

To: Senate Assessment and Taxation Committee, Senator Donovan, Chairman

From: John Donley, Kansas Farm Bureau

Date: March 19, 2015

Re: **SB 261** – Imposing sales tax on sales of gas, electricity, heat and other fuel sources for production of heat and lighting for residential premises and agricultural use.

Chairman Donovan and members of the Committee, thank you for the opportunity to provide testimony in opposition to SB 261. My name is John Donley, and I am speaking today on behalf of Kansas Farm Bureau (KFB). KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

First, it is important to point out that Kansas Farm Bureau has clear policy supporting the sales tax exemptions that agriculture and other businesses and industries across the state currently have. Below is the policy of Kansas Farm Bureau:

“Kansas has appropriately created justifiable tax exemptions for agriculture, business, industry and many not-for-profit groups. This has been done to assist economic development and provide for competitiveness with our neighboring states. Existing exemptions should remain in place.”

The specific sales tax exemption being removed in SB 261 has a more costly impact on residential utility users than direct agricultural users. The agricultural exemption is actually quite minimal compared to the residential exemption because many of the utility purchases made under the agriculture exemption in KSA 79-3603(c) would also qualify for an exemption under the consumed in production exemption in KSA 79-3606(n). Therefore, KFB is more interested in this bill from an administration perspective. If the exemption in SB 261 were to be removed, agricultural producers would need to claim the consumed in production exemption. This can prove to be problematic because oftentimes the utilities are metered through the same meter as the residence of the farmer or rancher. Therefore, it is simpler to include the agricultural uses on the same meter in the same exemption.

Thank you for the opportunity to testify today, and I will stand for questions at the appropriate time.