

## MINUTES OF THE TAX AND ASSESSMENT COMMITTEE

The meeting was called to order by Vice Chairman Pat Apple at 10:30 a.m. on February 17, 2011, in Room 152-S of the Capitol.

All members were present except:

Chairman Les Donovan – excused  
Sen. Anthony Hensley – excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Chris Courtwright, Kansas Legislative Research Department  
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Jeff Perry, The General Motors Company  
Mark Scheiber, Director, Public Affairs, Westar Energy  
Earl Long, President, FairTaxKC  
Lloyd Hanahan  
Dan Murray, Kansas State Director, National Federation of Independent Business  
Tim Witsman, Wichita Independent Business Association  
Robert Vancrum, Government Affairs Consultant, The Greater Kansas City Chamber of Commerce

Others attending:

See attached list.

Vice-Chairman Pat Apple opened the meeting with the hearing on **SB 109 – Tax credit for costs of installing electrical charging stations.** He recognized Jeff Perry, representing The General Motors Company. He explained this bill will provide a purchase incentive for owners of “plug-in electric vehicles and will encourage rapid adaptation of advanced technology vehicles through access to electric vehicle charging stations. . .” He pointed out the new vehicle will help Kansas provide the opportunity to begin moving toward a “green economy”. (Attachment 1)

Mark Schreiber, Director, Public Affairs for Westar Energy submitted written testimony in support of this bill. Westar will be purchasing some electric vehicles for use in their fleet in order to get hands-on experience with them. They believe use of these vehicles will expand over the next several years. (Attachment 2)

Vice-Chairman Apple recognized Earl Long, President, FairTaxKC spoke in opposition to this bill, calling it a “hidden subsidy” to the “green industry”. (Attachment 3) Lloyd Hanahan, from Overland Park, expressed his feelings that this bill would create another use of taxpayers' money that should be handles by free enterprise. (Attachment 4) The hearing on this bill was closed.

Vice-Chairman Apple reopened the hearing on **SB 196 – Authorizing expensing of investment expenditures as a deduction in calculating Kansas income tax liability and IMPACT program changes.** He recognized Dan Murray, Kansas State Director, National Federation of Independent Business, who spoke in support of the bill. He made the point that this bill's expensing provisions would help small businesses. The NFIB/Kansas has not taken a position on proposed changes to HPIP, IMPACT, or elimination of the machinery and equipment property credit. (Attachment 5)

Tim Witsman, Wichita Independent Business, told the committee the members of WIBA have encouraged and worked with policy makers to implement broad based tax incentives that all businesses may take advantage in their business planning. We believe the provisions set out in this bill are a step in the right direction. (Attachment 6)

Robert Vancrum, Government Affairs Consultant for The Greater Kansas City Chamber of Commerce, spoke to the committee telling them the people he represents support most of this bill, but are in opposition to HPIP being phased out. (Attachment 7)

CONTINUATION SHEET

The minutes of the Senate Assessment & Taxation Committee at 10:30 a.m. on February 17, 2011, in Room 152-S of the Capitol.

Vice-Chairman Apple told the committee if there were any amendments or changes to a specific bill, get the information in writing, and give it to Mary Jane by 9:00 next Monday morning for the committee to consider. Vice-Chairman Apple closed the hearing on **SB 196** and adjourned the meeting until next Monday.

The next meeting is scheduled for February 21, 2011.

The meeting was adjourned at 10:52 a.m.

# SENATE

## Assessment & Taxation Committee

### GUEST LIST

DATE: 2/17/11

NAME	REPRESENTING
LLOYD HAWAIIAN	SELF
Eon Long	Self
MARK SAYLOR	Self
Dan Murray	NFIB
Natalie Brugie	WIBA
Ivin Witsman	WIBA
Bernie Koch	KEPC
Bob Vancrum	Greater KC Chamber
Chad Bettus	KDOR
Celia Curtis	Sandstone Group
Don Gaches	GBA
Ron Seiber	KLFA
Joe Mosimann	PMCA of KS
Jen Bruning	OP Chamber
Travis Pilez	Holland prize
Summer Cerny	Holland Page
John Peterson	Crystal Strategies
Christy Caldwell	Topeka Chamber
Niki Reed	ABA

KIRK CERNY

PAGE PARENT

## DATE: \_\_\_\_\_

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## Testimony in Support of SB 109

Jeff Perry: The General Motors Company

Senate Tax Committee

February 17, 2011

Thank you members of the Committee for the opportunity to speak here today. I'm Jeff Perry and I appreciate the opportunity to represent General Motors and to discuss Senate Bill 109, a bill to provide consumers with incentives for installing residential or commercial plug-in electric vehicle charging stations and related infrastructure.

SB 109 will provide an important purchase incentive for consumers of plug-in electric vehicles and will encourage rapid adaptation of advanced technology vehicles through access to electric vehicle charging stations both in residential and commercial settings. SB 109 will provide consumers that install residential or commercial electric vehicle charging station infrastructure a tax credit to cover a percentage of their projected costs. This infrastructure tax incentive will allow consumers to upgrade their home charging capabilities and reduce charging time for battery-powered vehicles, allow business owners and employers to offset the cost of installing charging stations for their employees or company fleets, and create new business opportunities across the state. These tax credits help overcome the increased cost associated with purchasing advanced technology vehicles that operate more efficiently and more cleanly.

Many cities and states have recognized the importance of promoting infrastructure investment. In order to achieve a mass transition to new technologies, local, state and federal governments must help eliminate infrastructure obstacles. Manufacturers will be more inclined to invest in advanced vehicle technology if a mature, supportive infrastructure exists for their products. The successful development of electric vehicle charging infrastructure is crucial to improving the environmental performance of the light-duty vehicle fleet, reducing greenhouse gas emissions and breaking our nation's dependence on foreign oil. Additionally, the manufacturing and installation of electric vehicle charging station infrastructure will create jobs that will benefit the economy of Kansas. A workforce skilled in the manufacturing and installation of electric vehicle charging station infrastructure will attract future investments and the skills learned by the workers in Kansas will aid the diversification of the state economy and aid in the transition to a "green economy".

Senate Bill 109 will serve to unify Kansas with a national movement to encourage the growth and development of a new generation of motor vehicles and their necessary infrastructure. The availability of consumer incentives for plug-in electric vehicle charging infrastructure will give Kansas consumers an added opportunity to begin moving toward a cleaner motor vehicle alternative. When combined with federal tax credits, the addition of a state infrastructure incentive program rewards consumers for making a responsible choice and helps build confidence that electric vehicle technology is a viable alternative.

Thank you for your time. I'd be happy to try and answer any questions that you may have.

Sn. Assmnt & Tax  
2-17-11

Attachment # 1



MARK A. SCHREIBER  
Director, Public Affairs

**Testimony of Mark Schreiber  
Before the Senate Assessment and Taxation Committee  
On SB 109  
February 17, 2011**

Thank you for the opportunity to testify in support of SB 109.

SB 109 would offer state income tax credits to those taxpayers who purchase and install a charger for charging a plug-in electric vehicle. Westar understands the cost of the vehicles can be high and even with the federal tax credit, the cost may be out of reach of many consumers. However, as the technology develops, we believe the cost will decrease and more of these vehicles will be on the road. As their numbers grows, more charging stations will be needed both at home and at commercial buildings. Charging stations are an extra cost for these vehicles and thus the availability of tax credits may allow their purchase and installation to match the growth in the sales of the vehicles.

Westar will be purchasing some electric vehicles soon to test their use in our fleet and get some hands-on experience with the variety of charging stations and practices. We believe the use of these vehicles will expand over the next several years and are investigating what changes may be needed within our own system to accommodate this new product.

As a comment on the current bill, the definition of plug-in electric vehicle may need modification to ensure all types of electric vehicles (and thus their charging mechanism) are included. Thank you for the opportunity to testify in support of SB 109.

Chairman and members of the committee. Thank you for the opportunity to testify on the Senate Bill 109.

This bill is apparently designed to pay persons or companies to install commercial or residential plug-in electric vehicle charging stations with taxpayer money. Any time the state is going to pay for such work, it seems strange that the state would use the income tax system as the means by which the work would be paid. This group of people would be given a special offset against their income tax or a tax refund from the state treasury which must be paid by the balance of the population that does not qualify for this exemption or tax credit. The state is therefore in the business of picking winners and losers.

This appears to be a hidden subsidy for the so called "green" industry and is the most radical proposal for transferring money from the tax payers to the "green" industry imaginable. I am surprised this tax committee would even consider such a bad idea.

This so called simple change is embedded in the guts of the most complex, unfair and expensive tax system in the world. In order to grant a relatively small tax credit for the benefit of a favored program and a favored tax payer, you must require a chain of undesirable costs and complexity.

1. What is the cost of this Senate tax committee, the next House Committee and then the Governor?
2. What are the costs incurred by the Reviser's office, to be published in the appropriate state notices and documents?
3. The tax preparers, CPAs, computer software designers must all change their systems.
4. The original contributor is required to begin his chain of events with the state income tax system which is tied to the Federal Income Tax system, which is unpredictable for 2011. It's going to expire in 2012, then what?

The entire income tax system has grown too complex, too unfair, too expensive, and too intrusive in our personal lives. If you approve this change you will be forced to think always inside this box, picking winners and losers in a **radical** tax system that was never intended by our founding fathers.

Governor Brownback has stated many times that he does not want the State to be in the business of picking winners and losers. Last Friday, Feb 4<sup>th</sup>, he signed an Executive Order abolishing Kansas Inc. In his own words he said "Kansas has too many economic development agencies and programs, many of which focus on picking winners and losers instead of creating an environment for growth." This is a perfect example. Have the "Pay Go" rules been applied to this bill?

This committee should start thinking outside this box. The state needs to uncouple and become totally independent of the Federal Income Tax system. Tinkering with these changes fixes nothing. It only makes the tax system worse. Instead of wasting the resources of this committee, the House Committee, the Full House and Senate, the Governor's office, the tax avoidance infrastructure, and the tax payer, **stop this foolishness.**

We the people are getting tired of this. I do not want my tax dollars going to pay some unproven subsidy about government supplied electric charging stations for electric cars that don't exist, that we have no business subsidizing and do not accept responsibility to pay for private sector subsidies commonly referred to as "Corporate Welfare".

I strongly oppose this bill all of the other like it.

Earl Long  
President  
FairTaxKC  
913.956.4850

Sn. Assmnt & Tax  
2-17-11  
Attachment # 3

To: Chairman and members,  
Kansas Senate Assessment & Taxation Committee 2/17/11

RE: OPPOSITION TO SB109 ("Tax credit for cost of installing electrical charging stations")

- With SB109, costs would be re-loaded onto remaining taxpayers (could be massive).
- A more efficient process is to let free enterprise provide the solution.
- The alleged cause of climate change drives much of the "GREEN MOVEMENT", although many may have well intentions.
- The relevant global temperature change facts are:
  1. A major BBC publications offered confirming research clearly showing global temperature change is clearly due to naturally occurring phenomenon, mostly solar activity (solar storms or their absence). Also noted, CO2 was a lagging indicator, not causative.
  2. In a more limited effect, but a major source of CO2 – includes volcanic eruptions and decaying matter (principally, plankton in the oceans and matter on the forest floor)..... Note these all are naturally occurring and recurring.

Further relevant data describing misdirected "green" activities are quoted from a "To The Point" article dated 2/2/11, by Jack Kelly, a former assistant secretary of the Air Force and presently national security writer for the Pittsburgh Post-Gazette:

1. It takes 29% more energy to make a gallon of corn-ethanol than the energy contained in the gallon of ethanol itself.  
*2005 study by Dr. David Pimentel (Cornell) and Dr. Tad Patsek (University of California-Berkeley).*
2. The energy required to produce ethanol comes chiefly for fossil fuels, thereby increasing dependence on fossil fuels! Increases air pollution!  
*According to Professor Mark Jacobson (Stanford)*
3. It takes 3-4 gallons of water to produce a gallon of ethanol. If one adds the water to grow the corn used to make ethanol, the water usage jumps to 1,700 gallons of water to produce that one-gallon of ethanol.  
*According to Dr. Pimentel (Cornell)*
4. Forty percent (40%) of our corn crop is used to make ethanol, which is driving up food prices. The price of a bushel of corn has doubled within less than 12 months.
5. E15 ethanol when blended with gasoline reduces mpg averages by 40% compared to gasoline without any ethanol.  
*According to the Department of Energy*
6. Despite the above criteria, the recent lame duck Congress extended the ethanol subsidies for another year. The subsidy is \$.51/gallon of domestic made ethanol but with a \$.54 tariff on imported ethanol.

My obvious conclusions:

- \*\*\* Much of the GREEN movement is based upon false (fraudulent) representations costing society massive amounts of wasted assets, which could be better invested in other beneficial undertakings (or not spent, thereby reducing our debt)!
- \*\*\* Please vote NO on SB109 and permit markets to work efficiently!

Respectfully,

Lloyd Hanahan  
Overland Park, Kansas 66221

Sn. Assmnt & Tax  
2-17-11  
Attachment # 4





**Testimony in Support of SB196 by Mr. Daniel Murray**  
**Kansas State Director, National Federation of Independent Business**  
**House Taxation Committee**  
**Thursday, February 17, 2011**

Good morning Vice Chair Apple and members of the Committee. My name is Dan Murray and I am the State Director of the National Federation of Independent Business/Kansas. NFIB/Kansas supports SB196.

Before I discuss why NFIB/Kansas is in support of SB196, I wanted to give you a snapshot of the impact small business has in our economy. Small business is not small. Collectively, small business represents over 97% of all employer firms and provides employment to over 54% of the non-farm private work force in Kansas. Small business pays 44% of total U.S. private payroll, and in the past fifteen years, it has annually generated 64% of net new jobs.

Further, about 1,800 public corporations have employees in Kansas, even though some of them have only a small number of employees in Kansas. In contrast, Kansas has over 60,000 small businesses with employees and another 183,000 non-employer firms. Further, if you consider the 63,000 farms, the total number of small businesses and farms in Kansas is over 304,000. Again, small business is not small.<sup>1</sup>

NFIB/Kansas supports SB196 because the business investment expensing proposal is pro-growth policy that recognizes and values the impact of small business. The policy benefits all Kansas businesses—large & small, short & tall. It is refreshing to see a proposal that directs economic development incentives to all Kansas businesses, not just our larger corporate brethren. Small businesses typically do not qualify for the complex, high-bar economic incentives that Kansas currently offers. We applaud the Governor and his administration for taking bold steps to help all Kansas businesses regardless of size.

- Expensing provides an incentive to immediately invest in the business and puts money back into the business, via the income tax deduction, for future investment. It's simple: when small businesses can keep more of their money, they are able to invest in jobs and additional capital investments. Further, small businesses can use the expensing proposal contained in SB196 in conjunction with expensing benefits set forth in Section 179 of the Internal Revenue Code. The coupling of a state and federal expensing deduction will be a benefit for small employers.
- Unlike a larger business, the small business does not have a finance department or a staff of accountants and lawyers to focus on the nuances and changes in the tax laws. The complicated and, in many ways unpredictable tax code, places a heavy burden on

<sup>1</sup> U.S. Small Business Administration, Office of Advocacy, 2009 Small Business Profile: Kansas. <http://www.sba.gov/advocacy>

small business owners. In the end this leads to additional costs and takes money away from the day-to-day business operations or investing in and expanding their business.

Expensing is a relatively uncomplicated investment incentive that the small business sector can take advantage of with the help of their CPA. And in contrast to some credits, it does not require complicated depreciation schedules and paperwork associated with the investment—the business owner can simply claim the deduction in the year the item is purchased.

SB196 does contain some provisions on which NFIB/Kansas has not taken a position on the proposed changes to HPIP, IMPACT or elimination of the machinery and equipment property credit. However, I will say that HPIP & IMPACT have little, if any direct impact on the majority of small businesses. And, while some small businesses may have concerns that the elimination of the machinery and equipment property tax credit will result in a tax increase for some, I believe expensing will help the vast majority of small businesses. It is a pro-growth, pro-jobs policy that establishes a permanent incentive which immediately rewards capital investment.

In closing, taxes matter by diverting resources from and reducing incentives for productive, private-sector risk taking that generates innovation, growth and jobs. The expensing provision in SB196 entices small businesses to invest in capital today and will pay dividends when the business owners can keep more of their money to invest in jobs. Please support SB196.

***NFIB/KS is the leading small business organization representing small and independent businesses. A nonprofit, nonpartisan organization founded in 1943, NFIB/KS represents the consensus views of its over 4,100 members in Kansas.***



**Wichita Independent Business Association**

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*THE VOICE OF INDEPENDENT BUSINESS*

Senate Committee on Assessment and Taxation  
Testimony in Favor of SB 196  
By Tim Witsman

February 17, 2011

Honorable Committee members,

Thank you for the opportunity to appear before you today in support of SB 196. On behalf of our members, I would like to applaud the Governor and this committee for beginning discussions on business tax incentive reform in Kansas. For many years, the members of WIBA have encouraged and worked with policymakers to implement broad based tax incentives that all businesses may take advantage in their business planning. We believe the provisions set out in SB 196 are a step in the right direction.

In past legislative sessions, WIBA has testified in favor of expensing because of its broad based application to all business and rather simple methodology to receive and administer the tax incentive. One of the biggest concerns our members have about the current tax incentives available is that they are too cumbersome to administer for a small business. In addition, they often have threshold limits too high for small businesses to qualify.

Recently, we were given some data from the KDOR which broke down the number of businesses utilizing the existing incentives outlined in SB 196. Particularly telling to our membership is the limited number of businesses actually taking advantage of these existing business credits. For example, of the 221,000 business tax filers in Kansas, only 162 claimed HPIP, 635 claimed business and job development credits and 13, 510 claimed the business and machinery tax credit. We believe these numbers reflect what our members have known for a long time--our current programs serve, in the scheme of things, a small percentage of the businesses in Kansas. .

While the members of WIBA recognize there are concerns from some current beneficiaries of existing incentives, we believe if we are going to advance tax policy in Kansas, policymakers must look to benefit more than just a hand-full of business in Kansas. With that said, we also recognize all restructuring must be done within current budget constraints.

Again, on behalf of the members of WIBA, thank you for beginning discussions on broadening the Kansas tax incentives. Our members look forward to working with you to make Kansas the best state to conduct business.

445 N. Waco / Wichita, KS 67202-1160  
316-267-8987 / 1-800-279-9422 / FAX 316-267-8964 / E-mail: [info@wiba.org](mailto:info@wiba.org) / Web Site: [www.wiba.org](http://www.wiba.org)

Sn. Assmnt & Tax

2-17-11

Attachment # 6

SB 196



THE CHAMBER  
Greater Kansas City Chamber of Commerce

Testimony to Senate Assessment and Taxation Committee  
Robert Vancrum, Government Affairs Consultant  
The Greater Kansas City Chamber of Commerce

February 17, 2011

Vice Chairman Apple and Other Honorable Senators:

First let me say that we greatly respect the tremendous amount of work that went into the drafting of this program. In a relatively short period of time the administration has put together most of the recommendations of the recent Kansas Inc. recommendations about how to make economic development programs produce quicker results in a revenue neutral fashion – no small task even if they had taken a great deal more time.. They have also satisfied many businesses that have existing tax credits granted and many we know of who have applied or are about to apply. So it saddens us that we of must rise today in opposition to one change proposed by SB 196. We believe both long term economic growth and prosperity make it essential that you reconsider the changes proposed in the High Performance Incentive Program (“HPIP”)

The Greater Kansas City Chamber of Commerce has over 3,000 members who own businesses in Kansas and most are small businesses.. Further, we have invested a considerable amount of time and support for such innovative programs as the Kansas Bioscience Authority, the Animal Health Corridor and the Kansas Technology Enterprise Corporation, including the Pipeline mentoring program and angel tax credits.. Two items are missing in the proposed package:

- The needs of entrepreneurial start ups and cutting edge innovative projects. Expensing of investments against income is of little benefit to some of hem because they don’t make money and in some cases may not for years. Some of these people need much less than \$5 million in tax credits to attract investors.
- The next big job creating capital intensive project such as the Kansas Speedway and the BNSF corridor. The cash grant program is not nearly as attractive a program to such entrepreneurs as tax credits- why? Because they are more effective in raising capital.

The administration has done a very good job of taking care of the criticisms of needs for credits by large companies that we knew about. Certainly five more years of the credits before they sunset and a 10 fold increase in the minimum investment that qualifies- to \$5 million appears to satisfy many of the large Kansas City employers that we’ve heard from. But the small capital intensive manufacturer or innovative entrepreneur doesn’t follow the legislature or employ lobbyists. They only have chambers of commerce to be their voice. In closing, you may never know what you missed out on - how many future deals you’ll never hear of, just because the HPIP tax credit program is being phased out.

We appreciate the opportunity to speak to this one aspect of this bill. We would answer questions at such time as you direct.

Sn. Assmnt & Tax

2-17-11

Attachment # 7