

Approved On: \_\_\_\_\_

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on April 4, 1985 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research  
Melinda Hanson, Legislative Research  
Don Hayward, Reviser of Statutes  
Millie Foose, Committee Secretary

Representative Patterson previously moved to have HB-2281, an act relating to taxation, considered for interim study. The motion carried. Representative Leach moved, second by Representative Smith, to expand Representative Patterson's motion and include a study of situs under sales tax law. The motion carried.

Representative Rolfs moved, second by Representative Aylward, that there be a comprehensive study of the property tax system so it could be coordinated and be more understandable for the tax payers. The motion carried.

Dr. Severn presented a memorandum giving nineteen examples of specific situations to afford the committee an opportunity to address them in the process of considering clarification of the farm machinery exemption. (Attachment 1) There followed a committee discussion of which situations would be exempt.

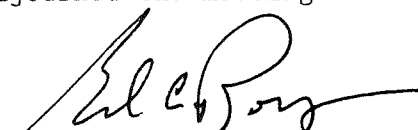
Representative Roe moved, second by Representative Smith. that SB-2583 be amended to include "operations shall consist of all agricultural endeavors and pursuits including the performing of work for hire in any agricultural endeavor or pursuit". (Attachment 2)

Representative Spaniol moved, second by Representative Van-crum, that a new section be inserted in HB-2583 which would exempt certain motor vehicles from taxation. (Attachment 3) The motion failed.

Representative Wunsch questioned Mr. Don Hayward as to whether or not the present bill would cover feed lots, and Mr. Hayward said that it probably would.

Representative Leach moved, second by Representative Fry. that the word "exclusively" be struck from line 27 and the word "statute" be struck from line 38, in HB-2583.

The chairman adjourned the meeting.

  
\_\_\_\_\_  
Ed C. Rolfs, Chairman

See Jm

4 April 1985

MEMORANDUM

TO: Representative Ed Rolfs, Chairman  
House Committee on Assessment and Taxation

FROM: Kansas Legislative Research Department

RE: Exemption of Farm Machinery (K.S.A. 79-201j)

The following examples are presented at your request to afford the Committee an opportunity to address specific situations in the process of considering clarification of the farm machinery exemption (K.S.A. 79-201j). As used in these examples, the term "farmer" includes "rancher."

Example 1. A farmer uses machinery owned by him in the course of operating his own farm or ranch.

Example 2. A tenant farmer uses machinery owned by him in the course of operating a farm or ranch on land that he leases.

Example 3. A farmer uses machinery leased by him in the course of operating a farm or ranch. The lease is for a fixed term, with the machinery returning to the lessor (dealer) at the end of the term (true lease arrangement).

Example 4. Same facts as in previous example except that the lease is for a fixed term, with the machinery belonging to the farmer at the end of the term (lease purchase arrangement).

Example 5. Two farmers use machinery owned by them in the course of operating their farms or ranches. Farmer A owns haying equipment and harvests all of the hay on both farms. Farmer B owns a combine and harvests all of the grain on both farms. The value of the exchanged services is nearly equal and no cash is transferred.

Example 6. Same facts as in previous example except there is more haying done than harvesting, and each year Farmer A receives some cash to reflect this.

Example 7. A farmer uses machinery owned by him in the course of operating a farm or ranch. In the face of an impending storm, he assists his neighbor in harvesting 40 acres and is paid the usual amount for this service.

Example 8. A farmer owns a combine for use in his own farm operations. Each year he uses the combine to harvest some additional grain for several neighbors and is paid the usual amount for such services.

Attachment 1 4/4/85

Example 9. A farmer owns a combine that he uses primarily to harvest grain for others, for a fee, but he also harvests some grain on his own farm.

Example 10. Same facts as in previous example except the farmer grows no grain on his own farm.

Example 11. A farmer (custom cutter) owns a combine that he uses to harvest grain for others, for a fee, but he conducts no farming operation of his own.

Example 12. Several farmers each own machinery that they use in a cooperative venture. Farmer A does the harvesting, Farmer B does the plowing and planting, and Farmer C does the haying. The value of these services is nearly equal and no cash is transferred.

Example 13. Same facts as in previous example except that each year the value of each service is determined and a cash settlement is made.

Example 14. A cooperative uses a special fertilizer and chemical applicator exclusively to apply products for the farmers in the area. The coop is paid for this service.

Example 15. Same facts as in previous example except the coop only sells its products when applied. The price of the product thus includes the application service.

Example 16. A farmer feeds or grazes primarily his own cattle but also feeds or grazes a few head of livestock for a neighbor, for a fee.

Example 17. A farmer feeds or grazes approximately the same number of livestock for others, on a fee basis, as he does for himself.

Example 18. A farmer feeds or grazes livestock exclusively for others, for a fee.

Example 19. A commercial feedlot feeds cattle exclusively for others and conducts no other farming operation.

# HOUSE BILL No. 2583

By Committee on Ways and Means

3-27

0017 AN ACT concerning the taxation of property; relating to the  
0018 exemption of farm machinery and equipment; amending  
0019 K.S.A. 79-201j and repealing the existing section.

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. K.S.A. 79-201j is hereby amended to read as fol-  
0022 lows: 79-201j. The following described property, to the extent  
0023 specified by this section, shall be exempt from all property or ad  
0024 valorem taxes levied under the laws of the state of Kansas:

0025 All farm machinery and equipment. The term "farm machinery  
0026 and equipment" means that personal property actually and reg-  
0027 ularly used ~~exclusively in any farming or ranching operations~~  
0028 ~~activity. The term "farming or ranching activity" shall include~~  
0029 ~~the performing of farm or ranch work for hire.~~ The term "farm  
0030 machinery and equipment" shall not include any passenger  
0031 vehicle, truck, truck tractor, trailer, semitrailer or pole trailer,  
0032 other than a farm trailer, as the terms are defined by K.S.A. 8-126  
0033 and amendments thereto.

0034 The provisions of this section shall apply to all taxable years  
0035 commencing after December 31, ~~1983~~ 1984.

0036 Sec. 2. K.S.A. 79-201j is hereby repealed.

0037 Sec. 3. This act shall take effect and be in force from and  
0038 after its publication in the statute book.

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KANSAS*

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operations

operations<sup>a</sup> shall consist of all agricultural endeavors and pursuits including the performing of work for hire in any agricultural endeavor or pursuit

4/4/85

Attachment 2

Proposed Amendment to HB 2583

After line 35, by inserting a new section to read as follows:

"New Sec. 2. 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:

For all taxable years commencing after December 31, 1984, all motor vehicles actually and regularly used exclusively in the conduct of a business or industry.";

By renumbering existing sections 2 and 3 as sections 3 and 4, respectively;

In the title, in line 18, after the semicolon by inserting "exempting certain motor vehicles therefrom;"