

February 17, 2011

The Honorable Les Donovan, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 109 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 109 is respectfully submitted to your committee.

SB 109 would create an income tax credit to install and place into service a residential or commercial electric vehicle charging station. The amount of the credit would be 100.0 percent of the cost to purchase any equipment used to dispense or store electricity for plug-in electric vehicles and 50.0 percent of the cost to construct and install the part used for dispensing electricity for plug-in electric vehicles. The tax credit would be refundable for residential facilities and would allow for any excess credits for commercial facilities to be refunded in three equal annual installments. The credits would expire if there are remaining refund installments and the commercial facility is taken out of service.

The bill defines a plug-in vehicle as an original equipment manufacturer plug-in electric vehicle that can operate solely on electric power and is capable of recharging its battery from an on-board generation source and an off-board electricity source. A plug-in electric vehicle conversion that provides an increase in city fuel economy of 75.0 percent as compared to a comparable vehicle for a minimum of 20 miles and that is capable of recharging its battery from an on-board generation source and an off-board electricity source. A charging station is defined as an electric vehicle charging station, electric recharging point, charging point, electric vehicle supply equipment or electric vehicle charging equipment which supplies electricity for the recharging or plug-in electric vehicles.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	(\$470,000)	(\$470,000)
Expenditure	--	--	\$66,100	\$66,100
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 109 would decrease State General Fund revenues by \$470,000 in FY 2012. The decrease in revenues and how the November 2, 2010 consensus revenue estimate for FY 2012 would be affected are shown in the following table:

Effect on FY 2012 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 2, 2010)	Change in Revenue FY 2012	Proposed Adjusted CRE FY 2012
Motor Carrier	\$ 27,000	\$ --	\$ 27,000
Income Taxes:			
Individual	2,705,000	(220)	2,704,780
Corporate	275,000	(250)	274,750
Financial Institutions	21,000	--	21,000
Excise Taxes:			
Retail Sales	2,090,000	--	2,090,000
Compensating Use	295,000	--	295,000
Cigarette	97,000	--	97,000
Corporate Franchise	8,000	--	8,000
Severance	94,300	--	94,300
All Other Excise Taxes	96,400	--	96,400
Other Taxes	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	(\$ 470)	\$5,835,230
Other Revenues:			
Interest	\$ 11,800	\$ --	\$ 11,800
Transfers	(93,700)	--	(93,700)
Agency Earnings	<u>56,800</u>	<u>--</u>	<u>56,800</u>
Total Other Revenues	(\$ 25,100)	\$ --	(\$ 25,100)
Total Receipts	\$5,810,600	(\$ 470)	\$5,810,130

To formulate these estimates, the Department of Revenue reviewed data from the electric vehicle industry on the number of plug-in electric vehicles that will be sold in the United States in calendar year 2011. Industry estimates indicate that about 330 plug-in electric vehicles and 200 residential charging stations will be sold to Kansas taxpayers in 2011. The residential charging station average cost is estimated to be \$600 purchase price plus \$1,000 for installation costs. The refundable credit for residential charging stations would reduce State General Fund receipts by approximately \$220,000 in FY 2012. The number of residential vehicles and charging stations are expected to continue to increase in tax year 2012 to over 1,000 electric plug-in vehicles and 600 residential charging stations, with would reduce State General Fund receipts by \$660,000 in FY 2013. Commercial charging facilities can cost anywhere from \$50,000 to \$500,000 depending on the size and source of the electricity. Assuming five charging

The Honorable Les Donovan, Chairperson

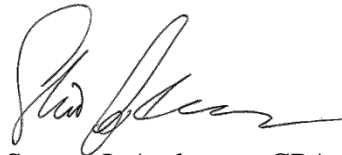
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stations are constructed the first year at a cost of \$50,000, the fiscal effect would be a reduction of State General Fund receipts of approximately \$250,000 in FY 2012. An additional five charging stations are estimated to be constructed in FY 2013, which would reduce State General Fund receipts by \$250,000 in that year.

The Department of Revenue indicates the bill would require \$66,100 from the State General Fund to create a new tax credit form and instructions and to modify the automated tax system. The required programming for this bill by itself (1,120 hours of in-house programming and 1,120 hours of implementation) would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with SB 109 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue