

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on February 28, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Rep. Tom Hawk
Bruce Snead, Kansas State University
Ed Jaskinia, Association of Landlords
Tom Thompson, Sierra Club
George Phillips, Kansas City Power & Light
Whitney Damron, Coffee County Board of Commissioners
Phil Wages, Kansas Electric Cooperatives
Mark Schreiber, Westar
Dave Holthaus
Richard Cram, Kansas Department of Revenue

Others attending:

See attached list.

Hearing on Sub for HB 2171—Requirements, procedures and penalties related to sales tax refund claims

Richard Cram, KDOR, testified **Sub for HB 2171** would modify sales tax refund statutes, codify existing rules, eliminate administrative complications, reduce administrative costs, burdensome backlogs and litigation, and penalize the filing of duplicate refund requests. (Attachment 1) Mr. Cram said KDOR would like the contents of **SB 334**, the Streamlined Sales and Use Tax Agreement conformity bill, be added to **Sub HB 2171**. Chairman Allen asked Committee members to request any additional information about the Streamlined Sales Tax bill as soon as possible, so this issue may be addressed again in Committee. The hearing was closed.

Hearing on HB 2037—Income tax credits and deductions for certain energy efficiency improvements

Bruce Snead, Kansas State University, testified **HB 2037** would help motivate landlords and rental property owners to evaluate and take advantage of financial benefits from efficiency upgrades. (Attachment 2) He said costs for energy efficiency programs produce energy at 67% of the cost of new supply. During discussion Mr. Snead said they came up with the dollar figures in the bill as a way to find meaningful incentives.

State Representative Tom Hawk said **HB 2037** will provide a financial incentive for landlords. (Attachment 3) The fiscal note of \$2.5 million for the first year could be adjusted, taking into account potential increases in sales tax paid to the state with the purchase of new energy efficient systems. The global intent of the bill is to provide incentives for energy efficiency that might reach those Kansans who are renters, who often are most in need of assistance to lower their utility bills. In order to keep the fiscal note down, there was not much discussion on extending this bill to commercial buildings. Senator Schmidt said, based on his personal experience, this bill would probably not incent a great deal of landlords. Rep. Hawk said he had no objection to including commercial property in this bill.

Ed Jaskinia, Associated Landlords of Kansas, testified the financial incentive to the property owner may justify the additional costs of more expensive high efficiency models. (Attachment 4) The tenants of these properties will see lower energy costs, and the environment will be healthier. He was agreeable to raising the dollar amount of the credits.

Tom Thompson, Sierra Club, said **HB 2037** addresses many ideas supported by the Sierra Club and its members. (Attachment 5) Energy efficiency and conservation have been shown to be the most cost effective ways to help consumers meet their energy needs. They also decrease the amount of CO2 being put into the

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atmosphere; CO2 contributes to global warming.

George Phillips, Kansas City Power & Light, said KCP&L supports the development of comprehensive energy efficiency programs for customers, and a regulatory environment in which energy efficiency resources will be considered a preferred resource option. (Attachment 6) **HB 2037** represents a significant step forward in helping Kansas citizens become more energy efficient. The hearing was closed.

Hearing on HB 2038–Nuclear power plants; application of siting act; property tax exemption

Whitney Damron, Coffey County Board of Commissioners, testified HB 2038 would provide property tax incentives to a new nuclear generation facility or an expansion of an existing facility constructed within three miles of an existing nuclear generating facility, which in Kansas would be the Wolf Creek Nuclear Generating Plant. (Attachment 7) It may provide the kind of incentive needed for the nuclear industry to consider an expansion of the Wolf Creek Plant.

Phil Wages, Kansas Electric Cooperatives, said he was also testifying for Westar, in support of **HB 2038**. (Attachment 8) The bill would establish a ten-year property tax exemption for the construction of a nuclear generating facility and expedites the permitting process. It also supports the expansion of Wolf Creek. Although the owners of Wolf Creek are not in a position today to invest in a new facility, the passage of this bill will place Kansas in a better position to keep native utility generation investment in Kansas, as well as attract out-of-state utility investment. Wolf Creek's total tax assessment in is excess of \$350 million annually.

Tom Thompson, Sierra Club, testified in opposition to **HB 2038**. (Attachment 9) Other things can be done that are far more cost effective, according to Mr. Thompson. The Sierra Club believes efforts of the state should be put into other cost effective ways to meet energy needs, rather than nuclear power. The hearing was closed.

Hearing on HB 2240–Sales taxation; sales tax exemptions; services for rebuilding of public utility facilities

Mark Schreiber, Westar, said during the 2005 ice storm in south central Kansas, some customers were without electricity for over a week. (Attachment 10) For that one storm, Westar paid the state approximately \$1.5 million in sales tax, that was ultimately recovered from their customers. This bill would provide a direct benefit to utility customers.

Dave Holthaus, Kansas Electric Cooperatives, testified **HB 2240** would broaden retail sales tax exemptions to include all electric and gas utilities, and add ice loading, windstorm, and terrorism to the list of natural disasters. (Attachment 11) Current law does not exempt contract labor charges associated with the "restoration, reconstruction, or replacement" of electric lines, damaged by wind or ice storms. During discussion, Doug Shepherd, Tax Department of Kansas Electric Cooperatives, said **HB 2240** would apply to losses covered by FEMA. Mark Schreiber, Westar, said investor-owned facilities cannot access FEMA funds.

Richard Cram, Kansas Department of Revenue, testified that **HB 2240** would significantly expand the sales tax exemption of labor services on original construction, thereby shrinking the sales tax base in several respects. (Attachment 12) If the bill affects plant repairs, the fiscal note will need to be re-worked. The current fiscal note is approximately \$6 million. Mr. Cram suggested several amendments and will bring those amendments to the Committee in balloon form for consideration. The hearing was closed.

Senator Schmidt moved to approve the Committee meeting minutes of February 15, February 19, February 20 and February 21. Senator Jordan seconded the motion, and the motion passed.

Being no further business the meeting adjourned at 11:48 A.M. The next meeting will be March 1.