

SESSION OF 2006

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE
FOR SENATE BILL NO. 70**

As Amended by House Committee of the Whole

Brief*

House Sub. for SB 70 would create tax incentives for energy efficiency improvements of non-owner occupied housing units. The tax incentives would be available for tax years 2006, 2007 and 2008.

- Tax credits would be created for the following improvements:
 - \$100 per dwelling unit for each six inches of ceiling insulation installed;
 - \$300 for a newly installed heating, ventilation or air conditioning system that replaces an existing system in a single family dwelling if the new system meets the energy efficiency standards established by the bill; and
 - \$300 per dwelling unit served by a replacement heating, ventilation or air conditioning system for multi-family residences, if the new system meets the energy efficiency standards established by the bill, and if there are separate temperature controls in each unit.
- If the amount of the tax credit exceeds the taxpayer's income tax liability for the year in which the expenditures were made, the excess amount of credit could be carried forward. The entire tax credit for expenditures made in a single year would have to be taken within five years of the expenditure.
- The bill also would create an accelerated depreciation schedule for heating, ventilation, and air conditioning equipment described in the bill. Depreciation of the equipment would be taken over five years: 60 percent the first year; and ten percent each of the following four years.

*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>

- The Department of Revenue would be required to report to the Legislature at the start of the 2008 Session regarding the number of taxpayers who claimed tax credits created by the bill and the amount of those credits claimed.

Background

SB 70, as passed by the Senate, would have created the Kansas Petroleum Education and Marketing Act, the provisions of which were recommended as amended by the House Committee on Utilities as House Substitute for SB 93 prior to the Committee's action on this bill. The energy conservation incentives in this bill came to the House Committee on Utilities as Substitute for HB 2723, as amended by the House Committee on Taxation.

HB 2723 was referred to both the House Committee on Utilities and the House Committee on Taxation. After a joint Committee hearing on the bill, it was assigned to a Joint Utilities-Taxation Subcommittee. The Subcommittee met on several occasions, consulting with the Department of Revenue, individuals interested in energy efficiency, and interested members of the Legislature. The amended version, Substitute for HB 2723, reflected the recommendations of the Subcommittee.

The Subcommittee recommended amending HB 2723 to delete provisions that would have created tax incentives for electric utilities to sell to federal facilities energy generated from renewable resources. In place of the provisions of the introduced version of HB 2723, the Subcommittee recommended a substitute bill that would create tax incentives for energy efficiency improvements of non-owner occupied housing units. Those provisions are similar, but not identical, to HB 2637 which was recommended by the Select Joint Committee on Energy. The House Committee on Taxation adopted the Subcommittee recommendation.

The House Committee on Utilities amended the provisions of HB 2637 as follows and replaced the provisions of SB 70 (as passed by the Senate) with the energy efficiency tax credit provisions:

- Treat duplexes like other multi-family dwellings for purposes of the tax credits that would be created by the bill;
- Allow a multi-year deduction for installation costs; and

- Require multi-dwelling heating, ventilation, and air conditioning systems to have individual temperature controls for each unit in order to qualify for the tax credit.

The House Committee of the Whole amended the bill to make the tax incentives available for only three years.

According to a fiscal impact estimate prepared by the Kansas Department of Revenue, passage of Substitute for HB 2723 is expected to result in a reduction in state revenues of \$2.5 million for FY 2007. The House Utilities Committee amendments to those provisions, which are now included in this substitute bill, may change the estimated fiscal impact of the bill.