

SESSION OF 2007

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2240

As Amended by Senate Committee on
Assessment and Taxation

Brief*

HB 2240 extends in two ways the existing sales tax exemption for repair services to certain facilities damaged by natural or man-made disasters. First, the exemption would be expanded to include repairs necessitated by windstorms, ice loading and attendant winds and terrorism to buildings or facilities, including electric distribution and transmission lines, of cooperatives and municipal and quasi-municipal corporations. Under current law, the sales tax exemption applies to services necessary to repair those buildings and facilities damaged by fire, flood, tornado, lightning, explosion, or earthquake. (Under current law, building is defined to include only those enclosures within which people are customarily employed or that are customarily used to house machinery, equipment or other property, and the improvements immediately surrounding the building.)

Second, for electric transmission and distribution lines owned by an independent transmission company or cooperative, the Kansas Electric Transmission Authority, or a natural gas or electric public utility, the sales tax exemption would be provided for services to repair damage caused by fire, flood, tornado, lightning, explosion, earthquake, windstorm, ice loading and attendant wind, or terrorism.

The bill would define "windstorm" as straight line winds of at least 80 miles per hour. The wind speed would have to be determined by a recognized meteorological reporting agency or organization.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill was introduced by the House Committee on Energy and Utilities. Representatives of Westar Energy, Kansas City Power and Light Company, and Kansas Electric Cooperatives supported the bill at the House Committee hearing. The Department of Revenue presented written testimony in opposition to the bill.

The House Committee on Energy and Utilities amended the bill to clarify the types of structures and facilities repair of which would be covered by the exemption. The House Committee amendment also created a definition of windstorm and included winds that accompany ice loading as a cause of damage pertinent to the bill.

The Senate Committee on Assessment and Taxation amended the bill to remove provisions that would have extended the exemption for repairs associated with appurtenances (equipment attached to the electric distribution and transmission lines).

The Department of Revenue indicated that the Senate Committee version of the bill would be expected to reduce sales tax receipts to the State General Fund (SGF) and State Highway Fund (SHF) by the following amounts:

	(\$ in millions)		
	<u>SGF</u>	<u>SHF</u>	<u>Total</u>
FY 2008	(\$2.632)	(\$0.368)	(\$3.000)
FY 2009	(\$2.972)	(\$0.415)	(\$3.387)
FY 2010	(\$3.076)	(\$0.430)	(\$3.506)
FY 2011	(\$3.184)	(\$0.445)	(\$3.629)
FY 2012	(\$3.295)	(\$0.461)	(\$3.756)
5-year total	(\$15.158)	(\$2.119)	(\$17.277)