

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 March 19, 1984 in room 519S of the Capitol.

All members were present except: Representatives King, Aylward and Ott who were excused.

Committee staff present:

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

Conferees appearing before the committee:

Richard Farris, Goodland, Kansas
John Blythe, Kansas Farm Bureau
Dee Likes, Kansas Livestock Association
Jim Deibert, Colby, Kansas
Senator Don Montgomery
Russell Sammons, Rooks County

Hearings were held on Senate Bill 589 which would amend K.S.A. 1983 Supp. 79-201j, the farm machinery exemption statutes, to include within the definition of "farming or ranching activity" the performing of custom grain cutting for hire. The bill would also exempt farm machinery that is leased pursuant to a lease-purchase agreement that requires the payment of property taxes by the lessee.

Richard Farris, a custom harvester from Goodland, testified in support of Senate Bill 589. (Exhibit I)

John Blythe, Kansas Farm Bureau, spoke in support of Senate Bill 589.

Dee Likes, Kansas Livestock Association, testified in support of Senate Bill 589 and presented two proposed amendments to the bill. (Exhibit II)

Jim Deibert, Thomas County custom harvester, spoke in support of Senate Bill 589. (Exhibit III)

Senator Don Montgomery testified in support of Senate Bill 589.

Russell Sammons, Rooks County custom harvester, testified in support of Senate Bill 589.

This concluded the hearings on Senate Bill 589.

Hearings were then held on Senate Bill 798 which would amend Kansas Income Tax Act. The changes are intended to streamline the administration of the Act by the Department of Revenue.

Bill Edds, Department of Revenue, reviewed the bill, section by section, with the members of the committee. He stated that Section 3 should be amended to delete the language as the Department is not comfortable with that section. (Exhibit IV)

T.C. Anderson, Executive Director for the Kansas Society of Certified Public Accountants, testified in support of the proposed amendment to delete Section 3.

Ron Gaches, Kansas Chamber of Commerce and Industry, also supported the proposed amendment by the Department.

The Chairman asked the committee to discuss Senate Bill 798 and Representative Robin Leach made a motion to strike the language in lines 84 to 92. Representative Schmidt seconded the motion.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m. ~~on~~ March 19, 19 84

Representative Frey made a substitute motion that Senate Bill 798 be tabled and Representative Crowell seconded the motion. The motion failed, 8-9.

Representative Rolfs made a substitute motion that Senate Bill 798 be reported favorable for passage and placed on the consent calendar. The motion died for lack of a second.

Representative Spaniol made a substitute motion that the second year of the income tax surcharge passed by the 1983 Legislature be stricken. Representative Rolfs seconded the motion.

Representative Frey made a motion that Senate Bill 798 be tabled and Representative Crowell seconded the motion. The motion failed.

The Chairman called for the vote on the substitute motion to strike the second year of the income tax surcharge. The motion carried.

The Chairman then called for discussion on Senate Bill 477 which would increase the forgiveness threshold from \$1 to \$5 for the income tax, inheritance tax, and the privilege tax on financial institutions. Payments or refunds of less than \$5 will not be required.

Representative Leach made a motion that Senate Bill 477 be reported favorable for passage and Representative Rolfs seconded the motion. Following committee discussion, Representative Leach withdrew his motion and Representative Rolfs withdrew the second.

The meeting was adjourned.

DATE:

3-19-84

GUEST REGISTER

HOUSE

ASSESSMENT & TAXATION
COMMITTEE

NAME	ORGANIZATION	ADDRESS
Richard G. Farris	Custom Harvester	Edson Kansas
David H. Ulrich	Custom Harvester + Farmer	Luray KS
Jim Daibert	Custom Harvester	Colby KANSAS
Paul Boych	Harvester	Lucas, Ks.
Glenn Daibert	Harvester	Hopie Kans
Sam Morgan	Custom Harvester	Monks, Pa.
Martin Waterman Jr.	Harvester, farmer	Colby Ks
Russell D. Hammond	Custom Harvester	LOGAN KS
Tom Phillips	Cooper's Valuation	Topeka
Dev M Jones	Custom Harvester	Lincoln, Ks.
Clifford V Campbell	fig.	Bellevue, Ks
Jack Roenbaug		Lewis Ks
John K. Plythe	KFB	Manhattan Kansas
Debra Wray Blythe		Manhattan, KS
Mike Beem	KCA	Topeka
Dee Fisher	"	"
Georgeann Hayes	Mil Scare	Kansas City, Ks
Dinger Latamie	Mil Scare	Malena, Ks
Brett W. White	" "	Topeka
Auren Roenbaug	Representative 114th Dis.	Lewis, Ks.
Amy Irene Sallagher	Gen. Agent	Larned Ks.
MR Jenkins	Speakers Office	Topeka
N. Zogelman	"	"

My name is Richard Farris. I have been a resident of Sherman County all of my life. My father started custom harvesting before I was born, our family has been involved in custom harvesting over 40 years. We have operated as Farris Brothers Inc. since 1980.

When the farm machinery exemption act was passed 2 years ago I assumed that my combines would be exempted as did most of the legislators that I have talked with since. The Board of Tax Appeals ruled that a "tie to the land" was necessary to be eligible for this exemption even though the conference committee re wrote the sentence that required ownership and changed it to use. Last week Judge Allen agreed with the board in their denial of the exemption to custom cutters. He also agreed with their denial of exemption to 2 Sherman County feed lots even though the owner of one has a large cow herd and owns about 25 sections of grass and owns over 50% of the cattle in his lot. The other Feeder farms over 7000 acres of land and owns over 50% of the cattle and raises over 70% of the grain that they feed. I mention these feedlot cases because the board ruled nearly opposite by granting an exemption to a Kearny County man for his equipment that he used to farm and harvest 1200 acres of rented land and 3200 acres on a contract basis.

There are many differences in application between counties with some exempting all combines, some requiring a minimal tie to the land, and some counties exempting only part of the machinery. In Sherman County there is over 200 combines, many of which do some custom work with a large number of them custom harvesting more acres than they harvest on their own land. My 4 combines and Orville Redlin's 2 were the only combines not exempted in Sherman County last year. This year Mr. Redlin left his combines in South Dakota where he owns farm land. Most cutters living in Kansas who thought they would not be exempted have moved their equipment out of state.

Twenty years ago the majority of custom harvesters were based out of Kansas. Today this is not the case as most have relocated to states with more favorable tax structures. Nebraska, Colorado, and Texas have no property tax on combines and the county that I harvest in in Oklahoma charges less than $\frac{1}{4}$ the amount that I pay in Kansas. The cost to license a large farm truck in Oklahoma is \$97 and this includes the property tax. Oklahoma also signs reciprocity agreements with any state that will do so thereby decreasing the cost of permits when operating our trucks in other states.

I employ 2 men full time and 5 men seasonally. Most of these men and myself are Kansas taxpayers. If I have to relocate my machinery I will have to relocate my full time help and myself and I would also employ more non-residents of Kansas. I would also be purchasing more of my repairs and equipment in other states. All of this adds up to decreasing agricultural activities with in the state of Kansas.

In November I paid \$6,732.80 property tax on my 4 combines and \$3,316.85 on my trucks and support equipment. If one also considers other taxes which are lower in Texas and Oklahoma, I could build a house and shop in either of those states and pay for them by savings in lower taxes alone. I would not be here today if I did not want to stay in Kansas, however these are the reasons that more cutters are leaving Kansas.

Exhibit I
3/19/84

2. I don't know that there is any difference between "operations" and "activity", but it certainly wouldn't hurt the bill. I do believe that I would use the plural-"activities" - if you're going to make that change;
3. Another possible amendment, without striking "exclusively in", would be to add after the word "activities" and before the period, "including, but not by way of exclusion, farm machinery and equipment owned and leased by the owner thereof for use by others in farming or ranching activities and farm machinery and equipment owned and used by the owner thereof in farming or ranching activities of others."

Exhibit II
3/19/84

In Thomas County there were 41 combines that left the county last year to harvest wheat on a custom basis. Twenty-two of these machines were taxed. Sixteen of them were considered farmer's combines and were exempt, and three were taken out of the state before the 1st of the year and were not taxed.

The point I am making is these farmers are in Texas, Oklahoma, Nebraska, Colorado, Montana, and the Dakotas competing with the cutters who pay taxes and it creates an unfair advantage. In my county personal property taxes alone cost me over \$1.00 per acre for every acre that I harvested. It is tough to compete with anyone who can always undercut you a dollar especially with the farm economy being what it is.

The farm machinery bill was passed to save farms from abandonment, but at the same time the government comes out with the PIK program which cut wheat acres in most areas from a third to a half. As such with less farm work to do a lot of the farmers sent their combines on the harvest trail to generate some extra income. Thus resulted more combines on less acres which resulted in less income for the custom harvester.

As a result there were a lot of cutters who had their combines repossessed or were unable to make the full payments due on the machines. They are only living by the grace of the banker or the finance company.

In our neighboring states of Texas, Nebraska, and Colorado custom combines are not taxed. Oklahoma has a rate of about half what Kansas does.

Cutters from these states also come into Kansas and cut in the same areas that we do thus creating an unfair advantage over cutters from Kansas.

The main and final point that I want to put across is that I do not mind paying my fair share but when people that do the same thing that I do and get by for nothing; it's just not right.

I do hope that you will give this bill your favorable consideration.



Jim Deibert Harvesting

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Colby Ks. 67701

Exhibit III
3/19/84