

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 14, 2008 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Office of Revisor of Statutes  
Ryan Hoffman, Legislative Research Department  
Scott Wells, Office of Revisor of Statutes  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Lee Lindquist, Scholfield Honda  
Don McNeely, KS Automobile Dealers Association  
Duane Simpson, Kansas Association of Ethanol Processors  
Amer Brillhart, Honda North (written only)  
Richard Cram, Department of Revenue

Others attending:

See attached list.

Representative Carlson requested a bill introduction, on behalf of Representative Tafanelli, regarding a Jefferson County wide sales tax. Representative Wilk seconded. The motion carried.

**HB 2694 - Income tax credit for alternative-fueled motor vehicle or alternative-fuel fueling station.**

Ryan Hoffman, Legislative Research Department, briefed the Committee on **HB 2694**. He said the bill would change the definition of alternative fuel, in regard to income tax credits, to have the same meaning as provided in the federal standard. This definition change would make electric hybrid motor vehicles eligible for a \$750 income tax credit. Mr. Hoffman distributed a memo on definitions of alternative fuel at the request of the Chairman (Attachment 1).

The Chairman opened the hearing on **HB 2694**.

Representative Ward said that Lee Lindquist, his constituent, had requested the bill. He said that Kansas had always followed federal law, which is much broader in scope, including other alternative fuels, in order to promote a reduction in fossil fuel dependency. Representative Ward said that in a 2007 Conference Committee Report, there was a change that narrowed that definition and this bill would return it to its original intent. He advised them to question the reality of the current fiscal note. He introduced Lee Lindquist (No written testimony.)

Lee Lindquist, Scholfield Honda, testified in support of **HB 2694** (Attachment 2). He said the United States is currently importing the majority of the oil it consumes. With 68% of oil consumption being used for transportation fuel, it is clear that our vehicles of all types present the single largest and most significant target for reducing consumption.

Several technologies for reducing fuel consumption are already proving themselves in the market place and many more technologies will be making the transition from the laboratory to the streets in the next few months and years. He said advanced technologies are being developed, such as full battery-electrics, hydrogen fuel cells and next-generation biofuels that will completely eliminate our dependency on oil, imported or otherwise. He spoke about the importance of natural gas as a stepping stone to future transportation fuels and addressed the question on availability of natural gas in America.

With its current definition, "Alternative Fuels", the state of Kansas does not include electricity, hydrogen, natural gas, propane, or any other fuels our researchers and scientists might come up with in the future. None of these advanced technologies will transform our transportation system overnight, but we need to give them all the same opportunity. Passing the bill would reinstate the definition of "Alternative Fuels" that just makes sense and will give back the incentives to the infrastructure and vehicle purchases that all of

## CONTINUATION SHEET

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these existing and new technologies need and deserve.

In response to a Committee question concerning his credentials, he said he had inherited his passion for alternative fuels from his father, time spent in Detroit, and conversations, during his high school years, with engineers working in the automotive industry. He is currently the alternative fuels manager at Scholfied Honda, a position he created, after being employed as their IT specialist. He has a degree in computer science from Wichita State University. Discussion followed regarding description and definition of hybrid cars, non-exclusivity of expanded definition, safety of alternative fuels, and how new alternative fuels taxes are being collected.

Duane Simpson, Kansas Association of Ethanol Processors, explained how the definition was changed in 2007, as a result of decisions made in conference committee discussions. Chairman Holmes, Energy & Utilities, wanted the definition to be more definitive of renewable fuel, rather than alternative fuel. He did not believe we should give tax credits for non-renewable fuels, such as compressed natural gas, propane and those types of things. This was an attempt to help reduce our country's reliance on fossil fuels for our transportation need (Attachment 3).

He said, as written, the tax credit is not working. It has been in existence since 2003 and since then only 159 taxpayers have claimed the credit with less than 5 of them being for the alternative fueling station credit. There are 48,519 flex fuel vehicles in Kansas, all of which qualify for the credit because the law goes back to vehicles purchased in 1999. The credit is rarely used because the law requires taxpayers to keep receipts to show that 500 gallons of E-85 fuel is purchased in the calendar year the credit is taken. The \$750 tax credit is apparently only worth the paperwork to a handful of taxpayers each year. He urged the committee to thoroughly review the merit of the bill before advancing it.

Don McNeely, KS Automobile Dealers Association gave an overview of transportation vehicles or the future, and said the issue of alternative fuels is an important component in the total picture, as no one fuel will provide the expanding needs of the country. His testimony included an information sheet on Alternative fuels: Bio-diesel; Compressed natural gas; Clean diesel; Fuel cells and Propane (Attachment 4). He agreed with earlier statements that the current statute is very cumbersome, and not effective. The credit needs to be revamped.

The Chairman acknowledged written testimony in favor of the bill by Ember A. Brillhart, Honda North (Attachment 5).

Discussion followed regarding:

1. Advantages of credit being given at point of sale, or a flat credit on the income tax.
2. Is the consumer going to base their buying choice on incentives, or other considerations - thus do we really need an incentive?
3. Would a new credit be in compliance with the Streamlined Sales Tax program.
4. How do the current tax credits fit in the future and which of them needs an incentive to encourage consumers to buy more efficient automobiles.
5. There were 263,000 tax credits claimed in 2004 and 100,942 in 2005. Richard Cram agreed to see if the original fiscal note (1995) is available and put together data on the numbers of filers and dollar amount used to date. Ryan Hoffman agreed to provide the number and locations of E 85 stations across Kansas.
6. Gordon Self, Office of the Revisors, reviewed previous legislation, a current Senate Bill, and raised the question of compliance with the streamlined sales tax.

The Chairman closed the hearing on **HB 2694**. The meeting was adjourned at 10:25 A.M. The next meeting is February 15, 2008.