



Written Testimony of Dave Holthaus

**Kansas Electric Cooperatives, Inc.**

**Before the Senate Assessment & Taxation Committee S.B. 376**

**March 7, 2012**

KEC represents the 29 electric **not for profit** distribution cooperatives in Kansas, serving 324,000 member/customers in 103 of the 105 counties in Kansas. We respectfully submit written testimony in **opposition** to the elimination of the sales tax exemptions in this bill:

- 1) **Sales Tax Exemption on Original Construction** (Page 18 Sec. 4 91)(3)(5))  
Currently electric cooperatives do not pay state sales tax on **labor** service for initial construction or reconstruction of utility structures. (SB 376 removes this exemption requiring electric cooperatives to pay state sales tax on labor which will ultimately be born by cooperative members.)
- 2) **Sales Tax Exemption on Residential Utility Bills** (Page 27 Sec. 5(w))  
Currently no state sales tax is charged on residential utility bills. (SB 376 removes this exemption and would require all utilities charge state sales tax on residential utility bills.)

Providing reliable electric service requires constant new construction as well as reconstruction of lines due to aged and disaster related reasons.

The electric cooperatives are not for profit suppliers of electricity to rural areas of Kansas. Cooperatives on average serve 2 customers per mile compared to larger for profit utilities serving 45 customers per mile. It is imperative for cooperatives to take seriously any and all costs associated with serving our members. Removing these two exemptions will only exacerbate the already climbing costs of electricity due to increasing fuel costs and expensive EPA related mandates soon to be enforced at power plants.

We realize the difficult task before you however; we ask that the committee allow these two current exceptions to remain in place, should the bill proceed.

Sn. Assmnt & Tax  
3-7-12

Attachment # 30

Alfalfa Electric Cooperative, Inc.  
 Ark Valley Electric Cooperative Assn., Inc.  
 Bluestem Electric Cooperative, Inc.  
 Brown-Atchison Electric Cooperative Assn., Inc.  
 Butler Rural Electric Cooperative Assn., Inc.  
 Caney Valley Electric Cooperative Assn., Inc.  
 CMS Electric Cooperative, Inc.  
 Doniphan Electric Cooperative Assn., Inc.  
 DS&O Electric Cooperative, Inc.  
 Flint Hills Rural Electric Cooperative Assn., Inc.  
 Heartland Rural Electric Cooperative, Inc.  
 Kaw Valley Electric Cooperative, Inc.  
 Lane-Scott Electric Cooperative, Inc.  
 Leavenworth-Jefferson Electric Cooperative, Inc.  
 Lyon-Coffey Electric Cooperative, Inc.

Midwest Energy, Inc.  
 Nemaha-Marshall Electric Cooperative Assn., Inc.  
 Ninescah Electric Cooperative Assn., Inc.  
 Pioneer Electric Cooperative, Inc.  
 Prairie Land Electric Cooperative, Inc.  
 Radiant Electric Cooperative, Inc.  
 Rolling Hills Electric Cooperative, Inc.  
 Sedgwick County Electric Cooperative Assn., Inc.  
 Sumner-Cowley Electric Cooperative, Inc.  
 Tri-County Electric Cooperative, Inc.  
 Twin Valley Electric Cooperative, Inc.  
 Victory Electric Cooperative Assn., Inc.  
 Western Cooperative Electric Assn., Inc.  
 Wheatland Electric Cooperative, Inc.

Thank you!

