



# Energy Incentives Update

October 7, 2009

# Kansas Energy Development Act

- K.S.A. 79-32, 216 – 256, effective July 1, 2006
  - Tax credits for investments in infrastructure
  - Incentives for production
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# Alternative Energy Tax Credits

- Storage & Blending
  - Renewable Electric Cogeneration Facility
  - Biomass-to-Energy
  - Coal or Coke Gasification Nitrogen Fertilizer Plant
  - Alternative Fuel
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# Conventional Energy Tax Credits

- Refineries
- Pipelines

# Alternative Energy Incentives

- Ethyl Alcohol Production
  - Biodiesel Fuel Producer
  - Kansas Retail Dealers
  - CO<sub>2</sub> Capture/Sequestration
  - Waste Heat Utilization
- 

# Storage & Blending Tax Credits

- Any equipment which is used for storing and blending petroleum-based fuel and biodiesel, ethanol or other biofuel and is installed at a fuel terminal, refinery or biofuel production plant
- Credit equal to 10 percent of the taxpayer's qualified investment for the first \$10 million invested and an amount equal to 5 percent of the amount that exceeds \$10 million
- Also entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new facility
- Equipment exempt from all property taxes levied for the 10 taxable years immediately following the installation of such equipment
- Taxable years after December 31, 2006 and before January 1, 2012

# Renewable Electric Cogeneration Facility

- Owned and operated by the owner of an industrial, commercial or agricultural process to generate electricity for use in such process to displace current or provide for future electricity use
- Credit equal to 10 percent of taxpayer's qualified investment for the first \$50 million and an amount equal to 5 percent of the amount that exceeds \$50 million
- In addition, taxpayer shall be entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new facility
- Exempt from property taxes for all taxable years commencing after December 31, 1998

# Biomass-to-Energy Plant

- Expenditures in new construction or expansion of the capacity in an existing plant commencing after December 3, 2005 and before January 1, 2011
- Credit is 10 percent of the taxpayer's qualified investment on the first \$250 million invested, and 5 percent of the taxpayer's qualified investment that exceeds \$250 million
- In addition, taxpayer shall be entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new facility
- Exempt from all property taxes levied for the 10 taxable years immediately following construction or installation

# Coal or Coke Gasification Nitrogen Fertilizer Plant

- Expenditures in new or the expansion of an existing integrated coal or coke gasification nitrogen fertilizer plant
- Credit equal to 10 percent of the taxpayer's qualified investment for the first \$250 million invested and an amount equal to 5 percent of the amount that exceeds \$250 million
- Taxable years after December 31, 2005 and before January 1, 2011
- In addition, taxpayer shall be entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new facility
- Exempt from all property taxes levied for the 10 taxable years following the construction or installation of such property

# Alternative Fuels Fueling Stations

- Alternative-fuel fueling station placed in service on or after January 1, 2005 and before January 1, 2009, an amount equal to 40 percent of the total amount expended but not to exceed \$160,000 for each fueling station
- Alternative-fuel fueling station placed in service on or after January 1, 2009, an amount equal to 40 percent of the total amount expended but not to exceed \$100,000 for each fueling station
- Administered by the Kansas Department of Revenue

# Alternative Fuels Vehicles

- Alternative-fueled motor vehicle placed in service on or after January 1, 1996 and before January 1, 2005, an amount equal to 50 percent of the incremental cost or conversion cost for each qualified vehicle expended but not to exceed \$50,000 (credits based on vehicle weight).
- Alternative-fueled motor vehicle placed in service on or after January 1, 2005, the credit is 40 percent of the incremental cost or conversion cost for each qualified vehicle expended but not to exceed \$40,000 (credits based on vehicle weight)
- Credit for motor vehicles which are capable of operating on a blend of 85% ethanol and 15% gasoline allowed for taxable years after December 31, 1999; individual must furnish evidence of the purchase of 500 gallons of ethanol and gasoline blend during the period of time beginning with vehicle purchase and ending on December 31 of the next succeeding calendar year
- Administered by the Kansas Department of Revenue

# Conventional Energy Tax Credits -- Refinery

- New or expansion of an existing refinery
- Credit equal to 10 percent of the taxpayer's qualified investment for the first \$250 million invested and an amount equal to 5 percent of the amount that exceeds \$250 million
- Taxable years after December 31, 2005 and before January 1, 2011
- In addition, taxpayer entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new or expanded facility
- Applications submitted to Commerce
- Credits administered by the Secretary of Revenue

# Conventional Energy Tax Credits -- Pipeline

- New or expansion of an existing pipeline
- Credit equal to 10 percent of the taxpayer's qualified investment for the first \$250 million invested and an amount equal to 5 percent of the amount that exceeds \$250 million
- Taxable years after December 31, 2005 and before January 1, 2011
- In addition, taxpayer entitled to a deduction from Kansas adjusted gross income of the amortizable costs of a new or expanded facility
- Applications submitted to Commerce
- Credits administered by the Secretary of Revenue

# Ethyl Alcohol Production Incentive

- \$0.075 for each gallon sold by the producer
- Producers who were in production prior to July 1, 2001 and who increased production capacity on or after July 1, 2001 by an amount of 5 million gallons qualify for the incentive for a maximum of 15 million gallons sold per year
- Producers who commenced production on or after July 1, 2001 and who sold at least 5 million gallons qualify for the incentive for a maximum of 15 million gallons sold per year
- \$875,000 per quarter is added to the fund for distribution. If production exceeds the fund balance, a proration of the distribution is performed
- Program sunsets July 1, 2011
- Administered by Department of Revenue

# Biodiesel Fuel Production Incentive

- \$0.30 for each gallon sold by the producer
- \$100,000 per quarter beginning July 1, 2008 is added to the fund for distribution. If production exceeds the fund balance, a proration of the distribution is performed.
- Program sunsets July 1, 2016
- Administered by Department of Revenue

# Kansas Retail Dealers

- Incentives to Kansas retail dealers who sell and dispense renewable fuels or biodiesel through a motor fuel pump
- On January 1, 2009, and quarterly thereafter, \$400,000 will be directed from the general fund into the Kansas Retail Dealers Incentive Fund. On or after July 1, 2009 the unobligated balance in the fund shall not exceed \$1.5 million.
- The retail dealer's renewable fuels threshold percentage must be 10 percent for any quarter in the calendar year 2009, and increase 1 percent per year to a total of 25 percent by the end of calendar year 2024. For any determination period in which the retail dealer attains the threshold percentage, the incentive rate is 6.5 cents per gallon.
- The retail dealer's biodiesel threshold percentage must be 2 percent for any quarter in the calendar year 2009, and increase 2 percent per year to a total of 25 percent by the end of calendar year 2024. For any determination period in which the retail dealer attains the threshold percentage, the incentive rate is 3 cents per gallon.
- Sunsets on January 1, 2026
- Administered by Department of Revenue

# Kansas Retail Dealers Report

- As of January 26, 2009, program had not been funded
- Governor recommended no funding for fiscal years 2009 and 2010

# CO2

## Capture/Sequestration

- Deduction from Kansas adjusted gross income with respect to the amortization of the amortizable costs of carbon dioxide capture, sequestration or utilization machinery and equipment (based upon a period of 10 years); Deduction of 55% of the amortizable costs of such machinery and equipment for the first taxable year in which such machinery and equipment are in operation and 5% of the amortizable costs of such machinery and equipment for each of the next nine taxable years
- Election to claim the deduction shall be made by filing a statement of such election with the secretary of revenue
- Provisions apply to all taxable years commencing after December 31, 2007
- Administered by the Kansas Department of Revenue

# Waste Heat Utilization

- Exempt from property taxes for 10 taxable years
- Deduction from Kansas adjusted gross income with respect to the amortization of the amortizable costs of a waste heat utilization system (based upon a period of 10 years); Deduction of 55% of the amortizable costs of such system for the first taxable year in which such system is in operation and 5% of the amortizable costs of such system for each of the next nine taxable years
- Election of the taxpayer to claim the deduction shall be made by filing a statement of such election with the secretary of revenue
- Provisions of this section shall apply to all taxable years commencing after December 31, 2006
- Administered by the Kansas Department of Revenue



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