



# Kansas Agricultural Alliance

**TO:** House Committee on Taxation  
**FROM:** Kansas Agricultural Alliance / Randy Stookey, Vice President  
**RE:** **Testimony in Opposition to HB 2401**, imposing an excise tax on ethanol  
**DATE:** March 18, 2015

Good afternoon Chairman Kleeb and members of the Committee. I am Randy Stookey, General Counsel for the Kansas Association of Ethanol Processors. I also serve as Vice President of the Kansas Agricultural Alliance (KAA), and on behalf of the KAA, thank you for allowing us the opportunity to testify in opposition to HB 2401.

The KAA is an affiliation of statewide farm and livestock organizations, commodity groups, cooperatives, and agribusiness and service organizations. Since the 1920's, members of the Alliance have worked together to promote the general welfare of Kansas agriculture and rural communities.

HB 2401 proposes a new and additional excise tax onto every gallon of ethanol produced in Kansas. The KAA opposes HB 2401 because it represents an additional tax on an agriculture-related industry. Ethanol processors exist as price-takers in a global market for the ethanol they produce. Therefore, their ability to cover the cost of any new tax is extremely limited. In order to continue producing ethanol in Kansas, under HB 2401, ethanol plants would be forced to pay much less for grain sourced from Kansas farmers.

If Kansas ethanol plants are no longer able to source grain at rates which allow them to be profitable, the plants will close down. This happened in Kansas as recently as 2013, when the high price of corn caused plants to shut down and reduce production.

The bottom line is that an excise tax on the ethanol industry would negatively affect the health and vitality of every ethanol production facility in Kansas. If enacted, this legislation could cause a significant and permanent reduction in the amount of ethanol produced in our state – resulting in less taxes generated from this industry. Because our surrounding states do not impose a similar additional excise tax on ethanol production, plants would move to lower cost areas of the country.

The detrimental impact of this proposed additional tax would be immediate and far-reaching on the Kansas ethanol industry and, in turn, would negatively affect the broader agricultural industry in our state. In addition, HB 2401 will negatively affect producer income levels, property values, lending rates, rural area economies, and state and local tax revenues.

For all of these reasons, the KAA asks that this committee oppose HB 2401 and not pass the bill out of Committee. Thank you for the opportunity to share our comments, and I will stand for questions at the appropriate time.