

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman John Edmonds at 9:00 a.m. on March 11, 2004 in Room 519-S of the Capitol.

All members were present except:

Representative Lee Tafanelli- excused
Representative Paul Davis- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisors of Statutes
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Representative Bill Mason
Will Carpenter, Chairman Butler County Commission
Ron Klatske, Audubon Society of Kansas
Arlan Stacklely, Landowner
Pat Hughers, Tallgrass Ranchers
Greg May
Diana Edmiston, Attorney for Murphy Family
Christy Crenshaw
Mark Bruce FPL Energy
Ron Gaches, Kansas Wind Coalition
Todd Eagleston, JW Prairie Wind
Roger Zimmerman, Landowner
Colleen Anderson, Landowner
Robert Goss, Landowner

Others attending:

See Attached List

Chairman Edmonds opened the meeting for bill introductions.

Representative Goico requested a constitutional amendment to equalize the appraised values of homes in the State of Kansas.

With no objections, this bill will be accepted for introduction.

Chairman Edmonds turned attention to **HB 2579** and opened the meeting for public hearing recognizing Representative Bill Mason who presented testimony in support of **HB 2579**. In his testimony Representative Mason related that the passage of this bill would make a change to the tax exempt status of wind farm projects. It would give County Commissions the authority to allow up to 10 years property tax exemptions for qualified projects. ([Attachment 1](#))

Representing the Butler County Commission was Will Carpenter who gave testimony in support of **HB 2579**. It is their opinion that the bill allows for the abatement of taxes for a period of 10 years at the choice of the local governing body in essentially the same manner as industrial revenue bonds. They realize that there is substantial debate concerning the locating of the industries in the State due to several factors, but they feel that if these industries are incorporated into the local tax base many of the complaints of non-uniform taxation could be eliminated. ([Attachment 2](#))

Arlan Stacklely is a life-long resident of Butler County and operates a ranch that has been in the family since 1878. In his testimony Mr. Stacklely related that he is not opposed to start up help for companies that can someday stand on their own, but allowing this exemption forever is not sound business. He states that presently wind energy can never operate on their own without excessive tax credits and fast depreciation schedules. He is also concerned about local government's added expense on road and bridge maintenance,

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possible added emergency equipment and personnel as well as other unseen expenses. Other states have tax schedules and Mr. Stackley attached a copy of the tax schedule from the State of Iowa. ([Attachment 3](#))

Pat Hughes, representing Tallgrass Ranchers who are opposed to the development of the last remnant of the tall grass prairie with industrial wind turbine complexes. They are opposed to the property tax exemption that promotes the destruction of the values they cherish-destruction that some say would not occur but for the exemption. They urge the repeal of the exemption as stated in **HB 2579**. If it were to be allowed, Tallgrass Ranchers would request it be allowed for 10 years only at the county's option. ([Attachment 4](#))

Greg May a landowner, property tax payer and school board member from Butler County addressed the committee in support of **HB 2579**. In his testimony Mr. May related that it has been his experience that the wind energy companies have attempted to "buy access" to local government in order to obtain favorable consideration. This would not occur or be needed if wind energy companies were paying their fair share of taxes. He urged the committee to repeal the property tax exemption for wind energy. ([Attachment 5](#))

Diane Edmiston attorney for the Murphy Family stood before the committee to say that she supported the favorable passage of **HB 2579**. ([No written testimony](#))

Next to give testimony in support of **HB 2579** was Ron Klataske, Executive Director, Audubon of Kansas. In their opinion during a time when we face state and local financial challenges to find ways to fund education and other needs, it is appropriate for wind power developers, who already receive massive subsidies from US taxpayers, to share in the responsibilities of other Kansas taxpayers and participate as tax paying corporate citizens. They feel that an automatic ten year or permanent exclusion from participation in taxes should not be granted by the state. ([Attachment 6](#))

Owner of Shamrock Angus Farms, Christine Crenshaw testified supporting **HB 2579**. Her primary reason for opposing industrial wind turbines is because the Flint Hills are a Kansas natural treasure. Her secondary reason for opposing industrial wind turbines in the Flint Hills is because the industry is a parasite on local state and federal taxpayers. ([Attachment 7](#))

Terry Holdren, Associate State Director - Kansas Farm Bureau Governmental Relations submitted written testimony in support of **HB 2579**. ([Attachment 8](#))

Mark Bruce, employed by and representing FPL Energy, gave testimony in opposition to **HB 2579** stating that Kansas' energy production is failing to keep pace with domestic needs, rural areas of the state have been hit hard by falling prices for agricultural goods, severe drought, and population migration. He urges the committee to continue the path set by the Legislature a few years ago to promote wind energy and help Kansas achieve its potential as a national leader in clean energy and rural economic development. ([Attachment 9](#))

Jeffrey D. Schlichting, President HMEnergy Resources, Inc. presented testimony in opposition to **HB 2579**. He is a native Kansan and believes this legislation singles out and penalizes wind energy, jeopardizes investments already made in Kansas and discourages additional investment in the State - not only by wind energy projects, but by the business community at large. He briefly explained the topics of environmental value of wind energy, economic value of wind energy and the business perceptions of Kansas. ([Attachment 10](#))

RES North America, LLC a member of the Renewable Energy Systems was represented by Todd Eagleston, Development Manager. He presented six reasons why they believe this bill should be withdrawn or rejected.

1. It sends a very bad signal to any company considering investment in Kansas.
2. Singling-out wind for removal from the list of renewable energy technologies that receive a tax exemption is nonsensical and discriminatory.
3. It is totally inappropriate to use tax law to remedy a perceived problem of project siting.
4. Because of the economic losses it would trigger, such a change is unfair to those who have invested money in projects relying on the current law.
5. In spite of the exemption, most wind project developers are entering into "payment in lieu of taxes"

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agreements with local jurisdictions.

6. A greater tax burden on wind farms only raises the cost of the energy they produce.

He further stated that it is obvious the **HB 2579** is designed to curtail development of a wind industry in Kansas at a point in time when it has barely begun to take root and produce significant benefits to the State's rural economy. ([Attachment 11](#))

Managing Director of JW Prairie Windpower, Jennifer States, gave their opinion in opposition to **HB 2579**. In their opinion wind energy development is good for Kansas. It brings dollars and jobs to our rural communities. It diversifies our energy mix and utilizes our states resources, not energy imported from other states, and it generates energy that is non-polluting and renewable. ([Attachment 12](#))

Landowner and farmer in Wabaunsee County, Roger Zimmerman came today to oppose the passage of **HB 2579**. It is his opinion that we need the economical growth to take place in Wabaunsee County and also in other counties around. We need the incentives that this bill would take away. He urged the committee to think about the rural areas that are in need of expansion and what this source of energy would do for the community. ([Attachment 13](#))

Another landowner in Morris and Wabaunsee County, Colleen Anderson, also opposes **HB 2579**. In her statement to the committee, she revealed that the rights of the land owners is an issue. Those who really desire to have an additional source of revenue from their properties have had to defend those rights against those that have little or no need of the income that their land produces. She further stated that she would hate to see anything that would further impede development and investment in any part of the state. ([Attachment 14](#))

Robert Goss, a farmer and rancher from Dwight, Kansas opposes **HB 2579** stating that he is in favor of wind turbines because wind is very important for the State of Kansas and we are currently letting that very valuable resource go to waste. He is also concerned about the future of his children and grandchildren who may someday face electrical blackouts, also with the depleting supply of natural gas we will need to find new sources of energy. ([Attachment 15](#))

The final person to provide testimony in opposition to **HB 2579** was Ron Gaches of Gaches, Braden, Barbee & Associates. In his testimony he stated that wind energy represents the future of Kansas energy production. It is the most environmentally friendly of all commercial viable energy sources. Wind energy is virtually pollution free. Every megawatt of wind energy takes the place of a megawatt of oil, gas, coal or nuclear energy production. The environmental benefits of wind energy are significant to our society. ([Attachment 16](#))

Written testimony in opposition to **HB 2579** was provided by Whitney Damron representing The Empire District Electric Company ([Attachment 17](#)); Sharla Krenzler, Wichita County Landowner ([Attachment 18](#)); and AIA Kansas (American Institute of Architects) ([Attachment 19](#))

Chairman Edmonds asked if anyone else wished to address the bill, but hearing none closed the hearing on **HB 2579**.

With no further business before the committee the meeting was adjourned at 10:30 a.m.