

Approved On: _____

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 9, 1988 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Crowell

Committee staff present:

Tom Severn, Legislative Research
Chris Courtright, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Representative Wunsch moved, second by Representative Roe, to introduce two bills that were requested by the Governor. The motion carried. (Attachment 1)

Tom. R. Tunnell, Executive Vice President of the Kansas Grain and Feed Association, spoke as a proponent of HB-2724 - AN ACT relating to property taxation; exempting certain grains received by the dealer. (Attachment 2) He then answered questions from committee members who requested additional cost figures for several counties.

Howard W. Tice, Executive Director of the Kansas Association of Wheat Growers, also spoke as a supporter of HB-2724. He requested that the producer be added to the exemption, which would repeal the entire tax. (Attachment 3)

Wilbur Leonard, representing the Committee of Kansas Farm Organizations, urged the Committee to repeal the grain tax in its entirety, effective on the date that other inventory taxes are eliminated. (Attachment 4)

Joe Lieber, Executive Vice President of the Kansas Cooperative Council, spoke as a proponent of HB-2724. (Attachment 5)

Ivan Wyatt, President of the Kansas Farmers Union, spoke as a opponent of HB-2724. His organization opposes the narrowing of the tax base. He said that more of the state's "grain dealers" are foreign owned or owned by multi-national corporations, with no dedication to the maintenance of local county services and needs. (Attachment 6)

Representative Shore proposed an amendment to HB-2724 so that the removal of the grain occupation tax applies to producers as well as to grain dealers. (Attachment 7)

Timothy Hageman, County Appraiser for Haskell, Stevens, and Morton Counties, said he could not support the bill in its present form, but can do so if the bill is amended to include the producers. (Attachment 8)

Brad Welch, Appraiser for Kearney and Greeley Counties, said he will support HB-2724 if it is amended to include the producer as well as the grain handler. (Attachment 9) He then answered questions from committee members. This concluded the public hearing on HB-2724.

The minutes of the February 8 meeting were approved.

There being no further business, the meeting was adjourned.



Keith Roe, Vice Chairman



BILL NO. _____

AN ACT relating to state tax levies for institutions; concerning the imposition and disposition thereof; amending K.S.A. 1987 Supp. 76-6b04, 76-6b09 and 79-5109 and repealing the existing sections.

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

Section 1. K.S.A. 1987 Supp. 76-6b04 is hereby amended to read as follows: 76-6b04. (a) There is hereby levied an annual permanent state tax upon all tangible property in this state which is subject to ad valorem taxation. The tax levy shall be .25 mill in the year ~~1987~~ 1988 and .5 mill in the year ~~1988~~ 1989 and each year thereafter until changed by statute. The tax levy shall be in addition to all other state tax levies authorized by law. The tax levy shall be for the use and benefit of state institutions caring for persons who are mentally ill, retarded, visually handicapped, with a handicapping hearing loss or tubercular or state institutions caring for children who are deprived, wayward, miscreant, delinquent, children in need of care or juvenile offenders and who are in need of residential care or treatment, or institutions designed primarily to provide vocational rehabilitation for handicapped persons. The proceeds of such tax levy shall be apportioned in accordance with this act.

(b) The county treasurer of each county shall make the proceeds of the tax levy provided for in this section available to the state treasurer immediately upon collection. When available, the state treasurer shall withdraw from each county the proceeds of the taxes raised by such tax levy. Upon such withdrawal the state treasurer shall deposit the same in the state treasury and shall credit the same as provided in K.S.A.

Attach 1

76-6b05 and amendments thereto.

Sec. 2. K.S.A. 1987 Supp. 76-6b09 is hereby amended to read as follows: 76-6b09. (a) There is hereby levied in the year ~~1987~~ 1988, a state tax of .25 mill upon all taxable tangible property in the state. Such tax levy shall be in addition to all other state tax levies authorized by law. Such tax levy shall be for the use and benefit of state correctional institutions.

(b) The county treasurer of each county shall make the proceeds of the tax levy provided for in this section available to the state treasurer immediately upon collection. When available the state treasurer shall withdraw from each county the proceeds of the taxes raised by such tax levy. Upon such withdrawal the state treasurer shall deposit the same in the state treasury.

(c) All moneys received by the state treasurer shall be credited to the correctional institutions building fund, which is hereby created, to be appropriated by the legislature for use and benefit of state correctional institutions.

Sec. 3. K.S.A. 1987 Supp. 79-5109 is hereby amended to read as follows: 79-5109. (a) All moneys received from taxes levied upon motor vehicles under the provisions of K.S.A. 79-5101 to 79-5115, inclusive, and amendments thereto shall be allocated to the tax levy unit in which the tax situs of each motor vehicle is located. The term "tax levy unit" means an area within a county the tangible property of which is subject to the same total tax levies, levied by the same taxing subdivisions of the state. Moneys allocated to such tax levy units shall be distributed among the state and all taxing subdivisions levying taxes against tangible property within such unit in the proportion prescribed by K.S.A. 79-5111 and amendments thereto for estimating the amounts thereof for budgeting.

(b) The county treasurer shall remit all moneys allocated and credited to the state from the proceeds of taxes levied upon motor vehicles to the state treasurer as provided in this subsection. The county treasurer, on or before October 31,

January 20, March 5, May 20, July 20 and September 5 of each year, shall distribute to the state treasurer all such taxes allocated and credited to the state from the proceeds of taxes collected through the month prior to the month of the distribution date. Upon receipt of such moneys, the state treasurer shall deposit the same in the state treasury and shall credit $\frac{2}{3}$ of each such deposit to the Kansas educational building fund and $\frac{1}{3}$ of each such deposit to the state institutions building fund except that for moneys received during the period from July 1, 1987 1988, to June 30, 1988 1989, inclusive, $\frac{2}{3}$ of each such deposit shall be credited to the Kansas educational building fund, $\frac{1}{6}$ of each such deposit shall be credited to the state institutions building fund and $\frac{1}{6}$ of each such deposit shall be credited to the correctional institutions building fund.

Sec. 4. K.S.A. 1987 Supp. 76-6b04, 76-6b09 and 79-5109 are hereby repealed.

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

PROPOSED BILL NO. _____

By

AN ACT concerning the administration of the Kansas wheat act; amending K.S.A. 1987 Supp. 2-2608 and repealing the existing section.

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

Section 1. K.S.A. 1987 Supp. 2-2608 is hereby amended to read as follows: 2-2608. (a) There is hereby levied an excise tax of four mills per bushel upon wheat marketed through commercial channels in the state of Kansas. The tax shall be levied and assessed to the grower at the time of sale, and shall be shown as a deduction by the first purchaser from the price paid in settlement to the grower. The administrator shall furnish to every first purchaser receipt forms which shall be issued by such first purchaser to the grower upon payment of such excise tax. The form shall indicate thereon the procedure by which the grower may obtain a refund of any such tax. Within one year after any and all sales during such period the grower may upon submission of a request therefor to the administrator, obtain a refund in the amount of the tax or taxes deducted by the first purchaser, except that no refund shall be made for a sum less than \$5. Such request shall be accompanied by evidence of the payment of the tax or taxes which need not be verified.

(b) The commission shall keep complete records of all refunds made under the provisions of this section. Records of refunds may be destroyed two years after the refund is made. All funds expended in the administration of this act and for the payment of all claims whatsoever growing out of the performance of any duties or activities pursuant to this act shall be paid from the proceeds derived from such act. In the case of a lien holder who is a first purchaser as defined herein, the tax shall

be deducted by the lien holder from the proceeds of the claim secured by such lien at the time the wheat is pledged or mortgaged. The tax shall constitute a preferred lien and shall have priority over all other liens and encumbrances upon such wheat. The tax shall be deducted and paid as herein provided whether such wheat is stored in this or any other state.

(c) Any wheat acquired by a grower as defined in K.S.A. 2-2602, and amendments thereto, under the provisions of any federal payment-in-kind (PIK) program, shall be subject to the provisions of this section.

Sec. 2. K.S.A. 1987 Supp. 2-2608 is hereby repealed.

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



KANSAS GRAIN & FEED *Association*

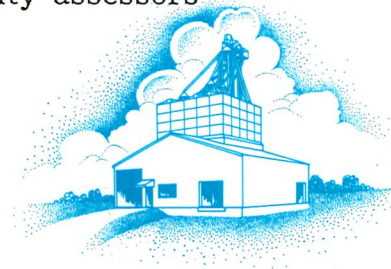
816 S.W. TYLER ST., P.O. BOX 2429 A/C 913-234-0461 TOPEKA, KANSAS 66601-2429

STATEMENT OF THE
KANSAS GRAIN AND FEED ASSOCIATION
TO THE HOUSE TAXATION COMMITTEE
REP. ED ROLFS, CHAIRMAN
REGARDING H.B. 2724
FEBRUARY 10, 1988

Mr. Chairman and Members of the Committee, I am Tom R. Tunnell, Executive Vice President of the Kansas Grain and Feed Association (KGFA). Our approximately 1200 members constitute the state's grain warehouse, transportation, processing, and merchandising industry. We have requested HB 2724, which would remove the grain "occupation tax in lieu of property tax".

This tax was enacted by the Legislature in 1941, as a means of assessing grain warehousemen and producers in lieu of inventory tax. With the removal of inventory taxes through the classification process, we believe it is consistent with state policy to remove this tax.

It was county assessors who first suggested the repeal of the grain tax, not only because it is consistent with state policy to do so, but also because the law is difficult to administer and the revenue collected does not appear to merit the effort expended. County assessors



have termed this tax a "tax on honesty".

In 1987, \$833,570.26 (or an average of \$7,938.76 per county) was collected through the grain in lieu of inventory tax. This means that 1.58 billion bushels were taxed at the rate of $\frac{1}{2}$ mil per bushel. While there are only about 800 million bushels produced annually in the state, the grain tax is applied every time a bushel changes hands. Warehousemen pay the assessment on every bushel they handle, whether they own the grain or not.

Mr. Chairman, we believe the grain in lieu of inventory tax should be repealed, not only for warehousemen but also for grain producers. We ask that HB 2724 be amended to simply repeal KSA 79, Article 39, effective January 1, 1989, to coincide with the removal of other inventory taxes.

The grain industry in Kansas does expect to pay increased property taxes through classification and reappraisal. The expressed philosophy of the Legislature and the voters in this process is to increase the share of the pie paid by commercial and industrial property and to eliminate inventory taxes. We respectfully ask you to amend and favorably recommend HB 2724.

Thank you for the opportunity to bring this issue before you.

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KANSAS ASSOCIATION OF WHEAT GROWERS
"ONE STRONG VOICE FOR WHEAT"

TESTIMONY

House Committee on Taxation

Chairman: Representative Edward Rolfs

HB 2724

Mr. Chairman and members of the committee, my name is Howard W. Tice and I am Executive Director of the Kansas Association of Wheat Growers. On behalf of our membership, I appreciate this opportunity to appear today in support of HB 2724.

We agree with our friends in the grain storage industry that repeal of the ad valorem tax which is often referred to as an "in lieu of inventory tax," is appropriate at this time.

At the same time, I would ask the committee to add the producer to this exemption as well, effectively repealing the entire tax. Not only is it appropriate to include the producer if the grain elevator is exempted, but now, when prices are so low that even small dollar amounts make a difference to farmers, removing this tax would help producers income in a small way, and give them the feeling that state government is interested in fairness to those who produce the food we eat.

As I mentioned, the amount is minor. So minor, in fact, that county assessors have indicated they feel the tax is a nuisance to both producer and tax office as well. Prior to preparing this testimony, I phoned the assessors' offices in Reno and Finney Counties.

The Reno County assessor stated that she was not only unopposed to the repeal of the tax, but felt it to be a waste of time and hardly worth the postage. She noted that with livestock and farm machinery exempt, it would be even more difficult to collect the grain tax.

Bob Thompson at the Finney County Assessors' Office voiced similar thoughts. When I mentioned the bill would exempt producers, he said, "More power to you. I'm with you all the way." He said it is a wasted law, with no way to administrate. He added that the paperwork is too expensive considering the tax bills which are often only \$1.50 or lower. He mentioned having discussed the issue with several other assessors, and noted that they were all in agreement.

To save some phone calls, I asked him to name some other counties. He remembered two where the assessor had retired, but mentioned Ford, Ness and Gray Counties as having current assessors he knew agreed that the law is a waste of time.

With Reno, Finney, Ford, Ness and Gray, even though only five counties, a great deal of wheat producing land is represented. I am confident that the majority if not all counties would support the move to exempt farmers from this harvest privilege tax.

Committee of . . .

Kansas Farm Organizations

Wilbur G. Leonard
Legislative Agent
109 West 9th Street
Suite 304
Topeka, Kansas 66612
(913) 234-9016

TESTIMONY IN SUPPORT OF HB NO. 2724

BEFORE THE HOUSE COMMITTEE ON TAXATION

February 9, 1988

Mr. Chairman and Members of the Committee:

I am Wilbur Leonard, appearing for the Committee of Kansas Farm Organizations. We appreciate this opportunity to present the views of our members with respect to House Bill No. 2724.

The grain tax was enacted by the 1941 legislature at a time when all personal property was subject to the personal property tax. This statute, providing for a levy of one-half mill per bushel on both the producer and the grain dealer set to rest the controversy over imposing an ad valorem tax on grain stored, both on the farm and in the hands of dealers.

Although there was some question concerning the constitutionality of affording special treatment to a class of personal property I do not find that the issue was ever judicially determined. There are two obvious reasons why the issue may have been laid to rest. One is the difficulty of policing grain in storage, currently harvested or carried over from year to year. The other is the fact that this represents only a small percentage of the total amount of personal property taxes levied against the agricultural community. It represented a much larger portion in 1941 than it does today.

Only one amendment has been made to this tax act in almost a half century. In 1945 a base fee of 50¢ per taxpayer was established with the one-half mill per bushel levy applied to all grain over 1,000 bushels harvested by a single taxpayer. In those days, with 2¢ or 3¢

for first class postage, the 50¢ charge was significant.

We're in another tax world today, where the thrust is on sales, income and excise taxes, and the citizenry has directed the legislature to implement a classification system.

As other inventory taxes are phased out, it is only logical that the grain tax be added to the list. The bill provides for this relief for the grain dealers, and we suggest that this legislature not leave to the farmer the burden of one of the few remaining taxes directed toward inventories. Although designated a "harvest tax" the effect is the same.

We raise a serious question concerning the inefficiencies in the collection of the tax; the relative small amount it produces compared with the cost of maintaining records. We do not believe that it can be equitably administered.

The bottom line is that if you eliminate this tax entirely the shortfall resulting therefrom, except in the more populous counties, will be made up, substantially, by the same persons who would have paid the grain tax.

We urge the Committee to repeal the grain tax in its entirety, effective on the date that other inventory taxes are eliminated.

Testimony on HB 2724
House Taxation Committee
February 9, 1988
Prepared by Joe Lieber
Kansas Cooperative Council

Mr. Chairman and members of the committee, I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of nearly 200 cooperatives who have as their members nearly 200,000 Kansas farmers and ranchers.

It is our understanding that the "grain occupation tax" was originally passed in lieu of an "inventory tax."

The "occupation tax" could be classified as a "double," "triple" or more tax because it is paid every time the grain is handled. This tax is actually paid by the producer because any cost to the grain handler is going to be passed to them.

With the removal of the "inventory tax" due to classification it would be consistent to state policy to repeal the "grain occupation tax."

SB 2724 does repeal the tax for grain dealers but the Kansas Cooperative Council feels it should also repeal the tax for the producer.

We would also like to suggest that the repeal date coincide with the repeal of the inventory tax.

Thank you.

STATEMENT
OF
IVAN WYATT, PRESIDENT
KANSAS FARMERS UNION, MCPHERSON, KANSAS

BEFORE
THE HOUSE COMMITTEE ON TAXATION
ON

HOUSE BILL NO. 2724
GRAIN DEALERS TAX EXEMPTION

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I AM IVAN WYATT, PRESIDENT OF THE KANSAS FARMERS UNION.
WE RISE AS OPPONENTS OF HB-2724.

FARMERS UNION OPPOSES THE NARROWING OF THE TAX BASE, BY
EXEMPTING "GRAIN DEALERS; ESPECIALLY AT THIS TIME WHEN LOCAL
UNITS OF GOVERNMENT ARE FINDING IT VERY DIFFICULT TO MAINTAIN
FUNDING OF COUNTY ROADS AND BRIDGES SERVING RURAL COMMUNITIES
AND BUSINESSES INCLUDING "GRAIN DEALERS".

THE "GRAIN DEALERS" MAY ARGUE THAT THE COST OF THE TAX
ON THE GRAIN THEY OWN, HANDLE, TRANSPORT, ETC., IS PASSED ON
TO THE FARMER AS AN ADDED EXPENSE AND THEREFORE SHOULD BE
EXEMPTED. I DOUBT IF THE GRAIN PRODUCER WOULD EVER
EXPERIENCE ANY REAL BENEFIT FROM THIS EXEMPTION. SECONDLY,
IF THIS PROPERTY IS EXEMPTED FROM TAXATION, IT WILL ONLY MEAN
FARMERS WILL HAVE TO PICK UP THE ADDED COST OF THIS EXEMPTION
IN AN INCREASE IN PROPERTY TAX. - THAT IS A CERTAINTY!

IN THESE CHANGING TIMES, WE ARE SEEING MORE OF THE
STATE'S "GRAIN DEALERS" BECOMING FOREIGN OWNED OR OWNED BY
MULTI-NATIONAL CORPORATIONS CONCERNED MORE WITH THEIR
CORPORATE BOTTOM LINE PROFIT, THAN DEDICATION TO THE
MAINTENANCE OF LOCAL COUNTY SERVICES AND NEEDS.

IN THE CASE OF THE CO-OP'S, THEY ARE FARMER OWNED. IT SHOULD MAKE LITTLE DIFFERENCE WHETHER THE TAX IS PAID BY THE CO-OP, OR THE FARMER PAY IT DIRECTLY IN INCREASED LOCAL TAXES. THEREFORE, THIS EXEMPTION WOULD GIVE AN ADVANTAGE TO THE FOREIGN OR MULTI-NATIONAL "GRAIN DEALERS", AT THE EXPENSE OF LOCAL UNITS OF GOVERNMENT, THE LOCALLY OWNED ELEVATOR AND CITIZENS OF THE COUNTY.

CALLING THIS A "PRIVILEGE OF HARVESTING" TAX GIVES IT A VERY DISTASTEFUL CONNOTATION. HOWEVER, IT IS EITHER A PRODUCTION TAX OR PROPERTY TAX. OWNED GRAIN HAS ALWAYS BEEN TAXED AS PROPERTY. AGAIN ANY TAX EXEMPTION SIMPLY SHIFTS THE BURDEN TO OTHER PROPERTY. THEREFORE, WE OPPOSE THIS BILL IN TOTAL, INCLUDING THE REPEAL OF SECTION 79-3903, WHICH WOULD REPEAL THE REGISTRATION OF GRAIN DEALERS OPERATING IN THE COUNTY.

IN THESE UNSETTLED TIMES, WITH PROBLEMS OF "GRAIN DEALER" FAILURES AND FRAUDULENT ACTIVITIES, IT IS IMPORTANT FARMERS AND PRODUCERS HAVE READY ACCESS TO THIS INFORMATION AT THE COUNTY LEVEL, ON "GRAIN DEALERS" DOING BUSINESS IN THEIR COUNTY.

ONE CHANGE THAT WE URGE IS IN THE LANGUAGE ON LINE 37; STRIKE "COMMISSION MERCHANTS AND BROKERS WHO DO NOT PHYSICALLY HANDLE THE GRAIN ARE NOT INCLUDED IN THIS DEFINITION". SINCE THESE PEOPLE PROFIT FROM THESE OPERATIONS JUST AS "GRAIN DEALERS" AND PRODUCERS DO, AND SINCE MANY OF THEM HANDLE PRODUCERS FUNDS, THERE CAN BE NO LOGICAL REASON WHY THEY SHOULD BE EXEMPT FROM REGISTRATION AND TAXATION.

THANK YOU.

Amendments to H.B. 2724

- 1) simply repeal KSA 79, Article 39, so that the removal of the grain occupation tax applies to producers as well as to grain dealers
- 2) make the effective date January 1, 1989, instead of 1990
- 3) make grain not subject to ad valorem taxes

Chairman and Members
House Assessment & Taxation Committee

Re: HB-2724

I am Timothy Hagemann. I am here as the County Appraiser for Haskell, Stevens, and Morton Counties.

I can not support HB-2724 as it is now proposed, however, if the Bill is amended to include the producers, I could support the Bill.

In 1986, this tax produced:

Haskell County	\$17,474.11
Morton County	\$ 7,387.29
Stevens County	\$11,727.48

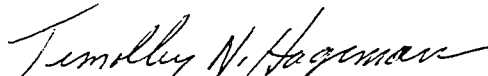
Our producers object to this tax for the following reasons:

1. It is a tax on honesty
2. The producer must render for both the producer as well as the landowner.
3. Many producers refuse to pay the tax on the landowner's share and will either not disclose the amount of the landowner's share or will render in their landowner's name which results in such small amounts that it costs more to collect than the amount of the tax.
4. Scooper Dealers are buying more grain directly from the farm and it is impossible to enforce the tax on these types of grain buyers.
5. Producers can not understand why they must pay .50¢ per 1,000 bushel on grain when hay and silage is exempt from taxation.

6. There is some concern that grain dealers will be exempt under the classification amendment due to calling purchased grain inventory while producers must still pay under present law.

It must be noted, however, that my counties object to any further eroding of the tax base while at the same time we believe that taxes should be equal as well as enforceable.

Respectfully submitted,


Timothy N. Hagemann

Kearny County Appraiser's Office

Box 407

Lakin, Kansas 67860

Phone 316-355-6427

February 8, 1988

Honorable Representative Edward C. Rolfs
Chairman, Assessment and Taxation Committee
State Capitol Building
Topeka, Kansas 66602

RE: HB 2724

Dear Mr. Chairman & Committee Members:

It has been a long standing policy of Kearny and Greeley Counties to oppose any legislation that would erode the tax base. However, the grain handler and producer returns generated a little over \$5,000. in Kearny and Greeley Counties for the year 1987. This, apart from being a very disagreeable tax with the producers since the exemption of Hay and Silage, is at best a tax on honesty and is almost impossible to police and guarantee application fairly and equally to all taxpayer concerned.

If is our understanding, HB 2724 will be ammended to include the producer as well as the grainhandler, with this ammendment we appear here to support HB 2724 and would request that it be reported favorable by this committee.

Thank you for your time and consideration.

Respectively submitted,



Brad Welch
Kearny & Greeley Co. Appraiser