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Senate Taxation Committee
Testimony in Opposition to SB 48: Pertaining to Tax Incentives for Qualifying Pipelines
Submitted on behalf of Williams and TransCanada
By Ron Gaches
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Thank you Chairman Donovan for this opportunity to comment on Senate Bill 48, a proposal to eliminate the property tax abatement incentive created for Qualifying Pipeline Property. I'm appearing today on behalf of TransCanada, owner/operator of the Keystone Cushing Extension Pipeline, and Williams, owner/operator of the Overland Pass Pipeline.

This abatement policy was part of a comprehensive energy investment incentives bill approved by the Kansas Legislature in 2006. That bill was very broad in nature and offer targeted property and income tax incentives to encourage investment in refinery modernization and capacity, modernization of electric generation facilities, ethanol production, and construction of qualifying pipeline projects. The descriptions for qualifying pipeline projects were met by the Cushing Extension crude oil pipeline and the Overland Pass natural gas liquids pipeline.

Kansas has directly benefitted from the capital investment and jobs created by both pipeline projects. When these pipelines are restored to the property tax base they will immediately becoming one of the largest property taxes payers in each of the counties where they are located. Further, these pipelines will continue to pay property taxes for decades to come. Each of these pipelines should have a useful life of 80 years or longer.

Both TransCanada and Williams recommend that the property tax abatement policy stay in place. Companies that are evaluating possible pipeline configurations base those cost evaluations on the tax policy that is in place in a state, not the tax policy that might result from an after-the-fact legislative effort. Among the many ways of applying property taxes to pipelines, the method used in Kansas, of placing an economic value on the pipeline as an operating system and apportioning a portion of that value as real estate in Kansas, results in significantly higher taxes than many other states. Although we have a very good location for pipelines, our location is not unique and competing projects have alternative routes available.

Energy processing at our natural gas liquids facilities and crude oil refineries has become a stable and strong contributor to the Kansas economy. The pipelines that feed these facilities are vital to future growth.

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