



Testimony Provided To
House Tax Committee
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January 30th, 2025

Testimony in Support of HB 2083

Mr. Chair, Vice-Chairman, and Ranking Member and members of the committee,

On behalf of the Advanced Power Alliance, it is my pleasure to provide testimony in support of House Bill 2083. The Advanced Power Alliance is the association of developers, operators, engineers, financiers, and purchasers involved in independent power production across the middle and southeast United States. APA member companies have invested more than \$20 billion in private capital in Kansas in twenty years and created more than 20,000 direct and indirect jobs. Historically you may have known the Advanced Power Alliance as the developers of wind, solar and hydrogen energy systems, but HB 2083 is indicative of the rapid change in the energy industry and the importance of keeping our tax laws current with technological advancements.

In the 2024 session this committee heard and passed HB 2609, which was placed into another bill, was passed by both chambers, and signed into law by the Governor. House Bill 2609 was an effort to standardize the property tax treatment of all electricity generation types creating a uniform 10-year property exemption so that all generation was treated equally, including wind, solar, natural gas, and even coal. The same can be said for electric transmission lines as well. For additional history, the Kansas Legislature granted wind energy systems a lifetime property tax exemption in 1996, but as the industry grew, the Advanced Power Alliance came together with the Legislature in 2015 and moved wind energy and solar energy systems to a 10-year property exemption for all projects constructed after January 1, 2017. We believe tax exemptions should be used as incentives to spur investment and applied fairly across industries.

One area not addressed in HB 2609 in the 2024 Legislative Session was energy storage systems (ESS), mostly because ESS was still an emerging technology in the Kansas market. In just a short amount of time, energy storage systems – mostly battery storage systems – have become one of the most important areas of energy investment across the United States. Being able to store power and dispatch it on demand smooths the edges of peak demand times, which shelters ratepayers from enormous spikes in prices. The system reliability benefits of ESS cannot be understated. Energy storage systems help stabilize the entire grid during extreme weather or power related needs, helping an entire region maintain grid stability.

Because Energy Storage is an emerging industry, the tax treatment status in Kansas is unclear. The Kansas Department of Revenue issued a guidance document in the fall suggesting that ESS may qualify for the Commercial, Industrial, Machinery and Equipment (CIME) property tax abatement, which is for the lifetime of the investment. However, the CIME exemption is not granted until it is filed, reviewed and approved by the Board of Tax Appeals (BOTA). The filing, however, may not be made with BOTA until the project has been completed and is testing for in-service. It is also possible to apply directly with the county appraiser for an exemption, but even that is unclear. The upshot is that the tax statutes lack clarity regarding the treatment of energy storage systems.

Energy storage systems are frequently multi-hundred-million-dollar investments. Regardless of the industry, an investor would not make an investment without fully knowing and understanding the tax treatment of all the effected jurisdictions. In particular, an investment will not be made with the hope that said treatment will be fair after the investment has been made.

Energy storage is the critical piece of the electricity industry. Where oil and gas have robust storage options to store their product until it is used, the electric industry had no way of storing electrons for future use. As such, when power is being generated, but cannot be used, the electrons have no purpose. Now, with energy storage, the electrons can be stored and used in the most economically efficient or system strategic manner. It is likely that due to system need, there will be many billions of dollars of proposed energy storage projects in development in Kansas in the coming five years.

We do respectfully ask for one change to the bill. When being drafted, we did not wish for the bill to be retroactive, so we asked for an implementation time of January 1, 2026. In hindsight and after further consultations with stakeholders, we think it is better to be as clear as possible as soon as possible and ask that we change any reference in the bill from January 1, 2026, date to January 1, 2025.

This bill is about stability, clarity and parity. HB 2083 will create a known and stable investment climate. The bill clearly defines the tax treatment of energy storage systems. Under HB 2083, energy storage systems will receive a 10-year tax abatement before coming on the tax rolls in year eleven. Further, this bill ensures that electricity generation, transmission and now storage – the three pillars of the electric system - are taxed equally. That has been a policy objective of the Kansas Legislature for many years.

Members of the House Tax Committee, you are frequently asked to clean up a problem that has been going on for a number of years or sometimes even decades. Rarely do you get the chance to proactively frame tax policy to ensure stability, clarity and parity. You have that chance today – to not only create certainty for an industry, but to create what we anticipate will become a large source of revenue for local counties, helping everyone keep their property taxes lower in the process. The Advanced Power Alliance urges you to support this bill with the recommended date change requested in our testimony and pass HB 2083.

Thank you for your consideration and I am happy to stand for questions.