

Approved: 3-9-00  
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Steve Morris at 10:00 a.m. on March 8, 2000, in Room 423-S of the Capitol.

All members were present except:

Committee staff present:     Raney Gilliland, Legislative Research Department  
                                    Jill Wolters, Revisor of Statutes  
                                    Nancy Kippes, Committee Secretary

Conferees appearing before the committee:

Others attending:     (See Attached)

Senator Stephens made a motion to approve the minutes of the March 7, 2000 meeting as submitted. Senator Umbarger seconded. The motion carried.

Discussion on:

**HB 2527 - concerning state moneys; providing for agricultural production loans**

Senator Huelskamp explained his proposal to replace current wording in **HB 2527** with new wording (Attachment 1).

Staff will prepare and review the following for the meeting on March 9, 2000 as clarification of the bill, regarding Senator Huelskamp's amendment:

1. It will take effect on the Kansas Register;
2. Agricultural loans could be substandard or doubtful, or borrower must have debt to asset ratio of 40% or greater;
3. The borrower is eligible to use either program but may not use both for the same dollars.

The next meeting will be March 9, 2000.

# SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: 3-8-00

| NAME            | REPRESENTING                  |
|-----------------|-------------------------------|
| Julie Jimison   | Ks Grain & Feed Assn.         |
| Brenda Wirth    | KFB                           |
| TOM TUNNELL     | Ks GRAIN & FEED ASSN.         |
| Joe Lieber      | HS Co-op Council              |
| Mark Rickabaugh | Lawrence High School          |
| Thomas J. Birt  | Lawrence High                 |
| Susan Gelvin    | Lawrence High School          |
| Andrew Fishman  | Lawrence High                 |
| Julie Carden    | Lawrence High School          |
| Justine Bowlin  | Lawrence High School          |
| Vicki Jutte     | Lawrence High School          |
| Marcus Kitos    | Lawrence High School          |
| Scott Millen    | Pooled Money Investment Board |
| Gabe Evans      | Lawrence High School          |
| Christina Gates | Lawrence High School          |
| Molly DeGrand   | Lawrence High School          |
| Renee Christian | Lawrence High School          |
| Victoria Coates | Lawrence High School          |
| John Garlinger  | Ks Dept. of Agriculture       |



New Sec. \_\_\_\_ . Credit against tax for interest rate reduction for agricultural production loan.  
(a) On and after the effective date of this act and prior to July 1, 2004, a state bank or national banking association which extends or renews an agricultural production loan under the provisions of this act to an eligible agricultural borrower at an interest rate which is at least one whole percentage point less than the prime interest rate then specified by the bank on such loans with equivalent collateral, and a state bank or national banking association which reduces the rate of interest being charged on any outstanding agricultural production loan to an eligible agricultural borrower by at least one whole percentage point shall receive a credit against its tax liability pursuant to K.S.A. 79-1106 et seq., for taxable years commencing after December 31, 1999, to the extent hereinafter provided. Such tax credit shall be allowed for such interest rate reductions upon agricultural production loans having a total principal amount not exceeding 15% of the amount of such loans reflected in the bank's report of condition filed with the federal deposit insurance corporation as of December 31, 1999.

(b) For the purposes of this section, the term "eligible agricultural borrower" means any person, limited agricultural partnership, limited liability agricultural company or family farm corporation, as defined in K.S.A. 17-5903, and amendments thereto, located in the state of Kansas, having an agricultural production loan which has been classified as substandard or doubtful by any banking regulator, the farm credit administration or a district farm credit system institution which is subject to review by the farm credit administration.

(c) An interest rate reduction may be applied under the provisions of this section only when the eligible borrower can be reasonably expected to service the principal and interest for the term of such person's loan.

(d) The total credit against tax liability shall be the amount by which the interest income to the state bank or national banking association on and after the effective date of this act and prior to July 1, 2004, has been reduced on such loans because of such reductions in rates of interest, except that the credit allowed as a result of an interest rate reduction on any one agricultural production loan shall not exceed an amount equal to 3% per annum on the unpaid principal balance of the loan. The tax credit allowed for any taxable year shall not exceed 1/5 of the total tax credit of the bank allowed under this act. Unused tax credit shall be carried forward as a credit to the bank's tax liability in each subsequent taxable year and shall then be taken into account, subject to the limitation that the credit in any one taxable year may not exceed 1/5 of the total tax credit.

[Patterned after K.S.A. 79-1126]

New Sec. \_\_\_\_ . (a) On and after the effective date of this act and prior to July 1, 2004, any production credit association or agricultural credit association chartered by the farm credit administration under the federal farm credit act, as amended (12 U.S.C. 2001 et seq.), which extends or renews an agricultural production loan under the provisions of this act to an eligible agricultural borrower at an interest rate which is at least one whole percentage point less than the lowest rate at which the association is making agricultural production loans to agricultural loan

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*attachment 1*

customers with equivalent collateral, and any such association which reduces the rate of interest being charged on any outstanding agricultural production loan to an eligible agricultural borrower by at least one whole percentage point shall receive a credit against its income tax liability pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated, for taxable years commencing after December 31, 1999, to the extent hereinafter provided. Such tax credit shall be allowed for such interest rate reductions by an association upon agricultural production loans having a total principal amount not exceeding 15% of the amount of such loans reflected in the association's report filed with the farm credit administration for calendar year 1999.

(b) For the purposes of this section, the term "eligible agricultural borrower" means any person, limited agricultural partnership, limited liability agricultural company or family farm corporation, as defined in K.S.A. 17-5903, and amendments thereto, located in the state of Kansas, having an agricultural production loan which has been classified as substandard or doubtful by any banking regulator, the farm credit administration or a district farm credit system institution which is subject to review by the farm credit administration.

(c) An interest rate reduction may be applied under the provisions of this section only when the eligible borrower can be reasonably expected to service the principal and interest of such person's loan.

(d) The total credit against tax liability shall be the amount by which the interest income to the association on and after the effective date of this act and prior to July 1, 2004, has been reduced on such loans because of such reductions in rates of interest, except that the credit allowed as a result of an interest rate reduction on any one agricultural production loan shall not exceed an amount equal to 3% per annum on the unpaid principal balance of the loan. The tax credit allowed for any taxable year shall not exceed 1/5 of the total tax credit of the association allowed under this act. Unused tax credit shall be carried forward as a credit to the association's tax liability in each subsequent taxable year and shall then be taken into account, subject to the limitation that the credit in any one taxable year may not exceed 1/5 of the total tax credit.

(e) Any taxpayer who qualified for and claimed credit under this section prior to its amendment by this act shall continue to be subject to this section as in effect at the time the taxpayer qualified for such credits for the entire period for which the credits were claimed.

[Patterned after K.S.A. 79-32,181]