

Proponent Testimony in Support of HB2543: Amending the definition of alternative fuel for the alternative-fueled motor vehicle property expenditure tax credit

House Taxation Committee, February 18, 2020

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Good afternoon Chairman Johnson and members of the committee, my name is Josh Roe, and I am with the Kansas Corn Growers Association (KCGA). KCGA represents more than 1,200 members on state and national levels on legislative and regulatory issues and actively works with other organizations to maximize the voice of Kansas corn producers. KCGA stands in support of this bill that clarifies what constitutes an alternative fuel for the existing tax credit available to retailers who install alternative fueling stations.

Kansas Corn, in partnership with the Kansas Department of Agriculture, Renew Kansas and Kansas Grain Sorghum Producers Association has had the opportunity to partner with fuel retailers of all sizes to encourage the adoption of fueling infrastructure to offer higher blends of ethanol. In the past, the two most commonly available blends of ethanol were either E10 or E85, which contain up to 10% and 85% ethanol, respectively. While a vast majority of all gasoline sold today contains at least 10% ethanol, the adoption of mid-level blends has been growing rapidly.

Kansas stations participating in the original Biofuels Infrastructure Program in Kansas saw the following growth in average sales for 2019:

Ethanol Blend	2019 Growth Rate
E15	104%
E20	110%
E30	35%
E85	61%

E15 is approved in all vehicles 2001 and newer and higher blends are approved for flex fuel vehicles. The growth in E15 demand is not just in Kansas, nationwide, E15 sales grew by more than 50% in 2019. Additionally, the sale of E15 year-round is not yet available in the Kansas City Metro Area due to state and federal regulations. The process to amend these regulations is underway and when amended, we expect the Kansas market to further expand.

This bill does not seek to create a new credit, rather, to clarify who will qualify for the credit. As designed in 1995, the availability of blends outside of E10 or E85 was rare, so accounting for mid-level blends was not needed. With a straightforward change in the definition, this will clarify that retailers making investment in infrastructure to offer E15 and above levels will be able to take advantage of this existing credit.

Expansion of ethanol demand is vital to the future of rural Kansas. In the past five years, an average of 27% of the corn produced in Kansas has been utilized for ethanol production, approximately equal to the amount of corn that goes directly to livestock. We see expanded ethanol demand as the most effective short- and long-term solution to utilize more corn, increasing income of agricultural producers and enhancing the Kansas economy.



The high octane and low carbon attributes of ethanol make it a clear choice to save consumers money and offer environmental benefits while still utilizing Kansas produced oil and gas products.

Thank you once again for allowing me to provide this testimony on behalf of our members and I am happy to stand for questions at the appropriate time.

Sources

For further references on ethanol's environmental benefits, see this Government study from 2019 that evaluates the carbon footprint of ethanol, via a full lifecycle analysis that takes corn production into account:

<https://www.usda.gov/media/press-releases/2019/04/02/usda-study-shows-significant-greenhouse-gas-benefits-ethanol>

