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May 19, 2015

TO: Rep. Marvin KleeB, Chair and Committee Members
House Committee on Taxation

FROM: Leslie Kaufman, President/CEO
Kansas Cooperative Council

RE: **WRITTEN ONLY**
Opposition to HB 2434 – Tax changes relative to section 199 recognition

Chairman KleeB and members of the Committee, thank you for the opportunity to submit written comments in opposition to HB 2343 relative to removing recognizing the section 199 deduction.

I am Leslie Kaufman and I appear today on behalf of the co-op members of the Kansas Cooperative Council. Since 1944, our association has been representing the interests of cooperatives operating in Kansas. Our membership includes farm marketing and ag supply cooperatives, rural electric and telecommunications companies, insurance and risk management operations, credit unions and the Farm Credit system. Our farm marketing and ag supply co-ops are owned and controlled by agricultural producers and, in many of areas of the state, they will be water right holders. Thus, this bill is of interest to our association and our members.

My comments today will be brief and relate specifically to the paragraph beginning on page 4, line, 38. That language would sunset recognition of the domestic production deduction. We view this original provision as one designed to spur domestic economic activity and encourage business growth and development – the very things that policymakers appear to be striving for here in Kansas. Thus, eliminating that will, in our opinion, encourage production activities to move out-of-state. In the ag cooperative arena, we believe it would cause some grain deliveries to move across borders into neighboring states. We certainly caution against removing this exemption.

Thank you for your consideration. If you have any questions regarding our position on this issue, please feel free to contact me.

Leslie J. Kaufman
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