

*CORRECTED  
SESSION OF 2006*

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR  
HOUSE BILL NO. 2723**

As Amended by House Committee on  
Taxation

**Brief\***

Sub. for HB 2723 would create tax incentives for energy efficiency improvements of non-owner occupied housing units.

- Tax credits would be created for the following improvements:
  - \$100 per dwelling unit for each six inches of ceiling insulation installed;
  - \$300 for a newly installed heating, ventilation or air conditioning system that replaces an existing system in a single family dwelling or a duplex if the new system meets the energy efficiency standards established by the bill; and
  - \$300 per dwelling unit served by a replacement heating, ventilation or air conditioning system for multi-family residences other than duplexes, if the new system meets the energy efficiency standards established by the bill.
- If the amount of the tax credit exceeds the taxpayer's income tax liability for the year in which the expenditures were made, the excess amount of credit could be carried forward. The entire tax credit for expenditures made in a single year would have to be taken within five years of the expenditure.
- The bill also would create an accelerated depreciation schedule for heating, ventilation, and air conditioning equipment described in the bill. Depreciation of the equipment would be taken over five years: 60 percent the first year; and ten percent each of the following four years.

---

\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- The Department of Revenue would be required to report to the Legislature at the start of the 2008 Session regarding the number of taxpayers who claimed tax credits created by the bill and the amount of those credits claimed.

## **Background**

HB 2723 was assigned to both the House Committee on Utilities and the House Committee on Taxation. It was referred to a Joint Utilities-Taxation Subcommittee. The Subcommittee met on several occasions, consulting with the Department of Revenue, individuals interested in energy efficiency, and interested members of the Legislature. The amended version, Substitute for HB 2723, reflects the recommendations of the Subcommittee.

The Subcommittee recommended amending the bill to delete provisions that would have created tax incentives for electric utilities to generate and sell to federal facilities energy generated from renewable resources. In place of those provisions of the introduced bill version, the Subcommittee recommended a substitute bill that would create tax incentives for energy efficiency improvements of non-owner occupied housing units. The House Committee on Taxation adopted the Subcommittee recommendation.

According to a fiscal impact estimate the Kansas Department of Revenue, passage of Substitute for HB 2723 is expected to result in a reduction in state revenues of \$2.5 million for FY 2007.