

Approved February 11, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at
Chairperson

10:15 a.m. ~~pm~~ on February 5, 1986 in room 423-S of the Capitol.

All members were present except: Senator Doyen (excused)

Committee staff present: Raney Gilliland, Research Department
Fred Carman, Revisor of Statutes Department

Conferees appearing before the committee: Tom Severn, Legislative Research Department
John Blythe, Kansas Farm Bureau
Ivan Wyatt, Kansas Farmers Union

Senator Allen called the Committee to order and called the Committees' attention to Committee minutes.

Senator Gordon made a motion the minutes for January 28 and 30 be approved. Senator Norvell seconded the motion. Motion carried.

The Chairman ask Senator Montgomery to explain S.B. 467.

Senator Montgomery explained S.B. 467 (attachment 1) was written in an effort to help agriculture in the state. He explained that hopefully the bill would help get farm land in the hands of some of the young farmers in the state. Senator Montgomery reviewed the bill section by section including who is eligible, who is not eligible, the income tax provisions for a purchaser of land, the seller of land, or for a renter of farm land and how to report it on the State Income Tax Form. The Senator ask for any suggestions that would improve the bill or be of help in giving agriculture a boost in Kansas.

The Chairman called on Tom Severn to discuss a fiscal note for S.B. 467.

Mr. Severn explained a fiscal note could not be made because there is no way of knowing how much land might be involved in the provisions covered by this proposed legislation. Mr. Severn explained that only \$5,000 a year under provisions of this bill could be used as a deduction on the State Income Tax; thus, at the tax rate of 4% a farmer would save \$200 and at 9% tax rate \$450 would be saved. He said on a gross income of \$40,000 the tax would be \$1,400 but under this bill the tax would be \$1,000.

During Committee discussion, Senator Montgomery concluded by saying this bill would not be a huge dollar bill but was a bill designed to help get some of the land back in the hands of farmers and would hopefully help stabilize land prices. He also agreed that the definition of a "Farmer" in lines 31 thru 34 of the bill may need to be changed.

The Chairman called on John Blythe next to testify.

Mr. Blythe handed copies of his testimony to the Committee (attachment 2). Mr. Blythe expressed support for S.B. 467 which would, in a small way, help agricultural borrowers.

The Chairman thanked Mr. Blythe and called on Ivan Wyatt to testify.

Mr. Wyatt gave copies of his testimony to the Committee and expressed support for S.B. 467 and the concept of the bill which is to help farmers that need help the most (attachment 3).

The Chairman thanked Mr. Wyatt for his testimony. The Chairman announced that the Kansas Bankers Association has a movie about the 1985 Farm Bill; a time will be scheduled later so the Committee may view the film. Senator Allen then adjourned the Committee at 10:45 a.m.

SENATE BILL No. 467

By Senators Montgomery and Allen

1-24

0017 AN ACT concerning income taxation; relating to modifications of
0018 Kansas adjusted gross income for the renting or selling of land
0019 to farmers.

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

0021 Section 1. For the purpose of this act: (a) "Farming" means
0022 the cultivation of land for the production of agricultural crops,
0023 raising of poultry, the production of eggs, the production of milk,
0024 the production of fruit or other horticultural crops, grazing or the
0025 production of livestock. Farming does not include the produc-
0026 tion of timber, forest products, nursery products or sod, and
0027 farming does not include a contract to provide spraying, har-
0028 vesting or other farm services.

0029 (b) "Farmer" means any person who:

0030 (1) Is a resident of this state;

0031 (2) receives more than $\frac{1}{2}$ of their income from farming,
0032 unless the person initially commences farming during the tax
0033 year for which a deduction will be claimed under the provisions
0034 of section 2;

0035 (3) intends to use any land that such person wishes to pur-
0036 chase or rent for farming;

0037 (4) has had adequate training, by experience or education, in
0038 the type of farming operation which such person wishes to begin
0039 on the purchased or rented land;

0040 (5) has, including such person's dependents and spouse, if
0041 any, a net worth of less than \$150,000, not including the value of
0042 their equity in their principal residence, the value of one per-
0043 sonal or family motor vehicle and the value of their household
0044 goods, including furniture, appliances, musical instruments,
0045 clothing and other personal belongings.

attachment 1
2/5/86 Sen. Ag.

0046 (c) "Landowner" means any individual, partnership, trust or
0047 estate owning land in this state, except that any individual,
0048 partnership, trust or estate that acquires such land for the pur-
0049 pose of obtaining the income tax deduction provided in section 2
0050 shall not be deemed to be a landowner.

0051 Sec. 2. (a) For the purpose of the Kansas income tax act, the
0052 Kansas adjusted gross income of a landowner means the land-
0053 owner's federal adjusted gross income for the taxable year with
0054 the modifications specified in this section. The modifications
0055 specified in this section are additional to the modifications
0056 specified in K.S.A. 79-32,117, and amendments thereto.

0057 (b) There shall be subtracted from federal adjusted gross
0058 income:

0059 (i) The amount of any gain realized from the sale of land
0060 consisting of 20 acres or more to a farmer, but if a gain is
0061 considered a long-term capital gain for federal income tax pur-
0062 poses, the modification shall be limited to that portion of such
0063 gain which is included in federal adjusted gross income, and, in
0064 no case shall an amount exceeding \$5,000 be subtracted pursuant
0065 to this paragraph in any tax year.

0066 (ii) The amount of income received, and otherwise subject to
0067 taxation for state income tax purposes, from the rental of land
0068 consisting of 20 acres or more by a landowner to a farmer under
0069 any agreement providing for a lease for at least three years, but
0070 no landowner may subtract more than \$5,000 pursuant to this
0071 provision in any tax year, nor may any landowner claim this
0072 deduction for agreements with more than one farmer for rentals
0073 on the same tract or parcel of land.

0074 (iii) The amount of rent paid by a farmer to a landowner
0075 pursuant to a rental agreement which qualifies the landowner for
0076 a deduction pursuant to paragraph (ii), not to exceed \$5,000 in
0077 any tax year.

0078 (iv) The amount of interest, not to exceed \$5,000 in any tax
0079 year, received on a contract for deed on the sale of land consist-
0080 ing of 20 acres or more to a farmer, but the contract for deed must
0081 be for a term not less than 15 years and the percentage rate of
0082 interest provided in such contract for the term of such contract

0083 shall not exceed a percentage which is two percentage points
0084 less than the percentage rate allowed on 90 day treasury bills on
0085 the date of execution of such contract.

0086 (c) The total amount of modifications allowable to any land-
0087 owner pursuant to paragraphs (i), (ii) and (iv) of subsection (b) in
0088 any taxable year shall not exceed \$5,000.

0089 Sec. 3. In order for a landowner to qualify for the modifica-
0090 tions specified in paragraphs (i) and (iv) of section 2, the land-
0091 owner shall file with the state income tax return a notarized
0092 statement from the farmer who purchased or rented land from
0093 the landowner. The statement shall contain a list of the assets,
0094 debts and net worth of the farmer, together with such other
0095 information as the director of taxation may require. The value
0096 placed on any real property located in Kansas shall be the
0097 amount listed as the true and full value on the most recent real
0098 estate tax statement for that particular piece of property. In order
0099 for a landowner to qualify for the modification specified in
0100 paragraph (ii) of section 2, the landowner shall certify on the
0101 state tax return that no rental arrangement with any other person
0102 was cancelled for the purpose of qualifying for the modification.

0103 Sec. 4. The provisions of this act shall be applicable to all
0104 taxable years commencing after December 31, 1985.

0105 Sec. 5. This act shall take effect and be in force from and
0106 after its publication in the statute book.



PUBLIC POLICY STATEMENT

Statement to:
SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS
Senator Jim Allen, Chairman

RE: Senate Bill 467
Topeka, Kansas
February 5, 1986

Presented by:
John K. Blythe, Assistant Director
Public Affairs Division
KANSAS FARM BUREAU

Mr. Chairman and Members of the Committee:

We appear before you today as a proponent of S.B. 467.

Our American Farm Bureau policy states in part: **"Farmers and ranchers need a variety of credit facilities to finance operating and ownership expenses. Special programs should be designed to specifically deal with the problems of young farmers and ranchers who are trying to get established."**

Federal legislation that would provide similar modifications of adjusted gross income would be much more helpful, but Kansas should do their part and we believe that S.B. 467, in a small way, will help finance agricultural borrowers.

Thank you Mr. Chairman and Members of the Committee.

*attachment 2
2/5/86 Sen. Ag.*

STATEMENT

by

Ivan W. Wyatt, President, Kansas Farmers Union

before

THE SENATE COMMITTEE ON AGRICULTURE

on

SENATE BILL-467

February 5, 1986

Mr. Chairman, Members of the Committee:

We rise in support of Senate Bill 467.

In the past we have seen proposals such as tax credit, accelerated depreciation, etc. that made parts of agriculture more profitable for tax purposes than for it's productivity, because the programs were not targeted to accomplish specific goals and purposes. The results being, they did little to benefit the bona fide farmer and the related rural towns and communities.

Senate Bill 467 appears to be different.

A recent K-State study indicates that 20% of the states rural communities' and towns' population will be displaced within the next five years if something isn't done.

No doubt many of that 20% will have to leave the state to find new opportunities. Many of those will be the youth of the state.

Senate Bill 467 appears to target and address this problem:

1. By targeting the program to those that are, or will be bona fide farmers and citizens of the community helping to benefit and maintaining rural towns. (net worth less than \$150,000 - excluding residence, family auto and household goods).
2. Another plus of Senate Bill 467 is the land doesn't have to be sold to benefit from the tax exemption, but can be rented or leased.

This would be an incentive for a retiring farmer to help a beginning farmer get started or to help to re-establish a farmer who may have lost his land to foreclosure.

For many years the Farmers Union has recognized the need for such a program that has been requested by retiring farmers.

In these times we are seeing numerous farmers out over the state who have lost their land but still have their machinery who would certainly qualify under Part 4, Section 1, line 0037.

*attachment 3
2/5/86 Sen. Ag.*

This is a good proposal to help keep farm families on the land that have hit upon hard times and should help slow the depopulation of the state's rural communities and towns.

Neither this bill nor any other single thing the state can do will totally solve the severe problems facing the agricultural community today; however, I hope the Kansas Legislature will do everything it can to help hold back the tide and preserve our family farm system until we can again return true prosperity to agriculture.

Thank you.