearing and stated they would re-open the hearing when Representative Schwartz joined them.

HB 2928 - Enacting the Senior Citizen Property Tax Deferral Act.

Chris Courtwright, Legislative Research Department, said **HB 2928** would create the Senior Citizens Property Tax Deferral Act. The bill would allow citizens who are 65 years of age or older to defer up to $2,500 in property taxes on their homestead property. All deferred taxes would become payable when the taxpayer who claimed the deferral dies; the property is sold or transferred. The Secretary of Revenue would submit an annual report to the Governor and the Legislature on the tax deferrals.

The Chairman opened the pubic hearing on **HB 2928.**

Representative Holland testified that as elected officials to the Kansas Legislature, it is imperative that they do everything within their powers to avoid having Kansas seniors literally taxed out of their homes. He said the bill is designed to allow certain Kansas seniors age 65 or older to make application to the KDOR to defer either a portion or all ad valorem taxes levied on their homestead (annual maximum limit of $2,500) (Attachment 2).

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 12, 2008 in Room 519-S of the Capitol.

He said the fiscal note is $1 million a year, however the state will re-coop that money, plus interest, as people go off the program. There is a five year sunset to the law. He explained the process from filing an application through deferral of taxes by KDOR to payment to the county, as well as circumstances in which the tax deferral would be discontinued.

Representative Holland said bankers are neutral on the bill, however, he thanked Matt Goddard, Heartland Community Bankers Association, for his help in developing this legislation. Also he commended Gordon Self for his patience and hard work in crafting the legislation. He said it was the county treasurers that had brought this issue to the forefront and acknowledged written testimony from Paula Gilchrist, Douglas County Treasurer and Stacy Kurtz, Director of Taxation and Accounting, in support of the bill (Attachment 3).

George Lippencott, AARP, said there have been significant increases in certain property tax levies in Kansas since the beginning of the decade. AARP believes that targeted tax relief to the more vulnerable among the senior population is a positive approach to addressing the impact of this growth on those least able to meet it. AARP does not believe there are appropriate and affordable commercial products to meet this explicit need and supports the introduction of **HB 2928** as the appropriate relief needed by many (Attachment 4).

Mike Taylor, Unified Government Public Relations, Wyandotte County, said government has worked hard to lower property tax burdens on our citizens, from cutting mill levies and collecting more delinquent taxes, to growing other revenues by expanding our economy and promoting development, still, the property tax can be difficult to pay for some older, fixed-income citizens. Although **HB 2928** does place the State in the role of banker which reimburses local governments for eligible deferred taxes, they believe it is preferable to artificial and arbitrary caps on assessed values (Attachment 5).

It was noted that Matt Shatto, City of Lenexa, had submitted written testimony in opposition to HB 2928 (Attachment 6).

Discussions followed regarding:

- What interest rate is charged by the state
- Obligations of a remaining spouse that is under 55 years old
- How will this affect a home-based business
- Can you qualify for the Homestead Act in addition to this deferral act.

Matt Goddard, Heartland Community Bankers Association, testified that, originally the banking community had concerns over the mechanics of the bill, however, Representative Holland had addressed those concerns. He explained the changes may tighten eligibility of the program to assure that participants had legitimate needs. From a practical perspective for mortgage lenders **HB 2928** does not cause any problems and Mr. Goddard said they have no objections to the bill.

Representative Holland agreed to come back to the Committee with additional information.

The Chairman closed the hearing on **HB 2928.**

Representative Brown gave a sub-committee report on **HB 2694**. He said they do not have a formal bill at this time, however he distributed a subcommittee report (Attachment 7). He explained the following:

- Expanded definition for "alternative fuels"
- Proposed tax credit
- E85 fuel credit adjustment

Representative Goyle explained changes in the definition of "Alternative Fuels".

The meeting was adjourned at 10:25 A.M. The next meeting is March 13, 2008.

HOUSE TAXATION COMMITTEE

DATE: March 12. 2008

NAME	REPRESENTING
Isaac Ferguson	Kansas Chamber of Commerce
Shana Morrisey	Rep Gatewood
Jason Darland	Pinegar Smith + Assoc.
Larry R Baer	LKM
Phil Perry	HBA of G.K.C.
Rob Murray	Little Govt. Relations
Matthew Goddard	Heartland Community Bankers Assoc.
Ronald Richey	NARFE
Mark Desetti	KNEA
Debbie Krivjansky	~~the~~ Leadership Lv-Lansing & First State Bank + Trust
Angie Trowbridge	Leadership Leavenworth - Lansing CASA
Karen E. Harris	Leadership - Leavenworth/Lansing
Dan Murray	Federico Consulting

HOUSE OF
REPRESENTATIVES

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COMMITTEE ASSIGNMENTS
FEDERAL & STATE AFFAIRS
GOVERNMENT EFFICIENCY &
TECHNOLOGY

HOUSE TAXATION COMMITTEE TESTIMONY
HCR 5015

House Concurrent Resolution 5015 would allow the legislature to classify and tax watercraft upon a basis different from other property beginning in tax year 2009. Watercraft currently is assessed as "all other" personal property at 30 percent of its fair market value. After a similar legislative authorization for "recreational vehicles" was adopted as part of a constitutional amendment in 1992, the Kansas Legislature in 1994 enacted a new tax system for such vehicles under which liability is based on the weight and the age of the vehicles rather than on fair market value.

A proposed constitutional amendment SCR 1629 that was placed on the 2000 general election ballot would have authorized new tax treatment for both watercraft and aircraft but was narrowly defeated. The Kansas Secretary of State's office said that the amendment had been defeated by less than 12,000 votes (433,499 "no" to 421,621 "yes").

My recollection is that when SCR 1629 was debated, owners of boats as well as county officials discussed the administrative headaches associated with the filing of personal property renditions, not to mention various tax-evasion issues related to the portability of boats. During a 1998 interim study, Kansas Property Valuation Division conducted a survey of 85 counties and reported finding only about $50 million in assessed valuation and about $6 million in property tax liability associated with boats. At the same time, the Secretary of Wildlife and Parks reported that there were over 100,000 watercraft registered in Kansas in 1997, a figure far in excess of the number actually on the tax rolls.

It is quite possible that the amendment adding aircraft to SCR 1629 capsized the adoption of the watercraft tax changes. This year I hope it floats.

STATE OF KANSAS

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TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
RANKING DEMOCRAT: TAXATION
MEMBER: HEALTH AND HUMAN SERVICES
GOVERNMENTAL EFFICIENCY AND
TECHNOLOGY

March 12th, 2008

Chairman Wilk and Committee Members:

Good morning! My name is Tom Holland and I am the State Representative for the Kansas House 10th District serving the communities of south Lawrence, Baldwin City, Wellsville, and north Ottawa. I am here today to ask for your support of House Bill 2928, otherwise known as "The Senior Citizen Property Tax Deferral Act".

House Bill 2928 is designed to assist those limited income Kansas seniors whose homesteads are located in high valuation growth areas of the state or that face an unanticipated financial hardship. The Act would allow certain Kansas seniors age 65 or older to make application to the Kansas Department of Revenue (KDOR) to defer either a portion or all ad valorem taxes levied on their homestead (annual maximum limit of $2,500). The homeowner would have to make separate application for each year he/she wanted to defer taxes. The KDOR would pay the county treasurer the amount of deferred tax upon issuance of a certificate of deferral. Upon transfer of ownership, death of the taxpayer, or other qualifying circumstance, previously deferred taxes and interest are due. A provision has been made for the surviving spouse (provided he or she is at least 60 years of age and is residing in the homestead) to continue on with the deferral program if so desired.

The legislation would also require the KDOR secretary to submit to the governor and the legislature an annual report documenting the number of taxpayers establishing claims for deferral, the amount of taxes deferred in each county and any other information that the secretary considers useful. The provisions of the legislation would commence on January 1st, 2009; the submittal of claims for deferral of property taxes would be discontinued after December 31st, 2013.

As elected officials to the Kansas Legislature, it is imperative that we do everything within our powers to avoid having Kansas seniors literally taxed out of their homes. This legislation does that without requiring significant expenditures or changes to the state constitution. I hope you will join me in helping our Kansas seniors by supporting HB 2928.

Thank you,

Tom Holland
State Representative – 10th District

HS Taxation
3-12-08
Attachment 2

March 12, 2008

TO: The Kansas House of Representatives Taxation Committee

FROM: The Douglas County Treasurer's Office, Lawrence, KS

RE: Testimony favoring Passage of HB 2928

The Douglas County Treasurer's office, Lawrence, is well aware that as real estate taxes have been on the rise over the last several years, most senior citizens have not had a corresponding increase in their fixed incomes. We find that many go without medicine, food, and their basic daily needs in order to pay real estate taxes and stay in their homes.

The existing Homestead Act is an important real estate tax relief program for Kansas seniors. However, low income guidelines exclude a number of home owners, and the program pays only a portion of first-half taxes. HB 2928 would provide a safety net for individuals with slightly higher incomes and/or those unable to pay the remaining portion of their real estate taxes.

HB 2928 would offer alternatives to those who are unable to meet today's growing demands. The individuals targeted by this program have lived in their homes for many years, and are now faced with having to sell and leave their homes because of high taxes. This seems quite unfair, when most worked very hard and have contributed so much to our society.

This bill places most of the paperwork and financial burden on the State, not on counties, cities, or schools. It would potentially benefit Kansas counties, cities and schools by allowing them to collect and distribute tax dollars that might not be paid otherwise.

From our office perspective, passage of HB 2928 would not result in any repercussions and could be of great benefit to senior citizens living in Douglas County.

We thank you for the opportunity to comment on this legislation and encourage your support.

Stacy Kurtz, Director of Taxation and Accounting, Douglas County
Paula Gilchrist, Douglas County Treasurer

AARP

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HB 2928
March 12, 2008

Representative Kenny Wilk, Chair
House Taxation Committee

Good Morning Chairman Wilk and members of the House Taxation Committee. My name is George Lippencott and I am the AARP Volunteer Coordinator for Economic Security. AARP represents the views of more than 371,000 members in the state of Kansas. We appreciate this opportunity to provide testimony in support of HB 2928.

Last year AARP testified before this committee as to the pressures many seniors are facing in meeting their property tax obligations. We also presented both short and long term goals for taxation policy in Kansas. We believe, and many experts agree, that long term property tax relief requires a rebalancing of the sources and apportionment within those sources of revenue available to the state and to our local jurisdictions. We believe that the tax burden should be distributed more according to people's ability to pay and should, to the extent possible, be as neutral as possible in its treatment of economic activity. We are also concerned that the more tax relief we offer to some the greater the tax burden will be on others.

Last spring the legislature restored the value of Kansas's long term circuit breaker program for certain citizens of limited means. This was our priority approach to near term property tax relief, as it addresses the poorest among us in a targeted and balanced way with limited impact on the rest of the taxpayers. <u>We thank the members for this very positive initiative.</u>

For those seniors with a personal income of less than $60,000 who do not qualify for the circuit breaker program but who have experienced significant increases in their property tax levy there is a different challenge. Some homeowners with significant equity in their properties are reporting serious cash flow challenges trying to service their property tax burden. A recent survey by the staff of the Federal Reserve Board shows that, over the 2001–04 period, the median value of real (inflation-adjusted) family income before taxes continued to trend up, rising 1.6 percent[1]. You will recall from our testimony last year that we estimated the real increase in property valuations in some Kansas jurisdictions could be as much as 10% during the comparable period[2].

HS Taxation
3-12-08
Attachment 4

Senior homeowners faced with limited increases in real income and well above inflation increases in utilities, transportation and health care costs are in some cases also burdened with property tax increases much greater than inflation. It would seem counter-productive for state and local taxing jurisdictions to contribute to the necessity for some of these homeowners to give up their homes to reduce their living costs, particularly if it forces them into Medicaid-funded nursing home settings.

AARP believes that a property tax deferral program is also a valid short term means of reducing the property tax burden on people of limited means. Twenty-five states and the District of Columbia offer property tax deferrals, based on a variety of eligibility criteria, in exchange for some arrangement for the deferred taxes to be paid upon some event, such as the owner's death. HB 2928 presents a balanced and thoughtful Property Tax Deferral approach for Kansas.

Unlike the Homestead Exemption Program, there are commercial products available, such as deferred mortgages or home equity lines of credit, that can assist seniors (and all taxpayers) with equity in their homes to meet their tax (and other) obligations. Of late these products have been widely advertised in the various media. Are these sufficient? Our answer is a resounding no! They are too costly to the taxpayer when limited to simply paying one's property tax!

Home equity lines of credit are an option offered to the taxpayer by the financial services community. These are a form of flexible second mortgage tied to the equity in the property. Initiating such a loan can, however, be expensive depending on the charges levied (origination fees, points, closing costs). These charges can range from a negligible amount to something in excess of $2000.00[3]. Today, these charges are widely waived by the lending institutions, but that is not always the case – we should not bank on it. This option would be a perfect solution for meeting a tax obligation if not for the incremental interest charges. For those of limited means, those periodic charges can, overtime, grow to a significant level that in itself is beyond their financial capacity. Servicing this type of loan may well exceed the cost of simply paying the property taxes!

Deferred mortgages are just that - a refinancing of a property with a new mortgage that allows for the property owner to draw against the equity in the property while forgoing interest and principal payments until a specified event (death, sale, other). While there are many forms of reverse mortgages, they by their nature are expensive. Normal closing costs and other fees for a FHA Reverse Mortgage for Seniors – (Home Equity Conversion Mortgage) can range from $3,000 to an expense of as much as $17,000 (origination fees, points and closing costs).[4] These costs can be rolled into the mortgage but they then decrement from the balance available to pay the property taxes. Reverse mortgages are ideal vehicles for citizens with substantial equity in their homes to use that equity to improve their quality of life and/or meet special needs – perhaps a long deferred vacation to an exotic destination or maybe money to help a niece meet the costs of university. They are very expensive if all that is being sought is to pay one's property taxes!

If <u>all</u> the homeowner is seeking is relief from an escalating property tax burden, the property tax deferral alternative combines the positive features of both commercial alternatives. The program represents a short- to mid-term loan limited to the property tax levy or a portion of it. These loans are secured by the equity in the property upon which the tax is being levied. Interest is compounded into the loan. Up-front costs to the individual are minimal. Upon the death of the homeowner, the sale of the property or other specified event the principal and interest come due.

At the beginning of such a program, appropriated revenue is required to reimburse the taxing jurisdiction for the deferred property taxes. This revenue is envisioned to come from the state general fund. Over time this initial investment will be recovered. The scope of the front-end load is highly dependent on the eligibility criteria for the deferral program. The eligibility criteria set forth in HB 2928 constrains the scope by personal income, home equity and length of residence. Given these tight eligibility criteria, the level of utilization of the program should be limited and the associated initiation costs very affordable.

There are those who argue that we should not use state resources to compensate tax payers who did not properly plan. An individual should be expected to demonstrate responsible judgment and not make commitments they can not afford. We agree. However, no one anticipated the rapid escalation in property valuations that resulted in the unexpected tax burden that is impacting many of our citizens. We really are not talking about flagrant excesses by these people – we are talking a government driven impact. The state and its jurisdictions are benefiting from the higher tax payments. We should be willing to ease the transition for those who, through no fault of their own, are not able to meet these newer and greater obligations.

There are those who argue that the private sector should be allowed to meet this need. In general, we agree. However, to force our citizens to expend significant resources to address an unexpected and sudden government imposed tax increase to enhance the bottom line of commercial entities should not be the answer. There will be plenty of business opportunities for the financial services community from those seeking to use their home equity for personal need; we should not award to the financial services community the opportunity to be subsidized by our seniors <u>in order to pay their taxes!</u>

There have been significant increases in certain property tax levies in Kansas since the beginning of the decade. AARP believes that targeted tax relief to the more vulnerable among our senior population is a positive approach to addressing the impact of this growth on those least able to meet it. We do not believe that there are appropriate and affordable commercial products to meet this explicit need. We believe that the introduction of a Property Tax Deferral Program in Kansas such as reflected in HB 2928 offers, in part, the appropriate relief, and we hope the committee will support the bill. Helping our seniors remain in their homes as long as possible is just good public policy!

Thank you, Mister Chairman for permitting AARP to offer our thoughts on HB 2928, a limited, tailored property tax deferral program for Kansas.

1. SOURCE: Federal Reserve Board, Survey of Consumer Finance: Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances www.federalreserve.gov/pubs/oss/oss2/2004/bull0206.pdf
2. SOURCE: Calculated from basic data on Kansas Department of Revenue Web Site: www.ksrevenue.org/pdf/PVDHistoricTax.pdf
3. SOURCE: Derived from data on US Federal Trade Commission Web Site: www.ftc.gov/bcp/edu/pubs/homes/rea02.shtm
4. SOURCE: Calculated from formula on US Housing and Urban Development Web Site: http://www.hud.gov/offices/hsg/sfh/hecm/hecmhome.cfm

UNIFIED GOVERNMENT • Wyandotte County • Kansas City, Kansas

Testimony

Unified Government Public Relations
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Mike Taylor, Public Relations Director
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House Bill 2928
Senior Citizen Property Tax Deferral Act

Delivered March 12, 2008
House Tax Committee

The Unified Government supports House Bill 2928 which would allow qualified senior citizens to stay in their longtime homes by deferring all or part of their property tax payment in a given year.

Mayor Joe Reardon and the Unified Government Board of Commissioners have worked hard to lower property tax burdens on our citizens...from cutting mill levies and collecting more delinquent taxes, to growing other revenues by expanding our economy and promoting development. But for some, even that isn't enough to ease the pressure of rising property values in Wyandotte County.

The Unified Government tax rate (combined city/county mill levy) has been reduced nearly 26% since voters approved consolidation 10 years ago. Still, the property tax can be difficult for some of our older, fixed-income citizens to deal with. Increasing assessed values are a positive thing overall, but in the short term, can cause hardships for some who have owned their homes a long time. The Unified Government's goal is to assist those who have the most difficulty paying their tax bill

After much discussion, compromising and reworking since the summer interim committee hearings, this measure has reached conservative middle ground. It includes criteria which must be met to qualify and incorporates financial safeguards which prevent seniors from deferring an unmanageable amount of taxes.

This measure has been compared to reverse mortgages. The Unified Government sees deferred taxes allowed under House Bill 2928 and reverse mortgages as very different tools. While a reverse mortgage amounts to selling equity in a longtime home, House Bill 2928 simply allows qualified seniors to delay paying a portion of their property taxes. The deferral may be used one year and not the next. And limits on how much can be deferred are always in place.

House Bill 2928 does place the State of Kansas in the role of banker which reimburses local governments for eligible deferred taxes and then recoups the loan on the backend with interest. That may be of concern to some legislators. But this method of helping struggling seniors is far preferable to artificial and arbtrary caps on assessed values. Caps which are likely unconstitutional because they throw the entire appraisal system out of whack. In addition, property tax deferrals for eligible seniors are a tried and true method used in several dozen other states.

The Unified Government supports House Bill 2928 on behalf of those eligible seniors who struggle with meeting their tax obligations. It is an important tool in making all of our communities more affordable for all of our citizens.

TESTIMONY IN OPPOSITION TO HB 2928

To: Chairman Wilk
Assessment and Taxation Committee

From: Matt Shatto, Assistant City Administrator

Date: March 7, 2008

Thank you for the opportunity to present testimony regarding HB 2928. The City of Lenexa understands that this bill was introduced in an effort to reduce the tax burden on those that need assistance. However, this legislation does not include a true means test that can adequately differentiate between those that are in financial need vs. those that merely fit into the age category noted in this bill. For this reason, the City of Lenexa opposes this legislation.

HB 2928 would effectively defer taxes for any property owner 65 years of age or older, with no reference to their financial situation. This bill would provide a tax deferment to those that are on a fixed income as well as those that are far from financial hardship including those that may have addition properties or homes in other parts of the country. Such legislation is not prudent as it would dramatically impact the flow of tax revenue to both cities and counties, creating peaks and valleys of in the revenue stream. This uneven flow of revenue would be drastically different from what is experienced today, whereby local governments can more easily anticipate future revenues and adjust service levels and staffing accordingly.

The proposed deferment option would not only make it hard to forecast future revenue, but it would also place a heavy burden on all municipal agencies when a property goes into probate. At this point, the local government would have to insert themselves as a party with a financial interest, causing a need for additional staff time and general expense.

The City of Lenexa opposes HB 2928 and any other tax defer ment that is not means tested. Please do not hesitate to contact me should you have any questions or if the City of Lenexa can provide you with additional information.

March 6, 2008

To: Members of the Subcommittee for HB 2694

Re: Proposal for HB 2694

Expanded Definition for "Alternative Fuels"

- The current definition of alternative fuel in Kansas is: "a combustible liquid derived from grain starch, oil seed, animal fat or other biomass; or produced from biogas source, including any nonfossilized, decaying, organic matter"
    - o This (effectively) includes just ethanol and bio-diesel
- Adopting a new definition of alternative fuel, in regard to tax credits and rebates, to have the same meaning as provided in 42 USC 13211, would expand eligibility for electricity, hydrogen, natural gas, and propane.
    - o This new definition would incentivize the purchase and usage of new and innovative alternative fuel technologies

Tax Credit

- An alternative fuel vehicle (AFV) income tax credit (similar to current rebate offered in Illinois) to replace current AFV tax credit on the books in Kansas would provide a greater incentive for Kansans to purchase AFVs. This proposal includes:
    - o A credit for 80% of the incremental cost of purchasing an AFV (up to $4,000)
    - o A credit for 80% of the cost of federally certified AFV conversions (up to $4,000).
- The testimony offered at the initial hearing for HB 2694 indicated that the current incentives offered in Kansas are not incentivizing the purchase of AFVs.
- The proposed credit is a significant upgrade from the current incentive—$4,000 as opposed to the current standard $2400
- This will help level the playing field for AFVs when Kansans are deciding which vehicle to purchase.

E85 Fuel Credit Adjustment

- For motor vehicles capable of operating on E85 fuel, the current law requires that the individual claiming the $750 (or 5% of the AFV) credit must provide evidence of purchasing at least 500 gallons of E85 for the calendar year in which they are claiming the credit.
- Kansans have not been claiming this credit. This can be attributed to the excessive gallon requirement. Due to the limited availability of E85 and other ethanol fueling stations, flex fuel vehicle owners may not be able to purchase 500 gallons of E85 in a year. It can also be a significant hassle to keep track of receipts for 500 gallons of fuel when applying for the credit.

- The required number of gallons to be eligible for this credit should be reduced to 200. This credit should also be expanded to include any fuel containing at least 20% ethanol (E20).
- To contain costs, the maximum credit that can be claimed should be reduced from $750 to $500. This credit should be made available only to *newly* purchased flex fuel vehicles. Vehicle owners will have one year from the date of purchase to reach the 200 gallon threshold (this credit may be claimed the following fiscal year from the date of purchase, if it takes that long to reach 200 gallons).
- Reducing the gallon requirement will make it simpler for flex fuel owners to claim the credit. This will incentivize Kansans to purchase flex fuel vehicles *and* to fuel those vehicles with E85.

Conclusion

Individuals who purchase flex fuel vehicles can have the option of *either* the AFV rebate *or* the fuel credit. However, most new flex fuel vehicles do not have an increased cost compared to their gasoline-only equivalent, so the greater incentive for flex fuel owners is the fuel credit.