



Since 1894

To: Senate Committee on Assessment and Taxation
Sen. Les Donovan, Chair

From: Aaron M. Popelka, V.P. of Legal & Governmental Affairs, Kansas Livestock Association

Re: **SB 261 AN ACT concerning sales taxation; relating to gas, electricity, heat and other fuel sources for production of heat and lighting for residential premises and agricultural use; imposing state sales tax thereon.**

Date: March 19, 2015

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.

Thank you, Chairman Donovan and members of the Committee, my name is Aaron Popelka and I am with the Kansas Livestock Association (KLA). KLA appears today as an opponent of SB 261.

KLA policy states: "The Kansas Livestock Association supports continued sales tax exemptions for inputs and livestock." This policy includes items like utilities that are used to operate a modern day farm or ranch.

SB 261 would remove the sales tax exemption on utilities used for residential and agricultural purposes. Specifically the repeal would include gas, electricity, and heat delivered through mains, lines or pipes; all sales of propane; and all sales of other fuels used for heat, for residential and agricultural purposes.

As farms and ranches have grown in size, they have become more reliant on energy to operate. Repealing the agricultural sales tax exemption on utilities would increase the cost of doing business without the ability of the farm or ranch to pass on the cost. Furthermore, removing the tax exemption for utilities could not come at a worse time in the agriculture sector. While agriculture has experienced success in previous years, in 2014 the U.S. Department of Agriculture (USDA) estimated that net farm income decreased over 16 percent. USDA is projecting an even larger decline of nearly 32 percent for 2015.

Removal of this sales tax exemption would not only increase the cost of operating a farm or ranch, but it would also increase the cost of living for farm families across the state. Most of the Kansas farms and ranches are family run and operated. In 2012 there were over 61,000 Kansas farms according to the 2012 USDA census. Of that number, only 2,584 farms were corporately

held, and of those, only 251 were non-family owned corporations. Less than one half of one percent of agricultural land is owned by non-family farm corporations.

The headquarters of a farm or ranch business is often the family farm residence where one gas or electric meter administers power to the home and farm-related buildings, like machine sheds and barns, that are directly used to support the business itself. As a result, farm families would get hit twice under this bill, once on their business and once on their home.

Thank you for the opportunity to submit testimony. KLA asks that the Committee oppose SB 261 and not allow the bill to advance from the Committee.