

SENATE BILL No. 498

By Committee on Assessment and Taxation

2-6

1 AN ACT concerning taxation; relating to income tax; providing a tax
2 credit for the retail sale of higher ethanol blends of fuel; discontinuing
3 the tax credit for qualified alternative-fueled motor vehicle property or
4 fueling station expenditures; amending K.S.A. 79-32,201 and repealing
5 the existing section.

6

7 *Be it enacted by the Legislature of the State of Kansas:*

8 Section 1. K.S.A. 79-32,201 is hereby amended to read as follows:
9 79-32,201. (a) Any taxpayer who makes expenditures for a qualified
10 alternative-fueled motor vehicle or alternative-fuel fueling station shall be
11 allowed a credit against the income tax imposed by article 32 of chapter 79
12 of the Kansas Statutes Annotated, as follows:

13 (1) ~~For any qualified alternative-fueled motor vehicle placed in~~
14 ~~service on or after January 1, 1996, and before January 1, 2005, an amount~~
15 ~~equal to 50% of the incremental cost or conversion cost for each qualified~~
16 ~~alternative-fueled motor vehicle but not to exceed \$3,000 for each such~~
17 ~~motor vehicle with a gross vehicle weight of less than 10,000 lbs.; \$5,000~~
18 ~~for a heavy duty motor vehicle with a gross vehicle weight of greater than~~
19 ~~10,000 lbs. but less than 26,000 lbs.; and \$50,000 for motor vehicles~~
20 ~~having a gross vehicle weight of greater than 26,000 lbs.;~~

21 (2) For any qualified alternative-fueled motor vehicle placed in
22 service on or after January 1, 2005, *and before January 1, 2027*, an
23 amount equal to 40% of the incremental cost or conversion cost for each
24 qualified alternative-fueled motor vehicle, but not to exceed \$2,400 for
25 each such motor vehicle with a gross vehicle weight of less than 10,000
26 lbs.; \$4,000 for a heavy duty motor vehicle with a gross vehicle weight of
27 greater than 10,000 lbs. but less than 26,000 lbs.; and \$40,000 for motor
28 vehicles having a gross vehicle weight of greater than 26,000 lbs.;

29 (3) ~~for any qualified alternative-fuel fueling station placed in service~~
30 ~~on or after January 1, 1996, and before January 1, 2005, an amount equal~~
31 ~~to 50% of the total amount expended for each qualified alternative-fuel~~
32 ~~fueling station but not to exceed \$200,000 for each fueling station;~~

33 (4) ~~for any qualified alternative-fuel fueling station placed in service~~
34 ~~on or after January 1, 2005, and before January 1, 2009, an amount equal~~
35 ~~to 40% of the total amount expended for each qualified alternative-fuel~~
36 ~~fueling station, but not to exceed \$160,000 for each fueling station;~~

1 (5)(2) for any qualified alternative-fuel fueling station placed in
2 service on or after January 1, 2009, *and before January 1, 2027*, an
3 amount equal to 40% of the total amount expended for each qualified
4 alternative-fuel fueling station, but not to exceed \$100,000 for each fueling
5 station.

6 (b) If no credit has been claimed pursuant to subsection (a), a credit in
7 an amount not exceeding the lesser of 5% of the cost of the vehicle or
8 \$750 shall be allowed to a taxpayer who purchases a motor vehicle
9 equipped by the vehicle manufacturer with an alternative fuel system and
10 who is unable or elects not to determine the exact basis attributable to such
11 property. The credit under this subsection shall be allowed only to the first
12 individual to take title to such motor vehicle, other than for resale. The
13 credit under this subsection for motor vehicles which are capable of
14 operating on a blend of 85% ethanol and 15% gasoline shall be allowed for
15 taxable years commencing after December 31, 1999, *and before January*
16 *1, 2027*, only if the individual claiming the credit furnishes evidence of the
17 purchase, during the period of time beginning with the date of purchase of
18 such vehicle and ending on December 31 of the next succeeding calendar
19 year, of 500 gallons of such ethanol and gasoline blend as may be required
20 or is satisfactory to the secretary of revenue.

21 (c) The tax credit under subsection (a)(1) through (a)(4) or (b) shall
22 be deducted from the taxpayer's income tax liability for the taxable year in
23 which the expenditures are made by the taxpayer. If the amount of the tax
24 credit exceeds the taxpayer's income tax liability for the taxable year, the
25 amount which exceeds the tax liability may be carried over for deduction
26 from the taxpayer's income tax liability in the next succeeding taxable year
27 or years until the total amount of the tax credit has been deducted from tax
28 liability, except that no such tax credit shall be carried over for deduction
29 after the third taxable year succeeding the taxable year in which the
30 expenditures are made.

31 (d) The tax credit under subsection (a)(5) (a)(2) shall be deducted
32 from the taxpayer's income tax liability for the taxable year in which the
33 expenditures are made by the taxpayer. If the amount of the tax credit
34 exceeds the taxpayer's income tax liability for the taxable year, the amount
35 which exceeds the tax liability may be carried over for deduction from the
36 taxpayer's income tax liability in the next succeeding taxable year or years
37 until the total amount of the tax credit has been deducted from tax liability,
38 except that no such tax credit shall be carried over for deduction after the
39 fourth taxable year in which the expenditures are made.

40 (e) As used in ~~this section~~ subsections (a) through (g):

41 (1) "Alternative fuel" means a combustible liquid derived from grain
42 starch, oil seed, animal fat or other biomass; or produced from biogas
43 source, including any nonfossilized, decaying, organic matter.

1 (2) "Qualified alternative-fueled motor vehicle" means a motor
2 vehicle that operates on an alternative fuel, meets or exceeds the clean fuel
3 vehicle standards in the federal clean air act amendments of 1990, Title II
4 and meets one of the following categories:

5 (A) Bi-fuel motor vehicle: A motor vehicle with two separate fuel
6 systems designed to run on either an alternative fuel or conventional fuel,
7 using only one fuel at a time;

8 (B) dedicated motor vehicle: A motor vehicle with an engine designed
9 to operate on a single alternative fuel only; or

10 (C) flexible fuel motor vehicle: A motor vehicle that may operate on a
11 blend of an alternative fuel with a conventional fuel, such as E-85 (85%
12 ethanol and 15% gasoline) or M-85 (85% methanol and 15% gasoline), as
13 long as such motor vehicle is capable of operating on at least an 85%
14 alternative fuel blend.

15 (3) "Qualified alternative-fuel fueling station" means the property
16 which is directly related to the delivery of alternative fuel into the fuel tank
17 of a motor vehicle propelled by such fuel, including the compression
18 equipment, storage vessels and dispensers for such fuel at the point where
19 such fuel is delivered but only if such property is primarily used to deliver
20 such fuel for use in a qualified alternative-fueled motor vehicle.

21 (4) "Incremental cost" means the cost that results from subtracting the
22 manufacturer's list price of the motor vehicle operating on conventional
23 gasoline or diesel fuel from the manufacturer's list price of the same model
24 motor vehicle designed to operate on an alternative fuel.

25 (5) "Conversion cost" means the cost that results from modifying a
26 motor vehicle which is propelled by gasoline or diesel to be propelled by
27 an alternative fuel.

28 (6) "Taxpayer" means any person who owns and operates a qualified
29 alternative-fueled vehicle licensed in the state of Kansas or who makes an
30 expenditure for a qualified alternative-fuel fueling station.

31 (7) "Person" means every natural person, association, partnership,
32 limited liability company, limited partnership or corporation.

33 (f) ~~Except as otherwise more specifically provided, the provisions of~~
34 ~~this section shall apply to all taxable years commencing after December~~
35 ~~31, 1995. No tax credits shall be allowed pursuant to subsections (a)~~
36 ~~through (g) for tax years commencing after December 31, 2026, except~~
37 ~~that for taxpayers who have excess unused credit pursuant to a credit~~
38 ~~initially claimed under subsections (a) through (g) for a tax year~~
39 ~~commencing before January 1, 2027, the credit carry over provisions of~~
40 ~~subsections (c) and (d) still apply.~~

41 (g) For tax year 2013 and all tax years thereafter, the income tax
42 credit provided by ~~this section~~ subsections (a) through (g) shall only be
43 available to taxpayers subject to the income tax on corporations imposed

1 pursuant to ~~subsection (e) of~~ K.S.A. 79-32,110(c), and amendments
2 thereto, and shall be applied only against such taxpayer's corporate income
3 tax liability.

4 (h) (1) For taxable years 2026 through 2031, there shall be allowed a
5 credit against the tax liability imposed under the Kansas income tax act
6 for a retail dealer that sells higher ethanol blend at such retail dealer's
7 retail service station. The amount of the credit shall equal \$0.05 per
8 gallon of higher ethanol blend sold by the retail dealer on a retail basis
9 and dispensed through metered pumps at the retail dealer's retail service
10 station during the tax year for which the tax credit is claimed.

11 (2) Any unused credit amounts may be carried forward for up to five
12 taxable years immediately following the taxable year for which the credits
13 were allowed. The credit shall not be refundable.

14 (3) The total amount of tax credits issued pursuant to this subsection
15 shall not exceed \$2,500,000 per tax year. In the event that the total amount
16 of tax credits claimed under this subsection exceeds the maximum amount
17 of tax credits available for the tax year, the maximum total amount of tax
18 credits for the tax year of \$2,500,000 shall be apportioned or divided
19 among all eligible retail dealers that claimed the tax credit on or before
20 April 15 following the close of the taxable year. In an apportionment, each
21 such eligible retail dealer's share of the tax credit shall be in the
22 proportion that the number of gallons of higher ethanol blend sold and
23 reported to the department by such retail dealer bears to the total of all
24 gallons of higher ethanol blend sold and reported to the department by all
25 eligible retail dealers claiming the tax credit on or before the deadline.

26 (4) As part of any claim for tax credits pursuant to this subsection,
27 the retail dealer shall include an annual report to the department on a
28 form prescribed by the department. The report shall include the following
29 information:

30 (A) The name and address of the retail dealer;
31 (B) the total number of gallons of higher ethanol blend sold by the
32 retail dealer on a retail basis and dispensed through metered pumps at the
33 retail service station or stations owned or operated by the retail dealer
34 during the tax year for which the tax credit is claimed; and

35 (C) any other documentation or information required by the
36 department.

37 (5) As used in this subsection:

38 (A) "Department" means the department of revenue.

39 (B) "Higher ethanol blend" means ethanol blended fuel E15, as
40 defined in 40 C.F.R. § 1090.80, as in effect on July 1, 2026, or any higher
41 percent ethanol blend.

42 (C) "Retail dealer" means a person, firm or corporation doing
43 business in this state that owns or operates a retail service station in this

1 *state.*

2 *(D) "Retail service station" means a location in this state from which*
3 *higher ethanol blend is sold to the general public and is dispensed directly*
4 *into motor vehicle fuel tanks for consumption.*

5 Sec. 2. K.S.A. 79-32,201 is hereby repealed.

6 Sec. 3. This act shall take effect and be in force from and after its
7 publication in the statute book.