

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at
Chairperson

9:00 a.m./~~p.m.~~ on February 4, 1983 in room 519S of the Capitol.

All members were present ~~except~~

Committee staff present:

Wayne Morris, Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Bryan K. Whitehead, B.R.A.C.
Fred Allen, Kansas Association of Counties
Dean Jones, Lincoln County Custom Harvester
James Meinhardt, Wamego, Kansas
Gene Harter, Pottowatomie County
George Hieger, Pottowatomie County
Leona Edward, Jackson County
Paul Fleener, Kansas Farm Bureau
Dee Likes, Kansas Livestock Association
Becky Crenshaw, Committee of Kansas Farm Organizations

The meeting was called to order by the Chairman who announced that hearings are scheduled for House Bill 2042, which repeals the property tax exemption for farm machinery and equipment beginning in 1983, and House Bill 2048, which repeals the property tax exemption for business aircraft, beginning in the 1983 tax year.

Representative Jarchow, author of the legislation, appeared to give background on the legislation and the reasons why he introduced these bills. (Attachments I & II) In the course of his explanation, he stated that he would support uniform and equal assessment and taxation provided that all of the exemptions and classifications that have been imposed over the years were eliminated. He also stated that he would support legislation to repeal the exemption for industrial revenue bond property.

The Chairman presented a number of letters and telephone call messages in support of these bills that had been directed to him from a number of individuals who would have liked to be in attendance at the hearings, but were unable due to the weather. (Attachments III - XIII)

Bryan K. Whitehead, representing B.R.A.C., appeared in support of the legislation to repeal the property tax exemption of farm machinery and business aircraft. (Attachment XIV)

Fred Allen, Kansas Association of Counties, appeared in support of HB's 2042 and 2048. He quoted the Kansas County Platform, Item #9 which stated--"We oppose the granting of farm machinery, business aircraft, or any other exemptions that further erode the ad valorem tax base and recommend a study of existing exemptions in an attempt to arrive at a uniform and equitable method of taxation. We support a 'sunset' concept on all existing exemptions--". (Attachments XV & XVI)

Representative Clifford Campbell introduced Mr. Dean Jones of Lincoln County, who is opposed to returning farm machinery and equipment to the tax rolls within the state. (Attachment XVII)

James Meinhardt, a farm equipment dealer from Wamego, appeared in opposition to the repeal of the exemption on farm machinery.

Gene Harter, who farms near Westmoreland in Pottowatomie County, testified in support of leaving farm machinery in an exempt status from Personal Property Tax. (Attachment XVIII)

George Hieger, a farmer outside Wamego, appeared in opposition to reinstating the farm machinery to the tax rolls. His main concern was the fact that machinery that he had bought used, was being appraised, under the previous legislation, at a higher rate than his original purchase price.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 9:00 a.m.~~p.m.~~ on February 4, 1983.

Leona Edwards, Jackson County, Kansas, appeared in opposition of reinstating the farm machinery personal property tax and presented figures to validate the high assessment rates on her farm machinery. (Attachment XIX)

Paul Fleener of Kansas Farm Bureau, appeared in opposition to HB 2042 and stated that his organization is opposed to the repeal of the farm machinery exemption. (Attachments XX & XXI)

Dee Likes, Kansas Livestock Association, appeared in opposition to HB 2042. It is the belief of KLA that the farm machinery tax exemption, which just went into effect less than 30 days ago, should not be repealed. (Attachment XXII)

Becky Crenshaw, Legislative Agent for the Committee of Kansas Farm Organizations appeared in opposition to HB 2042 and stated that the Committee of Farm Organizations recommends that the House Committee on Assessment and Taxation not act favorably on this bill. (Attachment XXIII)

The meeting was adjourned.

DATE: Feb 4, 1983

GUEST REGISTER

HOUSE

ASSESSMENT & TAXATION
COMMITTEE

NAME	ORGANIZATION	ADDRESS
Leon B. Edwards	Family Farmer	Rt 2 Nayatta Ks.
Dale J. Edwards	Farmer	Rt 2 Nayatta, KS
Paul E. Fleener	Kansas Farm Bureau	Manhattan
Mike Beam	KLA	Topeka
Eugene H. Harter	Farmer	Westmoreland, ^{Route 1} Kansas
George J. Hieger	Farmer	Wamego Ks.
Gene Meinhardt	FARM Equip DEALER	" "
Pop Don Ryzar	self	Onaga Kansas
Dean Phelps	Farmer	Minneapolis, Ks
Phil Mart	PVD	Topeka
Bill Edds	REVENUE	79
Dean M. Jones	Farmer	RR 1 Lincoln Kansas
Cliff Campbell	legislator	
Steve Kocosh	Tax.	AD
Richard Kelsey	Farmer	Rossville, Ks 66533
Scott Kelsey	Farmer	Rossville Ks 66533
Ken Caches	KACI	TOPEKA
Al Rush	Highway Bd.	Topeka
John Meit	KLA	Topeka
_____	KAR	Topeka
Mary Ella Simon	Topeka Hb. of Women Voters	Topeka
Rain Myers	Cap-Journal	
Bert _____		

HOMER E JARCHOW
 REPRESENTATIVE, NINETY FIFTH DISTRICT
 SEDGWICK COUNTY
 2121 WEST DOUGLAS
 WICHITA, KANSAS 67213



TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 MEMBER: ASSESSMENT AND TAXATION
 COMMERCIAL AND FINANCIAL
 INSTITUTIONS

FEBRUARY 4, 1983

MR. CHAIRMAN -- MEMBERS OF THE COMMITTEE

I APPRECIATE VERY MUCH THE OPPORTUNITY TO APPEAR ON HOUSE BILL NO. 2042 WHICH PROPOSES TO REPEAL LAST YEARS EXEMPTION OF FARM MACHINERY AND EQUIPMENT.

SOME BACKGROUND - SEVERAL WEEKS AGO I HAD THE PRIVILEGE OF SPEAKING BEFORE A GROUP OF COUNTY APPRAISORS. SEVERAL OF THE APPRAISORS WERE FROM RURAL AREAS WHERE THE EXEMPTION WAS CREATING A MONUMENTAL PROBLEM BECAUSE OF THE LARGE SHIFTS BETWEEN TAXING CLASSIFICATION AND THE RELATED ADMINISTRATIVE PROBLEMS. I WAS ASKED BY SEVERAL OF THE APPRAISORS TO INTRODUCE A REPEALER BILL. I PROMISED TO CONSIDER SUCH AN INTRODUCTION BECAUSE PROPER HEARINGS WERE NOT GIVEN ON LAST SESSION'S BILL PRIOR TO ITS PASSAGE. ALSO, I HAD REMEMBERED READING ABOUT OPPOSITION TO THE EXEMPTION BILL IN THE KANSAS COUNTY PLATFORM SUBMITTED BY THE KANSAS ASSOCIATION OF COUNTIES.

ALTHOUGH I DO NOT ALWAYS AGREE WITH COUNTY AND CITY OFFICIALS THEY CERTAINLY HAVE SOME ADMINISTRATIVE PROBLEMS WITH THE "BULL IN A CHINA CLOSET" PASSAGE OF LAST YEARS EXEMPTION OF FARM MACHINERY AND EQUIPMENT. THE NUMEROUS INTERIM COMMITTEE BILLS, THE TAX COMMITTEE IS CURRENTLY CONSIDERING, CAN ATTEST TO SOME OF THE PROBLEMS. MORE FIXES WILL PROBABLY BE NEEDED.

I AM AMAZED WHEN WE IN THE LEGISLATURE MAKE A 40 MILLION DOLLAR EXEMPTION AND RELATED SHIFTS WITHOUT BATTING AN EYELID AS TO THE EFFECT ON THE PEOPLE WHO HAVE TO PICK UP THE TAB. THESE SHIFT SHAFTS DON'T SEEM TO BOTHER THE LEGISLATIVE MAJORITY IN THE LEAST - MAYBE WE JUST ELECT TO IGNORE THEM. GOVERNMENT DOES NOT SPEND LESS BECAUSE OF EXEMPTIONS - WHERE FARM MACHINERY AND EQUIPMENT OWNERS WILL BENEFIT YOU CAN BE ASSURED THAT SOME OTHER DEPRESSED TAXPAYERS WILL BE HURT. AND WE DO ALL THIS SHIFT SHAFTING FOR THE

PUBLIC WELFARE. THATS HOW IT NORMALLY APPEARS IN THE NEWS MEDIA.

SEDGWICK COUNTY SHAFTEES ARE NOT HURT MUCH BY THIS EXEMPTION. BUT I CAN ASSURE YOU THAT I GET DAMN MAD BY THIS TYPE OF ACTION WHEN IT HAPPENS ANY PLACE IN KANSAS. THE PEOPLE OF KANSAS DESERVE BETTER TREATMENT FROM US. THEY DESERVE PROPER HEARINGS - BOTH SIDES INCLUDING THE PEOPLE WHO GET SHAFTED.

BUT MY MAJOR CONCERN AND WHAT REALLY CAUSED ME TO INTRODUCE HOUSE BILL NO. 2042 IS MY CONCERN ABOUT THE STEADY EROSION OF OUR PROPERTY TAX BASE. YOU WHO HAVE BEEN ON THE TAX COMMITTEE IN PAST YEARS KNOW MY CONCERN IN THIS AREA. THIS WILL BE OUR FIRST MAJOR EXEMPTION OF EQUIPMENT - WHAT WILL BE NEXT - MANUFACTURING, CONSTRUCTION, ETC. IN MY OPINION, THIS EXEMPTION IF ALLOWED TO REMAIN WILL OPEN PANDORA'S BOX AND THE STEADY EROSION WILL START AS IT HAS WITH OTHER CLASSIFICATIONS OF PROPERTY.

WE HAVE A CONSTITUTION WHICH STATES THAT PROPERTY TAXES SHOULD BE UNIFORM AN EQUAL. THIS SAME CONSTITUTION SPECIFICALLY EXEMPTS CERTAIN CLASSIFICATIONS OF PROPERTY. THEN WE HAVE A LARGE VARIETY OF STATUATORY EXEMPTIONS - THE LATEST OF WHICH WE ARE DISCUSSING TODAY. DID OUR PREDECESSORS WHO ESTABLISHED THE CONSTITUTION INTEND THAT WE MAKE ALL THESE STATUATORY EXEMPTIONS ALL IN THE NAME OF THE PUBLIC WELFARE? HOW CAN AN EXEMPTION BE FOR THE PUBLIC WELFARE WHEN GOVERNMENT EXPENDITURES CONTINUE AND OTHER TAXPAYERS MUST PICK UP THE TAB? IT SOUNDS RATHER BASIC BUT SHOULDN'T ALL EXEMPTIONS BE BY A CHANGE TO THE CONSTITUTION? IN MY OPINION, THEY SHOULD.

IT IS MY HOPE THAT WE CAN HAVE A CLASSIFICATION RESOLUTION PASSED THIS SESSION THAT WILL NOT FURTHER ERODE OUR TAX BASE BY GOING FROM A 30% ASSESSMENT TO A 0% ASSESSMENT. MY VERSION OF A CLASSIFICATION RESOLUTION INTENDS THAT FARM MACHINERY AND EQUIPMENT SHOULD BE PRICED FROM AN "AS IS" MANUAL AND ASSESSED AT A 10% RATE.

ARE THERE ANY QUESTIONS?

Homer

STATE OF KANSAS

HOMER E JARCHOW
REPRESENTATIVE, NINETY FIFTH DISTRICT
SEDGWICK COUNTY
2121 WEST DOUGLAS
WICHITA, KANSAS 67213



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER ASSESSMENT AND TAXATION
COMMERCIAL AND FINANCIAL
INSTITUTIONS

FEBRUARY 4, 1983

MR. CHAIRMAN - MEMBERS OF THE COMMITTEE

I APPRECIATE VERY MUCH THE OPPORTUNITY TO APPEAR ON HOUSE BILL NO. 2048 WHICH PROPOSES TO REPEAL LAST YEARS EXEMPTION OF BUSINESS AIRCRAFT.

MY COMMENTS WILL BE SHORT - I BELIEVE, BUT REALLY DON'T KNOW THAT THE BUSINESS AIRCRAFT EXEMPTION COULD VERY WELL HAVE BEEN A PIGGY BACK CONSIDERATION TO ALLOW THE PASSAGE OF THE FARM MACHINERY AND EQUIPMENT BILL. I KNOW OF NO OTHER REASON - CERTAINLY IT WAS NOT NEEDED BECAUSE OF HARDSHIP AS WE ARE TALKING ABOUT ONLY A 3 TO 5 MILLION DOLLARS EXEMPTION.

MY CONCERNS ON THIS BILL ARE THE SAME AS ON HOUSE BILL NO. 2042. I WAS TRYING TO GET A DEFINITE EXEMPTION AMOUNT ON THIS EQUIPMENT OR THERE WOULD HAVE JUST BEEN ONE BILL.

ARE THERE ANY QUESTIONS?

ATTACHMENT II (2-4-83)

Homer

February 3, 1983

1:30 p.m.

From: Russell Rothgib
County Commissioner
Elk City, Kansas
(316) 642-6232

Reference: HB 2042 and HB 2048, hearings scheduled for February 4, 1983

Mr. Chairman:

Mr. Rothgib will be unable to attend the hearings scheduled on Friday. He however, wanted you to know his position in regard to the two bills scheduled for those hearings. He is in favor of putting both farm machinery and business aircraft back on the property tax rolls. But only if both bills are to be passed!

ATTACHMENT III

(2-4-83)

February 4, 1983

8:25 a.m.

From: Donald Koontz
County Commissioner
Anderson
(913) 448-3271

Reference: HB 2042, hearing scheduled for February 4, 1983

Mr. Chairman:

Mr. Koontz will be unable to attend the hearing on HB 2042, but would like you to be aware of his opinion. The Anderson Commissioners are in favor of this bill but would prefer a different method of taxing the farm machinery and equipment than existed before the exemption.

February 4, 1983

8:38 a.m.

From: David O. Smith
Chairman of the Board
Miami County Commissioners

Reference: HB 2042 and HB 2048, hearings scheduled for February 4, 1983

Mr. Chairman:

Mr. Smith will be unable to attend the hearings scheduled for today because of a previous commitment. However, he requested that the committee be apprised of the Miami County Commissioners position in regard to these two bills. They are in 100% support of these two bills. Mr. Smith also requested the information be conveyed to you that the change in taxing of mobile homes is costing them about 50% in valuation.

At their Commissioners convention in November, of the 258 voting members present, 256 voted in support of this change proposed.

TELEPHONE
913-726-3246

Jack R. Nicholson

April 20, 1982

308 CEDAR CREST DRIVE
ELLIS, KANSAS 67637

Mr. Richard Schmidt
House of Representatives
State Legislature
Topeka, Kansas 66612

Dear Richard:

I am writing to you in regard to HB-2425 which provides for the repeal of all livestock taxes on January 1, 1983 and of all farm machinery taxes on January 1, 1984.

I am informed this bill is now or will be in the House-Senate Conference Committee.

I believe the present taxes on farm livestock and machinery are unfair and a tremendous burden on the farmers who have been under so much economic pressure.

I hope you will work for and support this bill.

Yours truly

Jack R. Nicholson
Jack R. Nicholson

*One of the former owners of the
Ellis State Bank*

RICHARD R. SCHMIDT
STATE REPRESENTATIVE
R.R. 2 Box 64
Hays, Kansas 67601

ATTACHMENT VI

(2-4-83)

¹Orlan Buller is Professor of Agricultural Economics, Department of Economics, Kansas State University, Manhattan, KS 66506.

25 percent have 140 to 260 acres, and 22 percent have less than 140 acres. In each of these counties, one on the western border and one on the eastern border, there are great differences in farm size.

Another important consideration in equitably assessing farm values is the amount of land rented. Using 1974 census data for two counties Greeley and Linn, the tenure status of farms were: in Greeley County 21 percent of the farms were full owner type (with no land rented) and these farms had 15 percent of the farmland in the county. In Linn County 49 percent of the farms were full owner type and they had 35 percent of the cropland. So in both counties the full owner type were below average size. In Greeley County 28 percent of the farms were tenant type (operators owned no land farmed) and they rented 14 percent of the land in the county. In Linn County 9 percent of the farms were tenant type and they rented 7 percent of the farmland. In both counties the tenant farms were below average size. The remainder of the farms were part owners, 42 percent in Greeley County and 51 percent in Linn County; and they farmed 71 percent of the farmland in Greeley and 58 percent of the farmland in Linn counties. The part time owners were above average size in both counties.

The third consideration for farm unit appraisal are the differences in the mix of cash-crop and livestock enterprises on farms. Farms vary greatly in the numbers and type of livestock owned. Dairy cows tend to be more valuable than *beef cows; feeder cattle are more valuable than* weaned calves; cattle are more valuable than hogs, etc. Livestock numbers among farms varies greatly as can the numbers of certain types of livestock on the same farm from year to year.

Soils, soil productivity, and topography are important determinants of land value. Much of Western Kansas has very productive and deep Richfield, Keith, and Ulysses type soils. It also has much sandy soils that is suited for crops only if it is irrigated. Even in the western region the breaks in terrain and canyons suddenly change the level farmland into terrain and

RICHARD R. SCHMIDT
STATE REPRESENTATIVE
R.R. 2 Box 64
Hays, Kansas 67601

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Hays, Kansas 67601

Farm problems hard to reverse, farmers union president says

By Ray Hemman
Staff writer

MCPHERSON — There will be a higher percentage of loan foreclosures on farms in 1982 than any other time in the country's history, predicts George Stone, National Farmers Union president.

"The current situation will be hard to reverse," Stone said in an interview during the Kansas Farmers Union state convention over the weekend. "But if we don't reverse it, the country will be in a worse situation as far as food and fiber goes as it's ever been. We just cannot continue with the trend of less and less farms."

Earlier during the convention, Bob Bergland, secretary of agriculture under President Jimmy Carter, blamed the lack of an international grain compact on other wheat growing countries.

Stone didn't buy that answer.

"He (Bergland) mentioned the international grain compact during his speech," Stone said. "It was a big failure on the part of the U.S., not Canada, that we didn't settle on a grain compact. Canada, not the U.S., took the initiative on the urging of several senators from Northern states. We just don't have any interest on the part of farmers in the federal government."

That government apathy has led, in part, to the current problems in agriculture, he said. Those problems seriously threaten the family farm.

"Under the present system, the family farm cannot survive except for those families already having the land and wish to trade dollars for dollars," he said. "No family farm will be able to survive as far as making money."

Stone added that no younger person could afford to go out and borrow money for land, machinery and operating capital and then expect to even make the interest payments on the loan.

The NFU president pointed to Department of Agriculture statistics on return on equity, which is based on earnings.

"The return on equity from coal and oil was 21 percent in 1980," Stone said. "All manufacturing returned 13.9 percent. The textile industry, which has complained that things aren't very good for them, returned 8.9 percent. Farming, however, returned 1.9 percent. That was in 1980 and things are worse now."

"For example, the price of wheat was down in 1981 13 1/2 percent, the price of corn was down 31.6 percent, grain sor-

ghum was down 29.2 percent, soybeans was down 20.8 percent, the beef market was down 12 1/2 percent and the hog market was down 4.6 percent. In fact, the only farm commodity that was up was eggs. Eggs were up a whole 1.6 percent. There's no way under the sun you can make interest payments with prices like that much less the principle."

And all those drops occurred, he said, in a year with double-digit inflation and interest rates. Overall, the purchasing power of farmers was down 14 percent in 1981, Stone said.

Stone's comments were repeated during Saturday's convention luncheon when he addressed the delegates. The rather home-spun Oklahoman seldom joked with the group during the 45-minute speech.

Instead, he shook his head almost constantly at the statistics he brought the group.

"We don't owe it (the survival of the family farm) to ourselves," he told the group. "We owe it to the future generation. Consumers will suffer more in the long run if family farms are eliminated. The concern I have is for our children and grandchildren."

RICHARD R. SCHMIDT
STATE REPRESENTATIVE
R.R. 2 Box 64
Hays, Kansas 67601

1981 testimony

market value - 30,800
30 | 9067
90

067

Dean Jones R.R. 1, Box 170 Lincoln, Kansas 67455
Phone number: 913-524-4141

<u>ITEM</u>	<u>VALUATION DOLLARS</u>	<u>TAX DOLLARS</u>
1978 Massey Ferguson 750 Combine	\$9,067	\$777.84
House & 10 Acres in Lincoln County	4,690	402.31

Actual Fair Market Value

1978 Massey Ferguson 750 \$37,500.00

Source: Dealer that has combine on his lot fixed up.

House & 10 Acres \$60,000

Source: Banker that has money loaned on house
Real Estate: Salesman

Taxes on combine in other states.

Haskell County, Texas	\$70.00 Taxes
Texas County, Oklahoma	313.74 Taxes
Anywhere in Nebraska	- 0 - Taxes

Source:

County Treasurer Haskell County, Texas
County Assessor Texas County, Oklahoma
Nebraska common knowledge

This is my total Property and Sales Tax for 1979 in Lincoln County

\$5,664.75

Tags and Titles 464.75

Included in this is 3 self-propelled combines and 3 grain trucks.

RICHARD R. SCHMIDT
STATE REPRESENTATIVE
R.R. 2 Box 64
Hays, Kansas 67601

1981 PROPERTY VALUES - STATE TOTALS

Percentage Each Class Compared to Total

	Assessments of <u>1981</u>	If Assessed Uniform & Equal	HCR 5030 As Amended by <u>House Comm.</u>
<u>Agriculture</u>			
Ag Non-Inv	.3	1.1	.6
Ag Inv	15.4	35.1	19.4
Farm Machinery	4.0	1.5	1.4
Irrigation	.4	.2	.1
Livestock	1.6	.6	.0
	<u>21.7</u>	<u>38.5</u>	<u>21.5</u>
<u>Commerce and Industry</u>			
Rural Ind. & Com.	1.3	2.9	4.0
Commercial	6.9	7.6	10.5
Industrial	.6	.8	1.0
Recreational	.0	.1	.1
<u>Rural</u>			
Mer. Inventory	.4	.2	.0
Mfg. Inventory	1.3	.5	.0
Office Equipment	.1	.0	.1
Equipment	.9	.3	.5
<u>Urban</u>			
Mer. Inventory	2.4	.9	.0
Mfg. Inventory	1.5	.5	.0
Office Equipment	.5	.2	.3
Equipment	1.7	.6	.9
	<u>17.6</u>	<u>17.1</u>	<u>17.4</u>
<u>Residences</u>			
<u>Urban</u>			
Residences	18.0	24.0	17.8
Multi-Family	2.2	2.4	1.8
<u>Rural</u>			
Homesites	1.1	2.3	1.7
Planned Subdivisions	1.3	2.1	1.6
	<u>22.6</u>	<u>30.8</u>	<u>22.9</u>
<u>State Assessed</u>			
Railroads	1.9	.6	1.0
Other	14.8	5.5	15.2
	<u>16.7</u>	<u>6.2</u>	<u>16.2</u>
<u>Other</u>			
Total Gas & Oil			
Production	16.3	6.1	16.8
Other	5.1	3.8	5.2
	<u>21.4</u>	<u>9.9</u>	<u>22.0</u>
GRAND TOTAL	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Kansas Legislative Research Department
February 25, 1982

Brotherhood of Locomotive Engineers

Kansas State Legislative Board



LEROY D. JONES
Kansas State Legislative Representative

12601 W 105th
Overland Park, Kansas 66215
Res. Phone (913) 492-4096

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I AM LEROY JONES, THE KANSAS STATE LEGISLATIVE REPRESENTATIVE FOR THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS. I AM HERE TODAY IN SUPPORT OF HB 2042 AND HB 2049.

WE BELIEVE THAT WHEN THE BILL WAS PASSED LAST YEAR TO EXEMPT FARM MACHINERY AND BUSINESS AIRCRAFT, IT WOULD MAKE A TAX BURDEN ON THE PEOPLE THAT I REPRESENT. FACE IT, WHEN YOU GIVE A TAX EXEMPTION, THE MONEY HAS TO BE MADE UP SOMEWHERE ELSE. WE DO NOT WANT TO HURT THE FARMERS IN KANSAS, BUT WE FEEL THAT THE TOTAL EXEMPTION WAS TOO MUCH OF A BLOW, TAX WISE, AT ONE TIME.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I HOPE YOU WILL SEE OUR SIDE OF THIS QUESTION AND VOTE FOR THE PASSAGE OF HB 2042 AND HB 2049. THANK YOU.

ATTACHMENT VII

(2-4-83)

JANUARY 1, 1983

DEAR LEGISLATOR:

I'M SURE THAT YOU WILL BE EXPOSED TO EXTREME PRESSURE TO RESTORE THE TAX ON FARM MACHINERY, AND I HOPE AND PRAY THAT YOU WILL HAVE THE INTESTINAL FORTITUDE TO RESIST ALL SUCH EFFORTS.

THE HUE AND CRY SET UP AT THE LOSS OF THIS REVENUE JUST EMPHASIZES THE PROOF OF HOW MUCH FARMERS HAVE BEEN FORCED TO OVERPAY THEIR FAIR SHARE OF THE TAX LOAD, - HOW THEY HAVE BEEN VICTIMIZED BY THE EXHORBITANT TAX IMPOSED ON THEM.

TO EVEN SUGGEST CONSIDERATION OF RESTORATION OF THIS TAX, ESPECIALLY AT THIS TIME OF EXTREME HARDSHIP OF FARMERS IN GENERAL - HIGH PRODUCTION COSTS - LOW PRODUCT PRICES, WOULD SHOW THE HIGHEST DEGREE OF CONTEMPT AND UTTER DISREGARD FOR FARM PROBLEMS.

I WOULD REMIND YOU THAT, I BELIEVE, THERE ARE NOW SOME 24 STATES THAT DO NOT TAX FARM EQUIPMENT AT ALL, AND SEVERAL MORE THAT LEVY ONLY A TOKEN TAX - A SORT OF FARM MACHINERY CENSUS.

IF THE ABOVE STATEMENTS HAVE NOT CONVINCED YOU TO, AT LEAST, ALLOW THE PRESENT LAW TO TAKE EFFECT, AND YOU ARE ADAMANT IN PURSUING ALL EFFORTS TO REINSTATE THIS GROSSLY DISCRIMINATORY TAX, THEN I WOULD ASK, EXPECT, EVEN DEMAND, THAT YOU ALSO IMPOSE A TAX ON JEWELRY, ANTIQUES, AND OTHER MEMORABILIA THAT PRODUCE NOTHING, AND CONTRIBUTE NOTHING TO THE ECONOMY.

I WOULD ALSO EXPECT YOU TO INCLUDE A PROVISION IN THE LAW TO ESTABLISH THE METHOD FOR ASSESSMENT OF VALUE FOR FARM EQUIPMENT, SUBJECT TO THE TAX. THIS PROVISION SHOULD STATE THAT SUCH VALUES SHALL BE TAKEN DIRECTLY FROM THE DEPRECIATION SCHEDULES OF FEDERAL INCOME TAX RETURNS, AND THAT NEVER AGAIN SHALL ANY ELECTED OR APPOINTED OFFICIAL BE ALLOWED TO ARBITRARILY ESTABLISH SUCH VALUES.

HOWEVER I'M CONFIDENT THAT YOU ARE COGNIZANT OF FARMERS PROBLEMS, AND THAT YOU DO APPRECIATE THE DILEMMA FARMERS ARE IN, AND THAT, IN ALL FAIRNESS, YOU WILL ALLOW THE EXEMPTION TO STAND UNCHALLENGED, SO THAT SUCH EXTREME MEASURES WILL NOT BE NECESSARY.

RESPECTFULLY,

TOM O. AKIN

rec'd 1-27-83

ATTACHMENT IX

SOUTHEAST DISTRICT
COUNTY LEGISLATIVE COMMITTEE
FRANKLIN COUNTY APPRAISER
OTTAWA, KANSAS 66067
913-242-2573

January 26, 1983

Representative James Braden, Chairperson
House Assessment & Taxation Committee
Room 112-S
State Capitol Building
Topeka, Kansas 66601

Re: Exemption from Taxation and Jr.
College Tuition

Dear Mr. Braden:

The S.E. District County Legislative Committee would like you to know that we support any Bill such as HB 2042 (Farm Machinery & Equipment Taxation) and HB 2048 (Exemption from Taxation) that would keep us from losing any further Ad Valorem tax base.

We also would like to see a Bill that would allow counties to pay out of County tuition after the course is completed. Many students sign up for a course and the County is billed and the student never finishes the course.

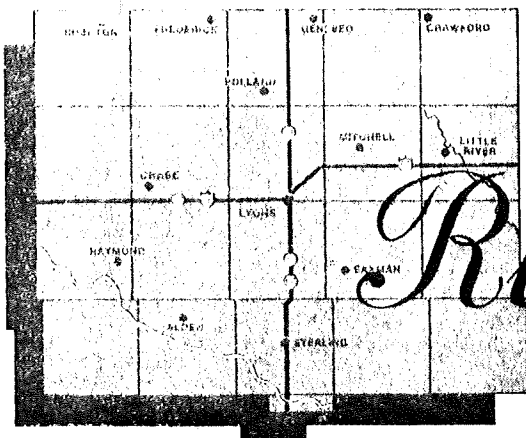
If you have any questions or comments please contact one of the following persons.

- Charles H. Clark, CKA, Franklin County Appraiser, 913-242-2573
- Jean M. Barber, Allen County Clerk, 316-365-7491
- D.O. Smith, Miami County Commissioner, 913-837-2521
- Betty McBride, Cherokee County Treasurer, 316-429-3848

Respectfully,



Charles H. Clark, CKA



Rice County

LYONS, KANSAS

January 17, 1983

Representative Homer E. Jarchow
House Chamber, Third Floor
Capitol Building
Topeka, KS 66612

Dear Sir;


We the Rice County Commissioners would favor the repeal of the farm machinery and aircraft exemption law.

We advocate the depreciation method for assessment that our KOC Association have recommended for many years.

Sincerely,


Cecil Johnson, Chairman


Howard Hodgson, Commissioner


Leo Campbell, Commissioner

MB/aa

GRAHAM COUNTY
HILL CITY, KANSAS 67642

ATTACHMENT XI

COMMISSIONERS

1ST DISTRICT · HAROLD H. KNOBEL
2ND DISTRICT · ROY L. VOSS
3RD DISTRICT · DARROL W. IRBY

January 18, 1983

COUNTY CLERK

DARLENE RIGGS

TELEPHONE NUMBER
913-674-5433

Gentlemen:

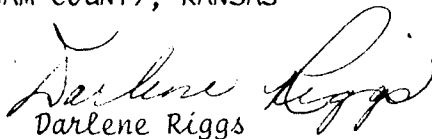
We received a letter from Representative Homer E. Jarchow of District 95 concerning his desire to repeal the bill passed last year in which farm machinery was to be exempt from taxation. We wish to emphasize to you that we agree that the farm machinery and equipment exemption should be repealed and urge you to do all that you reasonably can to accomplish this.

We are not aware of the names of other specific legislators that would be involved in committee actions for such repeal therefore would you please pass on to such parties our concern and desire to have this repealed.

Certainly feel free to show them this letter.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
GRAHAM COUNTY, KANSAS

By: 
Darlene Riggs
County Clerk

BCC/SW/dr

cc/ Homer E. Jarchow

ATTACHMENT XI

(2-4-83)

OFFICE OF

County Clerk of Wichita County

(316) 375-2731

Box 279

LEOTI, KANSAS 67861-0279

January 18, 1983

*Representative Homer E. Jarchow
House Chamber, Third Floor
Capitol Building
Topeka, KS 66612*

Honorable Sir:

The Wichita County Board of Commissioners are very concerned about the farm machinery exemption bill, and are unanimously in favor of the repealer bill you planned to introduce on Monday, January 17, 1983.

Your letter of January 13, 1983 was not received by my office until January 17, 1983, however the commissioners still wanted me to write and let you know they are 100% behind repealing the farm machinery exemption bill.

Thank you for your consideration.

Sincerely,

*Berneice Gilmore
Wichita County Clerk*

*recd
1-18-83*

OFFICE OF THE

McPherson

COUNTY COMMISSIONERS

POST OFFICE BOX 425

/

McPHERSON, KANSAS 67460

JOHN W. CASEBEER

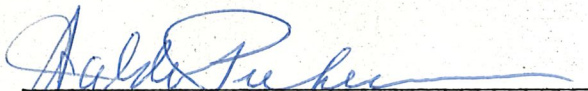
WALDO PREHEIM

John C. Magnuson

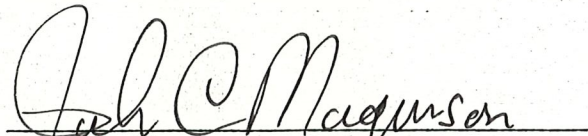
January 17, 1983

Representative James D. Braden
House Chamber, Third Floor
Capitol Building
Topeka, KS 66612

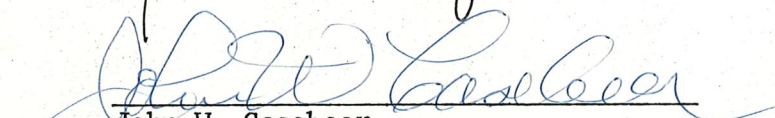
We the undersigned County Commissioners support the repeal of K.S.A. 1982 Supp. 79-201i, 79-201j and 79-201l relating to the exemption of farm machinery and equipment therefrom. Provided accompanying legislation allowing for a constitutional amendment to provide classification is a part of the entire legislation.



Waldo Preheim, Chairman



John C. Magnuson, Member



John W. Casebeer

ATTACHMENT XIII (2-4-83)



**BROTHERHOOD OF RAILWAY, AIRLINE AND STEAMSHIP CLERKS,
FREIGHT HANDLERS, EXPRESS AND STATION EMPLOYES**

AFL-CIO — CLC

KENNETH O. RICHARDSON
Regional Legislative Director
1010 Lavaca Street, Suite 308
Austin, TX 78701
Office Phone: (512) 472-6719
Home Phone: (512) 441-7404

BRYAN K. WHITEHEAD
Assistant Regional Legislative Director
4917 Haskell
Kansas City, KS 66104
Phone: (913) 287-9062

Topeka, Kansas, February 3, 1983

STATEMENT OF

BRYAN K. WHITEHEAD

KANSAS LEGISLATIVE DIRECTOR

FOR THE

BROTHERHOOD OF RAILWAY AND AIRLINE CLERKS

IN RE:

HOUSE BILL NO. 2042

AND

HOUSE BILL NO. 2048

PRESENTED AT HEARING

BEFORE THE

HOUSE ASSESSMENT AND TAXATION COMMITTEE

Topeka, Kansas

February 4, 1983

ATTACHMENT XIV

(2-4-83)

HOUSE BILL NO. 2042 AN ACT relating to property taxation; requiring taxation of farm machinery and equipment;

HOUSE BILL NO. 2048 AN ACT relating to property taxation; requiring taxation of business aircraft;

Mr. Chairman, and members of the Committee, my name is Bryan Whitehead and I am the Kansas Legislative Director and a Regional Representative for the Bro. of Railway & Airline Clerks union representing over 8,000 employed and unemployed and retired members residing in Kansas.

Because of a conflict in Mr. McGlothlin's schedule, I will also represent the United Transportation Union this morning. The UTU has approximately 7,000 members in Kansas.

We rise in support of House Bill No. 2042 which proposes to repeal the farm machinery and equipment personal property exemption enacted by the 1982 Legislature.

We also support House Bill No. 2048 which proposes to repeal the personal property tax exemption for business aircraft.

And, to be consistent, Mr. Chairman, we will also support any bill or amendment proposing to repeal the Intangibles Tax "local option" and re-impose the 3% tax uniformly statewide.

If these exemptions are not repealed, over \$50 million in property taxation is going to be shifted from owners of farm machinery and equipment, airplanes, and intangibles wealth to taxpayers who own nothing but a car and a house!

With a depression level of 73,000 Kansans unemployed and hard-pressed to pay even their current real and personal property taxes, I respectfully suggest that H.B. 2042 and H.B. 2048 deserve to be debated on the floor of the House and I urge a favorable Committee recommendation.

Mr. Chairman, I appreciate this opportunity to express my views on this most important and controversial legislation. If I have raised any questions or failed to make my position clear, I will certainly try to respond to questions.

Thank you.

Bryan K. Whitehead
BRYAN K. WHITEHEAD,
Kansas Legislative Director,
Bro. of Railway & Airline Clerks

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

February 4, 1983

To: House Assessment and Taxation Committee

From: Kansas Association of Counties

Re: HB 2042, Repeal of Exemption on Farm Machinery
HB 2048, Repeal of Exemption on Business Aircraft

We wish to call your attention to the Kansas County Platform, Item #9 which states-- "We oppose the granting of the farm machinery, business aircraft, or any other exemptions that further erode the ad valorem tax base and recommend a study of existing exemptions in an attempt to arrive at a uniform and equitable method of taxation. We support a 'sunset' concept on all existing exemptions --"

This is and has been, a concept supported by counties for many years and we encourage your favorable action on these two bills.

ATTACHMENT XV

(2-4-83)

KANSAS

County Platform

Kansas Association of Counties, Inc.

ATTACHMENT XVI

(2-4-83)

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

1982 - 1983

OFFICIAL STATEMENT OF POLICY

This Statement of Policy was adopted by conference action at the annual Kansas Association of Counties meeting in Wichita on the 16th day of November, 1982. It is the means through which the counties of Kansas make known their common aims and purposes and move together for the improvement of local government.

This Statement of Policy represents the foundation upon which the counties will build their 1983 State Legislative Program. It does not attempt to set forth the counties position on many of the specific bills which may be considered by the Legislature during the coming session. However, it does set forth basic principles and policies which will serve as a guide for action by legislative committees and county officials.

.....A platform for building better county government in Kansas.....

MEMBERS OF THE BOARD:

Elected Board:

Beverly Bradley, Douglas County Commissioner, President
Ralph Unger, Decatur County Commissioner, Vice-President
Jim Baxendale, Grant County Engineer
Gayle Landoll, Marshall County Clerk
Tom Scott, Sedgwick County Commissioner
Charles Sellens, Russell County Commissioner

Association Presidents:

Richard Davis, Osage County Treasurer
Linda Fincham, Marshall County Register of Deeds
Dan Harden, Riley County Engineer
Betty Laubhan, Russell County Clerk
Gary Smith, Shawnee County Appraiser
Paul Weidner, Haskell County Commissioner

Staff:

Fred D. Allen, Executive Secretary
Rosemary O'Neil, Administrative Assistant
Barbara Beach, Secretary

FINANCE AND TAXATION -- To improve the financial status of counties and to provide relief to the property taxpayer, we recommend the following-

(a) We support a home rule local option tax lid approach, whereby the elected board could adjust the state-imposed tax lid according to local conditions, subject to voter petition for a referendum.

(b) We support an increase in state motor fuel taxes to raise an estimated \$160 million annually, with 50 percent allocated to the special city and county highway fund.

(c) We support an expansion of the state-local revenue sharing plan and recommend that this fund be annually financed by the use of two and one-half percent of the total state income tax revenue and one and one-half percent of the total state income tax revenue. Current formulas relative to distribution should not be changed.

(d) Local governments should be exempt from the payment of the motor fuels tax.

(e) Because the special bridge fund is being called upon to finance increasing numbers of bridge replacements, we urge the Legislature to remove this fund from the aggregate tax lid.

2. SALES TAX -- We support a two percent increase in state sales tax with fifty percent returned to local governments under existing formulas.
3. COURT COSTS -- Inasmuch as courts are a state function, we oppose the financing in part of this service to the people by a tax on property and request the assumption of court costs by the state.
4. COURT FEES -- We request a further review of the statutes relating to court fines and fees and recommend additional adjustments to provide for retention of funds by the county to offset increased county costs brought about by traffic regulations and the new DWI laws.
5. PROSECUTION COSTS -- We request state reimbursement to counties for the cost of prosecution and defense of indigent defendants, as well as prosecution and subsistence of prisoners held in county facilities in connection with prosecution for crimes.
6. DEBT LIMITATIONS -- The debt limitations for counties as provided in K.S.A. 10-301 et seq no longer parallel the needs at the county level and are frequently by-passed by special legislation. We request a legislative review and update of these statutes.
7. INDUSTRIAL REVENUE BONDS -- We request that the statutes regulating the issuance of industrial revenue bonds be amended to provide for more input from counties when the issue relates to improvement in unincorporated areas.
8. ROAD IMPROVEMENT BONDS -- Counties should have authority to issue bonds for road and highway purposes similar to the authority of cities in K.S.A. 12-614 and the limitations in K.S.A. 68-521 and 68-1106 should be removed or increased.

9. EXEMPTIONS -- We oppose the granting of the farm machinery, business aircraft, or any other exemptions that further erode the ad valorem tax base and recommend a study of existing exemptions in an attempt to arrive at a uniform and equitable method of taxation. We support a "sunset" concept on all existing exemptions and oppose the passage of legislation without the opportunity for public input at committee hearings.
10. STATEWIDE REAPPRAISAL -- We strongly urge counties to continue efforts to maintain property values at an equalized level with state assessed property and generally oppose a reappraisal directed and administered by the state.
11. COMPUTERIZED ASSESSMENT ROLLS -- We strongly oppose the installation usage and control of a centralized state computer system of assessment rolls.
12. SOIL MAPS -- Recognizing the need for an updating of the values of real property we request that the Soil Conservation Service soil mapping program be accelerated.
13. LIVESTOCK -- State laws should provide for the assessment of all livestock by average inventory method.
14. COUNTY BOARD OF EQUALIZATION -- We oppose the erosion of the role of the county governing board as a board of equalization.
15. STATE MANDATES -- We strongly oppose the imposition of additional mandatory functions or activities, on local governments by the state unless the state also provides funds other than ad valorem taxes to finance such functions.
16. PUBLICATION OF CLAIMS -- We continue to request that all statutes relating to legal publications be reviewed and made uniformly applicable to all governmental entities.
17. SPECIAL BENEFIT DISTRICTS -- Existing statutes relating to benefit district improvements in counties are so diverse and fragmented that more than one can apply to the same situation. We therefore request that the general improvement assessment laws presently covering incorporated cities be expanded to cover counties as well and the existing laws now applicable to counties be repealed.
18. ANNEXATION -- We request that all annexations be approved by the county commissioners as well as the City Governing Board, unless written request is made for annexation by land owner or owners.
19. PETITIONS -- We request a change in protest petition statutes to provide for a uniformity of procedural regulations and signature sufficiency.
20. COUNTY VEHICLE REGISTRATION -- We request legislation allowing counties to purchase vehicle registration and license tags which are non-renewable and nontransferrable for county vehicles.
21. CLARIFICATION OF LAWS -- Laws prescribing the authorities of county elected and appointed officials relating to budget spending, personnel and personal liability should be clarified to eliminate confusion and conflicts.

22. CODIFICATION OF STATUTES -- We request the initiation of a general ongoing program for the codification and clarification of outdated and obsolete statutes relating to cemetery districts, drainage districts and townships.
23. COUNTY EMPLOYERS -- We request a change or clarification of statutes relating to Public Employee Organizations designating the county governing board of their designated agent(s) as the official representative or the county for collective bargaining purposes.
24. COUNTY RECORDS -- We support revision of the statutes governing the retention and disposal of county government records to provide more appropriate requirements for specific types of records.
25. MENTAL HEALTH -- We urgently request and recommend that the state aid for community mental health centers be increased to the extent authorized by the 1974 Legislature in K.S.A. 65-4401 et seq.
26. REGIONAL AGENCIES -- We continue to support present law allowing the local option to membership and oppose granting governing or taxing authority to such commissions. We support the state financial assistance for such regional agencies.
27. EXTENSION COUNCIL BUDGETS -- K.S.A. 2-610 should be amended to provide for the approval of the Extension Council Budget by a majority of the County Governing Board and a study made of existing statutes relating to the budgetary expenditure of county funds.
28. COMMUNITY COLLEGE TUITION PAYMENTS -- We request to pay tuition only on verified completion of prescribed courses in our community colleges.
29. VANDALISM -- We request a codification of laws relating to vandalism of highway signs and a provision added declaring the possession of such signs by unauthorized persons to be illegal.
30. WATER -- We support concepts that will increase the availability of water in Kansas.
31. RETIREMENT BENEFITS -- Whereas current home rule authority exists to provide for county law enforcement and fire department personnel to be covered by the Kansas Police and Firemen's Retirement System we oppose all state mandates for this change in retirement coverage.
32. 911 EMERGENCY COMMUNICATIONS -- We request an amendment to K.S.A. 12-5304 (b) to allow for the expenditure of the exchange access charge for any services relating to emergency communications.
33. DOG LICENSES -- We request an amendment to K.S.A. 19-2230 authorizing the county governing board to set the licensing fees for dogs.

Dean M. Jones
RR 1 Box 170
Lincoln, Kansas 67455

Occupation: Farmer, Custom Harvester

My Harvest stops are in Munday, Texas; Adams, Oklahoma; Eads, Colo.; Lindon, Colo.; Geraldine, Montana; Ringling, Montana; Patterson, Washington.

I have no stops in Kansas. I make my income in other states and bring this income to Kansas. I trade my combines in Kansas. Most of my trucks and equipment are purchased in Kansas. I thought that last year the legislature had exempted agricultural equipment from personal property taxes so I continued to make my home in Kansas. If I were to live in Oklahoma, trucks would cost me \$54.00 for tags and no personal property taxes. Combines would cost me approximately \$250.00 to \$450.00 in personal property taxes, depending on year and model. If I were to live in Texas, truck tags would cost me approximately \$300.00, combine would cost \$80.00 a year in personal property taxes. In Oregon, \$50.00 a year for a truck tag and NO personal property taxes on either combine or truck and no sales tax. In Kansas, \$686.00 to \$1020.00 per year for a combine in personal property taxes. For a truck, \$400.00 to \$600.00 in personal property taxes, depending year and model. For a truck tag, \$65.00 a year

If I am to continue living in Kansas and compete with custom harvesters from other state we must have some relief from all of these taxes

Farming is Kansas' major industry. Why is it that some Kansans insits upon hurting its young form operators by trying to put the property tax back on farm machinery?

The young farmer generally is heavy with machinery and livestock and owns very little farm ground and probably has to custom harvest or farm to make ends meet. So with the way things now stand, he doesn't stand a chance.

The taxes on Machinery is at a full 30% of 100%, as are the taxes on cattle.

Lincoln County-30% valuation

Year	Cattle	Mills	Tax Dollars
1968	\$40.00	\$51.74	\$2.07
1982	<u>\$69.00</u>	<u>\$85.82</u>	<u>\$5.92</u>
	17.3% more	166% more	285% more than 1968

Taxes for 1982

Ten acres with house, buildings - \$457.42. Approx. Value \$68,000.00

850 Massey Ferguson Combing - \$1020.00. Approx. Value \$39,500

In Lincoln County the farmers have 18.8 % of the net income and pay 65.3 % of the property taxes.

Eugene H. Harter
Rt 1
Westmoreland, Kansas 66949
Feb. 4, 1983

To: House Tax Committee

I wish to testify to this committee on behalf of leaving farm machinery in an exempt status from Personal Property Tax.

In my opinion the basis for determining the value of farm machinery has been confusing and ambiguous. An example; I had a 1971 tractor that was valued at \$3930.00 on my 1978 Personal Property Statement, on my 1980 Personal Property Statement this same 1971 tractor was valued at \$5115.00. This is a 30% plus increase while the tractor was two years older. I did not set the value on this tractor, it was set by County Assessor's using State guidelines. My example is not unique, this same type of inconsistent evaluation on farm machinery has been state wide.

I would like to make it clear that I am not opposed to paying my fair share of taxes. To elaborate on this I would submit that farmers represent approximately 10% of the population of Kansas. These farmers make 4.4% of the taxable income in Kansas and these same farmers pay over 18% of the Personal Property Tax in the state of Kansas.

Agriculture is a competitive business, but it is difficult to be competitive if you are operating with a handicap. To explain this handicap I submit to you that 25 states have no Property Tax on farm machinery and one state 'Iowa' is phasing out all Personal Property Tax and currently has a \$175,000.00 Personal Property exclusion. The following is a partial list of states that have no personal property tax on farm machinery or livestock: Colorado, Nebraska, Illinois, Minnesota, Ohio, Wisconsin, North Dakota, South Dakota, Michigan, Tennessee, Kentucky, Alabama & Louisiana. As you can see these are agricultural states comparable to Kansas and their farmers have a tax advantage over me and my fellow Kansas farmers. As I mentioned above 25 states have no farm machinery Property Tax and 35 states do not have a Property Tax on Livestock.

In closing I would suggest some taxes to replace this lost revenue. I would support an income tax on my school district. I also support and Intangibles Tax because it is a tax on earned money. If I make money I am willing to pay taxes.

Thank You for your time and consideration.

Sincerely

Eugene H Harter
Eugene H Harter

Meeting 313 South at 9.00

Assessment and valuation of

(Room 519)

South Entrance

Opinion of Bill

ATTACHMENT XIX

(2-4-83)

	1967	1968	1976	1977	1978	1979	1980	1981
1966-2510 (new)	741.00	975.00	300.00	315.00	1970.00	1410.00	2800.00	2900.00
1966-4020 (new)	1246.00	1525.00	500.00	560.00	2965.00	2215.00	4815.00	4985.00
1967-4020 (used)				715.00	2850.00	2780.00	5145.00	5200.00
1976-4430				4530.00	14805.00	13920.00	12650.00	12,090.00

1982 January Cesset Devised

1966-2510 =	741.00	then	2690.00
1966-4020 =	1246.00	then	4610.00
1967-4020 =	1106.00	then	4840.00
1976-4430 =	5294.00	then	9960.00

1982

1978-7706 Comber 13,745.00 then \$29,394
Bought used

Machinery jumped
\$43,661 just from one
back to another.

*Overhead
May 1980*

1982 Purchased used cornhead Paid \$9525.00
Paid Assesment → \$6140

Purchased 1981 4640

Assesment at 23,610.00
Cab 1130.00

\$24,740.00

The Kansas Farm Machinery Tax Exemption

The exemption from the ad valorem property tax of farm machinery and equipment actually and regularly used in farming and ranching operations will constitute an incentive to agriculture . . . will improve the general economy of the state . . . is deemed to be a public purpose which will promote the general welfare of the state and be for the benefit of the people of the state.

PURPOSE CLAUSE, H.B. 2425

TAXATION OF FARM MACHINERY

On January 1, 1983, farm machinery and equipment will be exempt from personal property taxes in Kansas.

Why, in 1982, did the Kansas Legislature pass and the Governor sign the farm machinery exemption? First and foremost, farm machinery taxation has been a major issue for more than six years. Escalating farm machinery valuations have been the hottest tax controversy in Kansas. It might have been the most visible and nagging tax issue facing the Kansas Legislature.

Since farm machinery and equipment was about the only class of personal property which was really assessed at the statutory 30 percent rate, it was paying more than its fair share of the Kansas tax burden.

The legislature made repeated attempts to allow depreciation of farm machinery, or to reduce its value in line with other property. Repeated legislative attempts to solve the problem were either vetoed by the Governor, or were declared unconstitutional by the Kansas Supreme Court.

The Kansas Constitution calls for a uniform and equal rate of assessment and taxation. The statutes require the appraisal of all taxable property at its fair market value in money. Generally speaking, however, fair market value appraisal was applied only to farm machinery. Finally, in its quest to achieve a greater degree of tax equity for Kansans the legislature decided the only constitutional way to come to grips with the farm machinery problem was to completely exempt the property from taxation.

For three consecutive years, prior to the 1982 session, the Kansas Legislature passed bills dealing with the farm machinery problem. Percentage reduction, depreciation measures, and others were all tried. The 1982 legislative session took a course of action which was courageous and constitutionally permissible.

Kansas Attorney General Bob Stephan indicated, "I believe the legislature has responded to the constitutional flaws identified by the Kansas Supreme Court in previous bills partially exempting farm machinery, and those flaws do not exist in the current bill. Indeed, if challenged I would defend the constitutionality of HB 2425."

Attorney General Stephan made this additional observation regarding the farm machinery and equipment exemption:

"For the last three years I have consistently advised that I believe it permissible to properly exempt farm machinery and equipment from property taxation if the legislature determined that such an exemption was based on the purpose of promoting the general welfare. In HB 2425 the legislature has recognized the importance of agriculture to the Kansas economy. It has recognized the current plight of the Kansas farmer, and based upon those findings it has declared that it is in the public interest to exempt farm machinery and equipment from property taxation."

TAXATION IN OTHER STATES

Kansas is not unique in exempting farm machinery and equipment from personal property taxation. There are 24 states that exempt farm machinery from property taxation, and 33 states that exempt livestock. Six other states have reduced appraisals, exempted a portion of the value, or are in the process of phasing out property taxes on farm machinery.

In addition to the 33 states that completely exempt livestock from the property tax, five other states tax livestock at a rate lower than other property.

Some states exempt inventories of merchants and manufacturers, and several exempt intangible property from taxation.

FARM INCOME AND PROPERTY TAXES

Farmers and ranchers comprise approximately 10 percent of the Kansas population, but farm income averages only 4.4 percent of the total Kansas personal income.

Taxes are paid out of income. Agriculture, with 4.4 percent of the personal income, (corporate income not included), is responsible for more than 18 percent of the property taxes in Kansas.

HOUSE BILL 2425

What does the legislation adopted by the 1982 Session of the Kansas Legislature really say? What does it mean? What did the legislature believe to be the "public purpose" in exempting farm machinery and equipment? What kinds of farm machinery and equipment did the legislature intend to exempt from property taxation?

In unmistakably clear language the Kansas Legislature described the public purpose and the extent of the farm machinery and equipment exemption:

"Kansas, and all its citizens, will benefit from any improvement in the economic environment of Kansas agriculture. The exemption from the ad valorem property tax of farm machinery and equipment actually and regularly used in farming and ranching operations will constitute an incentive to agriculture and will improve the general economy of the state. Considering this state's heavy reliance on agriculture, the enhancement of agricultural endeavors is deemed to be a public purpose which will promote the general welfare of the state and be for the benefit of the people of the state.

"The following described property, to the extent specified by this section, shall be exempt from all property or ad valorem taxes levied under the laws of the State of Kansas:

"All farm machinery and equipment. The term "farm machinery and equipment" means that personal property actually and regularly used exclusively in farming or ranching operations. The term "farm machinery and equipment" shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer."

QUESTIONS AND ANSWERS ON FARM MACHINERY EXEMPTION

When does the exemption of farm machinery become effective?

The exemption becomes effective after December 31, 1982. Remember that taxes on farm machinery assessed on January 1, 1982 must be paid in December, 1982, and in June, 1983. Therefore, there will be no immediate revenue loss and local officials will certainly have sufficient time for planning future operations.

Will county commissioners and other local government officials be able to finance necessary governmental services in 1984 and beyond?

Yes!

There are several avenues open for local officials. The first way is to become more efficient. Some have already cut the "fat" in their operations. Increased mill levies, where necessary, can be accomplished by one of two methods. County officials can, by "charter resolution," exceed the levy limits now prescribed by statute. Secondly, the 1983 legislative session will provide the legislature with an opportunity to examine and to increase where necessary appropriate levy limitations for some services and functions of government financed by the property tax.

What about financing elementary and secondary education?

The farm machinery exemption has not caused, and will not cause a problem in the financing of elementary and secondary schools. Unified school districts operate under budget restrictions and authority granted by the legislature through the SDEA - School District Equalization Act. Mill levies against taxable property sufficient to meet the budget are established by locally-elected school board members.

School mill levy increases for 1982-83 school year are not the result of the exemption of farm machinery.

Who will pay additional taxes if mill levies are increased?

All remaining classes of taxable property will share in any mill levy increase. **Example:**

If the farm machinery exemption causes a revenue loss to local units of government of, say, \$200,000, and if the county is typical of most rural agricultural counties, which have approximately 50 percent of total valuation in agricultural real property, then \$100,000 of the revenue will be made up by increased mill levies on agricultural land owned by farmers and ranchers. The other \$100,000 will be made up by other forms of taxable property in the county, i.e., residences, commercial and industrial property, utilities, etc.

Does the farm machinery tax exemption really mean a tax relief for farmers?

You bet it does!!

It is also true that mill levies on agricultural real property may increase. For someone who is purely a landlord - someone who owns no farm machinery - there is likely to be a tax increase. For someone who is predominately renting agricultural land and owns only farm machinery there will certainly be a tax reduction. For the majority of Kansas farmers and ranchers who own their operation, and who own the usual amount of farm machinery with which to operate it, a lower total tax bill will be realized.

What kinds of farm machinery, or, asked another way, WHOSE farm machinery is exempt under the new law?

The legislative construction of the Act purposely left out any reference to **ownership** and defined farm machinery as "that personal property actually and regularly used exclusively in farming or ranching operations." Legislative intent as we understood it when the bill was passed, was to provide an exemption for all generally recognized farm machinery and equipment, **including**, all above-ground irrigation equipment, and custom combining equipment.

Has the Kansas Legislature made other exemptions for previously taxable property?

Yes.

Household furnishings were exempted in 1963. The "Freeport Law" was passed at about the same time. This exempts certain inventories being warehoused in the state. Merchants were granted a 40 percent reduction in their cost of goods in determination of taxable value on their inventories.

Intangibles, which are a true measure of wealth, are now exempt statewide, and local units have to reimpose the tax if they want to retain it. In addition, there are a number of port authority properties, religious, educational, hospital and health-related exemptions. Property built and equipment purchased with Industrial Revenue Bond money is exempt from paying property taxes for 10 years.

Are personal property taxes considered an equitable and easily administered tax?

No.

Personal property taxes - especially those that have been paid on farm machinery - are almost impossible to administer fairly. Increasingly, legislators are coming to believe that the personal property tax defies equity because it is frequently a tax on honesty and often becomes a negotiated tax between the assessor and the assessed.

Will farmers and ranchers have to file for the farm machinery and equipment exemption granted by the legislature?

Current Kansas law requires some exempt property to file for an exemption granted by the legislature. Some other exempt properties ARE NOT required to file. The Kansas Legislature could add farm machinery and equipment to the statutory list of properties which are not required to file for an exemption, or a simplified filing could suffice for the Property Valuation Division and the State Board of Tax Appeals.

FARM MACHINERY TAX EXEMPTION

H.B. 2425

"I believe the legislature has responded to the constitutional flaws identified by the Kansas Supreme Court in previous bills partially exempting farm machinery, and those flaws do not exist in the current bill. Indeed, if challenged I would defend the constitutionality of H.B. 2425."

Attorney General Bob Stephan

The material in this publication has been prepared by the Kansas Livestock Association and the Public Affairs Division of Kansas Farm Bureau in order to:

- ★ Present Factual Information
- ★ Allay Fears, and
- ★ Expose Myths

Concerning the exemption of
farm machinery from
property taxation

Distributed as a Public Service by:



Kansas Farm Bureau

and affiliated companies



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 KANSAS AGRICULTURAL MARKETING ASSOCIATION
 KANSAS FARM BUREAU MERCHANDISING, INC.

HOME OFFICE: 2321 ANDERSON AVENUE, MANHATTAN, KANSAS 66502 (913) 537-2261

July 1, 1982

FARM MACHINERY & LIVESTOCK TAXATION

<u>STATE</u>	<u>FARM MACHINERY</u>	<u>LIVESTOCK</u>
Alabama	Exempt (1978)	Exempt (1978)
Alaska	Taxed	Taxed
Arizona	Taxed	Taxed
Arkansas	Taxed*	Taxed**
*Assessment at 20% of current value. Much of Farm Machinery in Eastern Arkansas is not reported. Arkansas is going through court ordered reappraisal.		
**Assessment at 20% of current value; Tax is on breeding stock only.		
California	Taxed*	Exempt** (1980)
*Taxed at 1% of current market value.		
**Tax only bulls and stud race horses.		
Colorado	Taxed*	Taxed*
*Both are now assessed at 5% of value. Proposal on November '82 ballot to completely exempt both Farm Machinery and Livestock from taxation.		
Connecticut	Taxed*	Exempt
*Exemption of \$10,000 and hope to increase that exemption to \$50,000. Assessment is at 70% of market value.		
Delaware	Exempt	Exempt
Florida	Taxed*	Exempt (1982)
*Farm machinery is appraised at 85% of purchase price, then depreciated for 5 years down to a floor of 30%.		
Georgia	Taxed*	Taxed**
*Both Farm Machinery and Livestock are assessed at 40% of appraised value.		
**Breeding stock on farms January 1 is the only livestock taxed.		
Hawaii	Exempt	Exempt
Idaho	Taxed*	Exempt (1971)
*Appraised at market value less depreciation; mill levy applied to assessed value but tax cannot exceed 1% of assessed value.		
Illinois	Exempt (1971)	Exempt (1979)
Indiana	Taxed	Taxed
Iowa	Taxed*	Exempt (1972)
*All taxes on personal property (includes Farm Machinery) were to be phased out by 1980. However, the complete exemption has been delayed until 1989. The present exemption on personal property is \$175,000.		

FARM MACHINERY & LIVESTOCK TAXATION (CONT'D)

<u>STATE</u>	<u>FARM MACHINERY</u>	<u>LIVESTOCK</u>
Kansas	Exempt (1-1-83)	Taxed*
*Swine, sheep and goats under 6 months of age; horses, mules and cattle under 12 months of age are exempt. Other livestock are appraised according to a 5 year moving average agreed to in annual meetings of P.V.D., county appraisers and livestock owners, and then assessed at the statutory assessment rate of 30%.		
Kentucky	Exempt	Exempt
For the farmer in Kentucky there has been no property tax on Farm Machinery or Livestock for 20 years. A constitutional provision requires a tax on all property except churches. The Legislature has set the rate of 1/10 of one percent per \$100 valuation and since the rate is so low, no tax is collected except on the most valuable race horses.		
Louisiana	Exempt	Exempt
Maine	Taxed*	Exempt
*First \$10,000 of assessed value is exempt. Appraisal is supposed to be at 100% of market value, but in actual practice the 100% of value is not enforced.		
Maryland	Exempt (1964)	Exempt (1964)
Massachusetts	Taxed	Taxed
Michigan	Exempt (1965)	Exempt (1965)
Minnesota	Exempt (1967)	Exempt (1967)
Mississippi	Exempt*	Exempt*
*Both Farm Machinery and Livestock have been exempt for 40 years.		
Missouri	Taxed*	Taxed**
*Property is to be appraised at its "true value" and assessed at 33 1/3%, but Farm Machinery valuation is "anybody's guess". Depends upon the local appraiser, but is far below "true value".		
**Livestock are also appraised far below "true value" and assessed at 33 1/3%.		
Montana	Taxed	Exempt
Nebraska	Exempt (1978)	Exempt (1980)
Nevada	Taxed	Exempt*
*Phase out by 1984.		
New Hampshire	Exempt (Never had a tax)	Exempt (1970)
New Jersey	Exempt (1976)	Exempt (1976)
New Mexico	Taxed*	Taxed**
*Appraised at purchase price and depreciated over 10 years; down to 12½%; assessed at 33 1/3%.		
**Appraisal determined by Property Tax Division in meeting each year and assessed at 33 1/3%.		
New York	Exempt	Exempt
North Carolina	Taxed	Taxed
North Dakota	Exempt	Exempt
Ohio	Exempt (1973)	Exempt (1973)

FARM MACHINERY & LIVESTOCK TAXATION (CONT'D)

<u>STATE</u>	<u>FARM MACHINERY</u>	<u>LIVESTOCK</u>
Oklahoma	Taxed*	Taxed*
*Farm Machinery & Livestock are assessed between 9% and 15% of appraised value. Oklahoma has problems with getting all Farm Machinery and Livestock reported to the assessor. Attempt will be made to remove both from tax rolls in the 1983 session of the Oklahoma Legislature.		
Oregon	Exempt* (1980)	Exempt* (1980)
*10 year phase out on both Farm Machinery and Livestock; completely exempt in 1980.		
Pennsylvania	Exempt	Exempt
No personal property tax in Pennsylvania.		
Rhode Island	Taxed	Taxed
South Carolina	Exempt* (1978)	Exempt (1976)
*Only self-propelled machinery is taxed. Self-propelled machinery is depreciated 20% per year and assessed at 5%.		
South Dakota	Exempt (2-1-79)	Exempt (2-1-79)
Tennessee	Exempt*	Exempt*
*Assessment of Farm Machinery & Livestock is to be at 5%. It is not practical to incur the expense of collecting the tax. Therefore there has been no tax on Farm Machinery & Livestock.		
Texas	Taxed*	Exempt** (1982)
*Constitutional amendment will be voted upon Nov. 2, 1982 to exempt Farm Machinery.		
**Constitutional amendment already adopted exempted livestock, 1-1-82.		
Utah	Taxed*	Taxed**
*Farm Machinery is assessed at 20% of market value.		
**Livestock taxes on breeding stock only. Nov. 2, 1982 election will have a constitutional amendment to allow the Legislature to exempt all livestock from property taxes.		
Vermont	Exempt (Prior to 1933)	Exempt*
*Livestock exempt by local option in 1964; complete exemption in 1971.		
Virginia		
No state program of taxation of Farm Machinery and Livestock. Taxation policy is determined by each of the 93 Virginia counties. 27 counties completely exempt Farm Machinery and 39 counties completely exempt Livestock. Many more counties have only a small tax on Farm Machinery and Livestock.		
Washington	Taxed*	Exempt**
*Taxed 1% per \$1,000 of market value for both Farm Machinery and Livestock.		
**Ten year phase out of tax -- no tax after 12-31-82.		
West Virginia	Taxed*	Taxed*
*Farm Machinery and Livestock are assessed at 60% of value and taxed at the ratio of 50¢ per \$100 of assessed value (same rate of tax as intangible property). Farmland and residential property are taxed at the rate of \$1.00 per \$100 of value. All other property outside of municipalities at \$1.50 per \$100. Other property inside municipalities at \$2.00 per \$100 of value.		
Wisconsin	Exempt*	Exempt (1982)
*Farm Machinery was exempt long ago and Livestock was exempted 1-1-82.		
Wyoming	Taxed*	Exempt (1978)
*Assessed at 25% of 1967 value.		



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Statement of the
Kansas Livestock Association
to the
House Committee on Assessment & Taxation
Rep. Jim Braden, Chairman
with respect to
Farm Machinery Taxation
HB 2042
Presented by
Dee Likes
Executive Secretary, Feedlot Division
February 4, 1983

Mr. Chairman and members of the committee, the Kansas Livestock Association strongly opposes HB 2042. The Kansas Livestock Association does not believe that the farm machinery tax exemption, which just went into effect less than 30 days ago, should be repealed.

By now everyone should be knowledgeable about the multitude of past problems associated with the assessment and taxation of farm machinery and, therefore, I don't intend to go into great detail about all the problems and frustrations that led us to the point of completely exempting farm machinery from personal property taxation. You already know the hassles in administering the farm machinery tax; the examples of older machinery which was rapidly wearing out receiving large valuation increases, etc., etc. Farm machinery and equipment was never given the same type of treatment as other business machinery and equipment. Nearly every other type of business equipment is, in fact, valued on some type of depreciation schedule. Yet that same treatment was always denied for farm machinery and equipment. We are all too familiar with the unrest that increasing farm machinery valuations caused for farmers, county officials and state legislators. The Property Valuation Department, the state legislature, agricultural organizations and others all tried various solutions to alleviate the problems. These remedies, however, were always either vetoed or struck down by the courts. Finally, the legislature exercised the only option it had left -- total exemption.

We believe the farm machinery tax exemption is justifiable and that the legislature did the right thing by passing House Bill 2425 during the 1982 session.

It's ironic that many of the same county officials who just a scant few years ago were complaining to their legislators about the inordinately high valuations on farm machinery are now complaining that the farm machinery tax exemption will erode their local tax base. It's true that the farm machinery tax exemption will eliminate a portion of the county tax base and other classes of property which remain on the tax rolls -- including agricultural land -- will have to make up the difference. I ask the committee to remember that farm machinery was one of the only classes of personal property which was really being assessed at 30% of full market value. In fact, many individuals contend it was being assessed at 30% of an appraised value which was even higher than its actual market value. My point is that the impact of the farm machinery exemption would have been much, much smaller if farm machinery valuations and farm machinery taxes had not been allowed to increase to levels which were inequitably high in comparison to other property. Frankly, the amount of tax burden reallocation which will now occur in some counties simply serves to point out how unfair and how excessive farm machinery taxes have been in the past.

Let's talk for a moment about who will pay an increased share of taxes if mill levies are increased. Again, the answer is simple -- all remaining classes of taxable property will share in the mill levy increase. It's amazing that we hear so many reports of county commissioners telling farmers and ranchers they will not benefit from the farm machinery tax exemption because they'll only end up paying more taxes on their agricultural land. The ironic thing about those statements is that when the county officials presented testimony to the interim committee they were bemoaning the huge tax break which accrued to farmers! Well, we know one thing for sure, it can't be both ways. For example, if the farm machinery exemption causes a revenue loss to local units of government of, say, \$200,000 and if the county is typical of most rural agricultural counties, which have approximately 50% of their total valuation in agricultural real property, then \$100,000 of the revenue will be made up by increased mill levies on agricultural land which is owned by farmers and ranchers. The other \$100,000 will be made up by other forms of taxable property in the county, i.e. residences, commercial industrial property, utilities, etc. We fully realized during the lobbying effort on the farm machinery tax exemption last year that those who own only agricultural land and no farm machinery would receive a tax increase. On the other hand, those farmers who owned very little or no real property and thus had most of their assessed valuation in farm machinery and equipment, would receive a larger than normal tax decrease. However, for the other 80 or 90% of operating farmers and ranchers in Kansas who own both agricultural real property and the usual amount of farm machinery with which to operate it, a lower total tax bill will be realized.

In the case of school districts we believe that locally elected school board members have the authority to establish mill levy increases on taxable property that will be sufficient to meet their budgets. In the case of local units of government which operate under tax lids and levy limitations, the House of Representatives is currently working a package of bills which will address and alleviate that problem.

We are honestly amazed and disappointed that we've heard so much grumbling about the farm machinery tax exemption and so little concern has been expressed about other property tax exemptions. Household furnishings were exempted in 1963. The "Freeport Law", which exempts certain inventories being warehoused in the state, was also passed during the early 1960's. Merchants are granted a 40% reduction in their cost of goods in the determination of the taxable value on their inventories. Intangibles, which are a true measure of wealth, were granted a statewide exemption and local units must reimpose the tax if they want to retain it. In addition, there are a number of port authority properties, religious, educational, hospital and health related exemptions. Property built and equipment purchased with Industrial Revenue Bond money is exempt from paying property taxes for ten years. Even though "in lieu of payments" are sometimes negotiated these amounts rarely, if ever, approximate the revenues which would have been collected if the property had not received favorable tax treatment.

It seems a little odd to us, that many of the same county officials who are jealously complaining of the farm machinery tax exemption have not reimposed the intangibles tax and consistently, in meeting after meeting, year after year, grant property tax reductions to IRB property.

If HB 2042 should ever be seriously considered by this legislature or any of its committees, and if the legislators supporting these bills desire to be consistent, I would suggest they ought to be willing to lend their support to bills which would 1) reimpose the intangibles tax statewide; 2) place household goods and effects on the personal property tax rolls; and 3) provide that Industrial Revenue Bond property must pay its full share of property tax.

Mr. Chairman and members of the committee, the Kansas Livestock Association respectfully recommends that HB 2042 not be passed favorably by this committee. Furthermore, we suggest that the committee devote some of its hearing and discussion time to examining the need to exempt livestock from personal property taxation in this state.

Testimony of the
COMMITTEE OF KANSAS FARM ORGANIZATIONS

with respect to

House Bill 2042

presented by

Becky Crenshaw
Legislative Agent

to

House Committee on Assessment & Taxation

Representative Braden, Chairman

February 4, 1983

Mr. Chairman and members of the committee, my name is Becky Crenshaw. I'm the legislative agent for the Committee of Kansas Farm Organizations, a coalition of 22 agricultural organizations representing Kansas farmers and ranchers on state legislative issues. Our committee certainly appreciates the opportunity to present our views on HB 2042.

Many of you may already know that the Committee of Kansas Farm Organizations takes positions on various legislative issues only when there is unanimous agreement within the Committee. I am here today to present the Committee's strongest recommendation that this committee not act favorably on this bill. We believe that repealing the existing farm machinery tax exemption would be a step backward.

Obviously, the taxation of farm machinery has been a controversial issue for a number of years. Time after time the legislature tried to remedy the inequities surrounding farm machinery taxes. After repeated legislative attempts to correct the situation were vetoed or struck down by the courts, the farm sector came to the conclusion that the only way to solve the farm machinery problem was to completely exempt it from taxes. I ask the Committee to remember that total exemption was the one solution that the legislature, the Governor and the Court were all willing to accept.

We fully realize there will be an adjustment period for some counties when the tax revenue from farm machinery is no longer available. A few counties placed an unusually heavy reliance upon farm machinery in their overall tax mix and their particular problems will be a little more difficult to solve. Keep in mind, however, that the average impact across the state is not tremendously great because farm machinery amounts to only a very small percent of total valuation in most counties. Adjustment periods have been necessary whenever any class of property has been exempted and we don't expect the current situation to be any different. The House Tax Committee is currently examining a package of bills to allow counties

and local units of government more flexibility to generate their needed revenue under existing tax lids and levy limitations.

As we look back to past legislative sessions, numerous proposals have been drafted attempting to aid the Kansas farmer. These proposals have ranged from easing credit for beginning farmers to legislating the price of agricultural commodities. The legislature probably can't do a lot in order to have a significant impact on the economic well-being of farmers and ranchers. I believe one major exception, however, is in the area of taxation. Because of the tax exemption for farm machinery granted during the 1982 session, however, some meaningful tax relief will be realized by agriculture during this tax year. This tax exemption will benefit a large percentage of operating farmers and ranchers. In addition, because beginning farmers typically own very little land but have fairly high investments in farm machinery, I can't think of any one single action the legislature could have taken which would lend more assistance to those entering this industry.

The special Committee on Assessment & Taxation which studied all property tax exemptions during the interim did not recommend the repeal of this exemption. The Committee of Kansas Farm Organizations agrees with that conclusion and we urge you to not pass this proposal.