

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:55 a.m. on February 8, 2001, in Room 519-S of the Capitol.

All members were present except: Senator Haley

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Doug Wareham, Kansas Grain and Feed Association and
Kansas Fertilizer and Chemical Association
Greg Krissek, Kansas Corn Growers Association and
Kansas Grain Sorghum Producers Association
Leslie Kaufman, Kansas Farm Bureau
Brett Myers, Kansas Association of Wheat Growers
Bill Fuller, Kansas Farm Bureau
Chris Wilson, Kansas Agricultural Aviation Association and
Kansas Seed Industry Association
Charles Beavers, Farm Credit Services Central Kansas
Mike Beam, Kansas Livestock Association

Others attending: See attached list.

The minutes of the February 6, 2001, meeting were approved.

SB 93—Sales taxation; exempting grain storage facility construction materials and services.

Doug Wareham, Kansas Grain and Feed Association, testified in support of **SB 93**, which would establish a permanent sales tax exemption for the construction or rehabilitation of grain storage facilities. Mr. Wareham highlighted the positive impact of this sales tax exemption, calling attention to grain storage fact sheets attached to his written testimony. He noted that, in addition to the continued pressure caused by significant grain carry over stocks, the grain storage industry is now also faced with handling a growing number of specialty grains which will further increase the need for additional storage space and grain handling equipment. He believes the tax exemptions in the bill will provide a financial incentive for farmers and grain elevator operations to update their existing facilities. He pointed out that construction of new commercial grain storage facilities also has a positive impact on the amount of property tax collected. In conclusion, Mr. Wareham requested that **SB 93** be amended to make the language consistent with the language in a similar bill, **HB 2065**, which was adopted by the House Taxation Committee and subsequently adopted by the full House. That language ensures that the exemption is retroactive to January 1, 2001, and clarifies that on-farm grain handling, cleaning, and storage equipment is also exempt from sales tax. (Attachment 1)

Greg Krissek testified in support of **SB 93** on behalf of the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. He noted that the trend of continued bountiful production of agricultural crops in Kansas during the past several years has created shortages of grain storage space. In addition, he called attention to a list of specialty crops, noting that there is a need to expand separate storage facilities to enable suppliers of these grains to remain competitive. Noting that the sales tax exemption has assisted in the construction or refurbishing of both commercial and farmer-owned grain storage facilities during the past several years, he urged the Committee to support making the exemption permanent. (Attachment 2)

Leslie Kaufman, Kansas Farm Bureau, testified in support of **SB 93**. She informed the Committee that the voting delegates at the Bureau's annual meeting reaffirmed and strengthened its support for extending the sales tax exemption for construction and renovation of grain storage facilities and, in addition, recommended the specific inclusion of on-farm grain handling and cleaning equipment within the exemption as amended into **HB 2065**. (Attachment 3)

CONTINUATION PAGE

Brett Myers, Kansas Association of Wheat Growers, testified in support of **SB 93**. He agreed with other conferees that identity-preserved systems are the key to a new level of value added benefits for producers. He explained that a portion of his testimony includes comments from the January issue of a Canadian grain magazine, which he believes are just as true in the United States. The article states that identity-preserved systems were a solution for both farmers and consumers, with farmers getting bonuses for production and consumers getting the products they want. Any failure in the identity-preserved systems could cause significant costs to the whole system, devalue the end product, and destroy public faith in food safety. The demand to establish the genetic identity of crops has opened a new chapter in agriculture wherein traceability has become critical. In conclusion, Mr. Myers noted that such companies as BASF and Monsanto are looking to other states because they fear that Kansas will not be able to identity preserve and segregate specialty grains. In order for Kansas to be competitive in this area, he urged support of the bill. (Attachment 4)

Senator Corbin called the Committee's attention to written testimony in support of **SB 93** submitted by Mike Beam, Kansas Livestock Association (Attachment 5), Joe Lieber, Kansas Cooperative Council (Attachment 6), and Kerri Ebert, Kansas Agricultural Alliance (Attachment 7). There being not others wishing to testify, the hearing on **SB 93** was closed.

SB 105–Sales taxation; exempting sales of precisin farming equipment.

Doug Wareham testified in support of **SB 105** on behalf of the Kansas Fertilizer and Chemical Association. He noted that the bill simply broadens the sales tax exemption for what is considered to be farm machinery and equipment. He explained that the language contained in the bill is model language adopted by the State of Illinois last year to include precision farming equipment such as soil testing sensors, computers, monitors, software, and global positioning and mapping systems in the definition of farm machinery and equipment. He noted that the request for the introduction of **SB 105** was to ensure the term "farming machinery and equipment" is representative of both traditional farm machinery and equipment as well as new technology machinery and equipment commonly used by agricultural producers and crop consultants. (Attachment 8)

Greg Krissek, testified in support of **SB 105** on behalf of the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. He noted that technological advancements continue to become available at an accelerating pace in agricultural production. He observed that these tools are expected to garner increased acceptance among farmers as they become more readily understood and continue to evolve. As with many new technologies, there is a cost in obtaining and maintaining these new tools which are rapidly becoming critical to a farmer's productivity. Because of the many potential benefits expected to be derived from use of these technologies, Mr. Krissek believes it is appropriate to request clarification that this type of equipment is qualified for the sales tax exemption currently available for farm machinery and equipment. (Attachment 9)

Bill Fuller, Kansas Farm Bureau, testified in support of **SB 105**. He pointed out that the bill does not add another sales tax exemption but merely updates section (t) on page 6, line 10, which currently exempts farm machinery and equipment from sales tax, by expressly including precision farming equipment. He pointed out that the new language begins on line 16 and continues through line 26. In closing, he emphasized that high-tech equipment is the future of modern agriculture. (Attachment 10)

Chris Wilson, representing the Kansas Agricultural Aviation Association and the Kansas Seed Industry Association, gave final testimony in support of **SB 105**. Noting that precision agriculture equipment is also used in the air, she explained that pilots use global positioning satellite equipment in their aircraft for the accurate placement of crop protection chemicals and nutrients to the ground. She commented that all of the equipment of this type purchased to date has been exempt from sales taxation as agricultural or aviation equipment; however, she feels it is important to ensure that this new technology is reflected in the definition of farm machinery and equipment. (Attachment 11)

Senator Corbin called attention to written testimony in support of **SB 105** submitted by Kerri Ebert, Kansas Agricultural Alliance. (Attachment 12) With this, the hearing on **SB 105** was closed.

SB 138–Property taxation; exemption for farm storage and drying equipment.

Charles Beavers, Farm Credit Services Central Kansas, testified in support of **SB 138**. He explained that K.S.A. 79-210d provides a tax exemption for farm grain storage and drying equipment, but unfortunately, the Board of Tax Appeals (BOTA) issued a ruling denying the exemption for farmers who lease this equipment.

CONTINUATION PAGE

He explained further that many farmers prefer to finance grain storage and drying equipment with leases instead of traditional farm loans. BOTA uses the "exclusive use" argument, asserting the equipment is not used for grain storage because the lessor is receiving rental payments. Mr. Beavers said that the clarifying language in the bill would give farmers back their freedom to choose financial alternatives, alleviate the frustration of county appraisers in determining how grain storage facilities are financed, and eliminate the need for BOTA to determine which grain storage facilities are exempt. (Attachment 13)

Mike Beam, Kansas Livestock Association, testified in support of **SB 138**. He noted that the Legislature enacted an eight-year property tax exemption for grain storage and drying equipment in 1977 to correspond with federal action to provide low interest loans for the construction of grain storage equipment, and Kansas has continued the exemption. He went on to say that **SB 138** was requested to clarify that grain storage and drying facilities may not be denied the exemption if it is financed through lease agreement. He pointed that lines 24 through 26 references a regulation that is no longer in place and suggested that, instead, the language included in his written testimony be recognized. (Attachment 14)

Greg Krissek, representing the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association, briefly testified in support of **SB 138**. He noted that farmers and their lenders may utilize several types of financing to make the acquisition of on-farm storage as affordable for the producer as possible, and his organizations' members have chosen both traditional financing and leasing as financing options. The provisions of the bill would address situations that have arisen wherein the form of financing a farmer uses when acquiring farm storage negatively impacts his ability to qualify for the property tax exemption currently authorized by statute. (Attachment 15)

Leslie Kaufman, Kansas Farm Bureau (KFB), gave final testimony in support of **SB 138**. She noted that KFB became aware in 1997 that BOTA was denying the property tax exemption on farm machinery and equipment in cases where the property was acquired by a lease-purchase agreement on the ground that the property had a dual use when it was financed through lease-purchase. She said KFB supports the bill because it would eliminate what is essentially discrimination based on financing agreements. She pointed out that the language in **SB 138** identifies "leased" property as opposed to "lease-purchase." She questioned whether the language is broader than the lease-purchase situations discussed and would include a rental-type lease. (Attachment 16)

Don Hayward, Revisor of Statutes Office, commented that perhaps the issue of "exclusive use" could be easily resolved by deleting "exclusively" on line 30 of the bill. He also pointed out that the Constitution exempts farm machinery and equipment and does not allow for a use test, and the Legislature cannot restrict a constitutional exemption. In his opinion, the "use test" is unconstitutional, and that argument should have been used when BOTA's decision was appealed. In addition, he informed the Committee that the language suggested by Mr. Beam is not necessary.

There being no others wishing to testify, the hearing on **SB 138** was closed.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for February 12, 2001.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: February 8, 2001

| NAME | REPRESENTING |
|------------------|------------------------|
| Mike Beam | Ks. LUSTK. ASSN. |
| Charlie Sargent | Ks. Farm Bureau |
| Ann Dukes | DOB |
| Richard Coan | KDOR |
| Charles BEAVERS | Farm Credit |
| Lynn Rogers | Farm Credit Leasing |
| Ed Frey | FARM CREDIT CENTRAL KS |
| Beth Lavett | Ks Farm Bureau |
| Annie Metcalf | Ks Farm Bureau |
| Janelle Flora | Ks Farm Bureau |
| Debby Hays | Ks Farm Bureau |
| Rebecca Reed | KDA |
| Loe Masenthin | WDOC & H |
| Tom BRUND | FARM CREDIT |
| Stacy Kramer | Western Resour. Inc. |
| Mark A. Bunghart | Western Assn. |
| Cindy Sonick | Farm Bureau Life |
| Karla Hoard | AFBIS Inc. |
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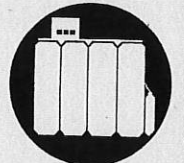
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**Statement of the
Kansas Grain and Feed Association
regarding
Senate Bill 93
Presented to the
Senate Assessment and
Taxation Committee
Senator David Corbin, Chairman**

February 8, 2001

Association

KGFA, promoting a viable business
climate through sound public policy for more than a
century.



*Senate Assessment & Taxation
2-8-01
Attachment 1*

Chairman Corbin and members of the Senate Assessment and Taxation Committee, my name is Doug Wareham and I am Vice President, Government Affairs for the Kansas Grain and Feed Association (KGFA). The KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. Our membership includes over 1,100 Kansas business locations and represents 99% of the commercially licensed grain storage in the state.

I appear today in support of Senate Bill 93, which would establish a permanent sales tax exemption for the construction or rehabilitation of grain storage facilities. As you are aware, this body has adopted calendar year exemptions each of the past two years (1999 & 2000) that provided a sales tax exemption for purchases of materials and labor by Kansas farmers and commercial grain elevator operators who chose to construct new or rehabilitate existing grain storage structures.

At this time, I would like to provide you with information that highlights the positive impact of this Sales Tax Exemption along with reasons our organization believes this incentive should be established as a **permanent** sales tax exemption. Please draw your attention to the white sheets attached to my testimony.

Attached Grain Storage Fact Sheets:

- “A” -- Commercial Grain Storage Expansion During Past Two Years
- “B” -- Kansas Crop Production Statistics
- “C” -- Kansas Grain Carryover Stocks
- “D” -- Grain Storage Shortfall Statistics *today's figures*
- “E” -- Emergency Grain Storage Requests (Grain on the Ground)

In addition to the continued pressure caused by significant grain carryover stocks, which are simply a product of weak foreign demand for Kansas grains and grain products, the grain storage industry in Kansas is now also faced with handling a growing number of specialty grains that will further increase the need for additional "identity preserved" grain storage space and grain handling equipment. The tax exemptions provided for in this bill will provide a direct financial incentive for farmers and grain elevator operations to update their existing facilities to handle identity preserved grains in the many years to come.

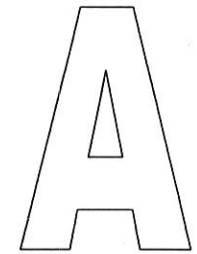
Before I conclude my comments, I do also want to point out that the construction of new **commercial** grain storage facilities also has a positive impact on the amount of property tax collected. If I could draw your attention to the yellow sheets attached to my testimony, I would like to illustrate this point.

“F” -- Property Tax Revenue Created by New Commercial Grain Storage Construction

Finally Mr. Chairman, I would like to respectfully request consideration of an amendment, which would make the language in Senate Bill 93 consistent with the language in House Bill 2065, which was adopted by the House Taxation Committee last Wednesday and subsequently adopted by the full House on Monday with a resounding vote of 112 in favor to only 7 opposed to the measure. The language contained in House Bill 2065 also makes the grain storage facility sales tax exemption permanent, but ensures this exemption is retroactive to the first of this year (January 1, 2001). The House version also includes language requested by Kansas Farm Bureau, which clarifies that on-farm grain handling, cleaning and storage equipment is also exempt from sales tax. We welcome this language as well. A copy of the House language is attached to my testimony.

Again, I want to thank you for the opportunity to share information with you today. On behalf of the Kansas Grain and Feed Association, I hope you will act favorably on Senate Bill 93 and our proposed amendment. I would be happy to respond to any questions you might have at this time or at an appropriate time.

Commercial Grain Storage
Space in Kansas



January 1, 2001.....870,387,000

January 1, 1999.....856,198,000

**Increase of 14,189,000
Bushels of commercial space**

Kansas Major Production Figures

B

Five Major Crops

| | 1998 | 1999 | 2000 |
|------------|---------------|---------------|---------------|
| | (bushels) | (bushels) | (bushels) |
| Wheat | 494,900,000 | 432,400,000 | 347,800,000 |
| Soybeans | 75,000,000 | 81,200,000 | 50,000,000 |
| Sorghum | 264,000,000 | 258,400,000 | 188,800,000 |
| Corn | 418,950,000 | 420,180,000 | 416,000,000 |
| Sunflowers | 10,694,000 | 16,230,000 | 10,084,000 |
| Total | 1,263,544,000 | 1,208,410,000 | 1,012,684,000 |

3- Year Average Total ... 1,161,546,000

Kansas Grain Carryover Stocks

C

| | |
|------------------------------|----------------------------|
| December 1, 2000..... | 713,260,000 bushels |
| December 1, 1999..... | 791,678,000 bushels |
| December 1, 1998..... | 760,567,000 bushels |
| December 1, 1997..... | 714,627,000 bushels |

Grain Storage Shortfall

D

Commercial Space.....870,387,000

On-Farm (based on Ag Statistics Survey)...390,000,000

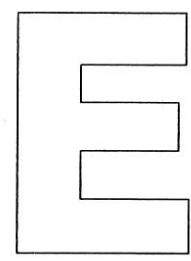
Total Grain Storage.....1,260,387,000

Current Carryover.....713,260,000

Current Available Space..... 547,127,000

3-Year Avg. Total Crop.....1,161,546,000

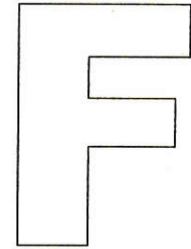
Emergency Grain Storage Requests



| | |
|------------------------|------------|
| 2000 Fall Harvest..... | 42,213,000 |
| 1999 Fall Harvest..... | 55,980,000 |
| 1998 Fall Harvest..... | 72,000,000 |

10/2

Property Tax Revenue Created by New Commercial Grain Storage Construction



*Example: --13 million bushels new grain storage built
--\$1.50/bushel cost of construction
--\$19.5 million of commercial property*

\$19,500,000 commercial property
 x 25% commercial property assessment rate

\$4,875,000 commercial property tax roll

Apply 105 statewilde mill average

\$511,875 Additional Property Tax Generated

9/2

**SAMPLE OF NEW GRAIN STORAGE CONSTRUCTION
DURING CALENDAR YEARS 1999 & 2000**

RESPONSE FROM TWELVE GRAIN STORAGE FIRMS IN KANSAS:

| | |
|------------------------------------|-------------------|
| GARDEN CITY COOP | 2,000,000 |
| BEACHNER GRAIN, ST. PAUL | 500,000 |
| FARMWAY COOP, BELOIT | 750,000 |
| CO-AG, OAKLEY | 600,000 |
| DODGE CITY COOP | 2,850,000 |
| COLLINGWOOD GRAIN, HUTCH | 3,680,000 |
| JOHNSON COOP, JOHNSON | 374,000 |
| ULYSSES COOP, ULYSSES | 1,200,000 |
| ST. FRANCIS COOP, ST FRANCIS | 596,000 |
| UNITED AG SERVICE, GORHUM | 300,000 |
| MIDWAY COOP, LEBANON | 300,000 |
| LEWIS COOP, BELPRE | 200,000 |
| TOTAL | 13,350,000 |

1 purchases are made, and such suppliers shall execute invoices covering
 2 the same bearing the number of such certificate. Upon completion of the
 3 project the contractor shall furnish to such clinic or center concerned a
 4 sworn statement, on a form to be provided by the director of taxation,
 5 that all purchases so made were entitled to exemption under this subsection.
 6 All invoices shall be held by the contractor for a period of five years
 7 and shall be subject to audit by the director of taxation. If any materials
 8 purchased under such a certificate are found not to have been incorporated
 9 in the building or other project or not to have been returned for
 10 credit or the sales or compensating tax otherwise imposed upon such
 11 materials which will not be so incorporated in the building or other project
 12 reported and paid by such contractor to the director of taxation not
 13 later than the 20th day of the month following the close of the month in
 14 which it shall be determined that such materials will not be used for the
 15 purpose for which such certificate was issued, such clinic or center concerned
 16 shall be liable for tax on all materials purchased for the project, and upon
 17 payment thereof it may recover the same from the contractor together with
 18 reasonable attorney fees. Any contractor or any agent, employee or subcontractor
 19 thereof, who shall use or otherwise dispose of any materials purchased under
 20 such a certificate for any purpose other than that for which such a certificate
 21 is issued without the payment of the sales or compensating tax otherwise
 22 imposed upon such materials, shall be guilty of a misdemeanor and, upon
 23 conviction therefor, shall be subject to the penalties provided for in
 24 subsection (g) of K.S.A. 79-3615, and amendments thereto;

26 (ddd) on and after January 1, 1999, and before January 1, 2000, all
 27 sales of materials and services purchased by any class II or III railroad as
 28 classified by the federal surface transportation board for the construction,
 29 renovation, repair or replacement of class II or III railroad track and
 30 facilities used directly in interstate commerce. In the event any such track
 31 or facility for which materials and services were purchased sales tax exempt
 32 is not operational for five years succeeding the allowance of such exemption,
 33 the total amount of sales tax which would have been payable except for the
 34 operation of this subsection shall be recouped in accordance with rules and
 35 regulations adopted for such purpose by the secretary of revenue;

37 (eee) on and after January 1, 1999 2001, and before January 1, 2001
 38 2002; all sales of materials and services purchased for the original construction,
 39 reconstruction, repair or replacement of grain storage facilities, including
 40 railroad sidings providing access thereto;

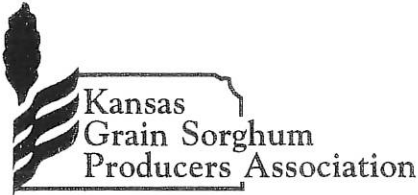
41 (fff) all sales of material handling equipment, racking systems and other
 42 related machinery and equipment that is used for the handling, movement
 43 or storage of tangible personal property in a warehouse or

1 distribution facility in this state; all sales of installation, repair and
 2 maintenance services performed on such machinery and equipment; and all
 3 sales of repair and replacement parts for such machinery and equipment.
 4 For purposes of this subsection, a warehouse or distribution facility means
 5 a single, fixed location that consists of buildings or structures in a contiguous
 6 area where storage or distribution operations are conducted that are separate
 7 and apart from the business' retail operations, if any, and which do not
 8 otherwise qualify for exemption as occurring at a manufacturing or processing
 9 plant or facility. Material handling and storage equipment shall include
 10 aeration, dust control, cleaning, handling and other such equipment that is used
 11 in a grain storage facility located upon a farm or in a public grain warehouse
 12 or other commercial grain storage facility, whether used for grain handling,
 13 grain storage, grain refining or processing, or other grain treatment operation;
 14 and

15 (ggg) all sales of tangible personal property and services purchased
 16 by or on behalf of the Kansas Academy of Science which is exempt from
 17 federal income taxation pursuant to section 501(c)(3) of the federal internal
 18 revenue code of 1986, and used solely by such academy for the preparation,
 19 publication and dissemination of education materials.

20 Sec. 2. K.S.A. 2000 Supp. 79-3606 is hereby repealed.

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



**Testimony Regarding Senate Bill No. 93
Before the Senate Assessment and Taxation Committee
February 8, 2001**

Good morning Chairman Corbin and members of the Senate Assessment and Taxation Committee, my name is Greg Krissek. I am Director of Operations for the Kansas Corn Growers Association. I appreciate the opportunity to make comments in support of SB 93. My comments also reflect the position of the Kansas Grain Sorghum Producers Association.

SB 93 would make permanent the sales tax exemption for all sales of materials and services purchased for the original construction, reconstruction, repair or replacement of grain storage facilities pursuant to KSA 2000 Supp. 79-3606 (eee).

The trend of continued bountiful production of agricultural crops in Kansas during the past several years has created shortages of grain storage space. Even during the fall of 2000, when hot and dry weather conditions reduced harvested amounts of sorghum, soybeans, and corn, over 42 million bushels of grain were stored on the ground or in non-traditional storage at state and federally-licensed grain warehouses.

The sales tax exemption that would be made permanent in this proposed legislation has assisted both commercial and farmer-owned grain storage capacity to be built or refurbished during the past several years. Additionally, new marketing and customer-driven approaches within the agricultural community, such as the identity-preserved grains technique, are continuing to push suppliers of grains to expand storage facilities to remain competitive. The number of such specialty grains continues to expand furthering the increased demand for separate storage capabilities.

For these reasons, we support your approval of SB 93 making this exemption permanent. Thank you for the opportunity to make these comments and I will try to answer any questions concerning this testimony.



Specialty Crops

- ❖ High Amylose Corn
- ❖ High Oil Corn
- ❖ High Oleic High Oil Corn
- ❖ Waxy Corn
- ❖ White and Yellow Food Corn
- ❖ High Starch Corn
- ❖ Organic Corn
- ❖ High Lysine Corn
- ❖ Nutritionally Dense Corn
- ❖ Tofu/Clear Hilum Food-Grade Soybeans
- ❖ Organic Food-Grade Soybeans
- ❖ High Oleic Soybeans
- ❖ High Sucrose Soybeans
- ❖ STS Soybeans
- ❖ Low Linolenic Soybeans
- ❖ Low Saturate Soybeans
- ❖ High Protein Soybeans
- ❖ Natto Soybeans



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

**RE: SB 93 – extending permanently the sales tax
exemption for materials used for construction and
renovation of grain storage facilities.**

**February 8, 2001
Topeka, Kansas**

**Prepared by:
Leslie Kaufman, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Corbin and members of the Senate Committee on Assessment and Taxation, thank you for the opportunity to appear before you today and share Farm Bureau's support for SB 93.

Two years ago, Kansas Farm Bureau supported the legislation that initiated a sales tax exemption for materials and services purchased for construction and renovation of grain storage facilities, particularly on-farm storage. The legislation which ultimately was signed into law, covered both commercial and on-farm storage. We returned during the 2000 session in support of extending the exemption.

The voting delegates at our 82nd Annual Meeting reaffirmed and strengthened our support for extending the sales tax exemption for construction and renovation of grain storage facilities. Additionally, they recommended specific inclusion of on-farm grain handling and cleaning equipment within the exemption.

*Senate Assessment & Taxation
2-8-01
Attachment 3*

Such an exemption is provided to public grain warehouses and other commercial grain storage facilities in K.S.A. 79-3606(fff).

Grain storage options are vitally important to today's agriculture industry. Producers need appropriate storage facilities for housing their grain. The increase in specialty crops requiring identity preservation will undoubtedly impact grain storage capacity, as well.

Particularly during this time of low commodity prices and significant carry-over of grain, we firmly believe the extension of the current sales tax exemption and expansion of the exemption to include on-farm grain handling and cleaning equipment is an appropriate action for the legislature to take. We respectfully encourage the committee to amend the bill to clearly include on-farm grain handling and cleaning equipment, and then report the amended version of SB 93 favorably. Thank you.



P.O. Box 1266 • Manhattan, KS 66505-1266 • (785) 587-0007 • FAX (785) 587-0003

Chairman Corbin and members of the committee, my name is Brett Myers and I am the Executive Vice-President for the Kansas Association of Wheat Growers. Our association represents approximately 3000 wheat producers scattered through out the state. I am here on behalf of our organization to testify in favor of Senate Bill 93.

For years we've said identity-preserved systems are the key to a new level of value added benefits for producers. Such systems are supposed to be a solution for both farmers and consumers, with farmers getting bonuses for production and consumers getting the products they want.

Any failure in these identity-preserved (IP) systems could cause significant costs to the whole system, devaluing the end product, hurting production systems, or undermining consumer confidence in the food chain. Now stakes are only getting higher. For example, people could be hurt if pharmaceuticals produced in crops were mixed with general commodities. Plus novel products, often produced through biotechnology, need to be managed in the chain of production. The food industry came under fire when traces of StarLink corn, created by Aventis Crop-Science and approved only for animal feed and non-food industrial uses in the U.S., were found in taco chips. The public and export markets reacted strongly to this situation. If IP goes wrong it can harm people and products, and destroy public faith in food safety.

Every day, consumers place their trust in the food chain, expecting the entire system to provide them with safe healthy food. Whether products are genetically enhanced, have a unique oil profile, or another trait, the agriculture sector needs to succeed not only at preserving the identity of those products, but also their integrity. The introduction of genetically enhanced grains changed the public perception but, even without this hot issue, the integrity of the system has always been important. Recent issues have raised alarm, and the consequences are becoming more grave. These new demands mean that some production systems have to change – and quickly.

The fact is, knowing what product is in the package you buy seems like a simple concept, but technology has taken product identity far beyond outward appearances. The demand to establish the genetic identity of crops and food

*Senate Assessment + Taxation
2-8-01
Attachment 4*

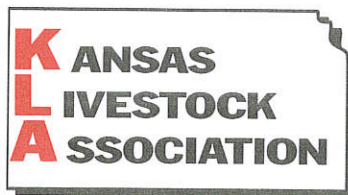
has opened a new chapter in agriculture, one where traceability has become critical, and identity preservation a necessity.

The above four paragraphs of this testimony are comments made in the January issue of a Canadian grain magazine. But they are just as true here in the United States as they are in Canada. Identity Preservation Systems are the key to value added grain production now and will continue to be much more in the future. And the most important thing to know is that Kansas producers will be left out in the cold if we are not able to participate in these systems.

I am not here this morning to bore you with a bunch of facts and figures, but an important fact you should know is that Kansas is way behind in on farm storage. Only about 15-20% of Kansas grain storage is on farm, where other states such as the Dakota's and Iowa are over 80% and Canada is over 90%.

We are already seeing companies such as BASF and Monsanto looking to other states because of their fear of Kansas, the state that grows more wheat than any other state in the union, not being able to identity preserve and segregate specialty grains. This will leave Kansas producers looking in from the outside still working with a commodity grain system not able to take part in any production bonuses or contracts.

Tighter margins and a constant drive to reduce costs is the motivation to support IP and value added agriculture. However, continuing cost reduction reaches a point that is unsustainable in the longer term and so investment is needed to capitalize on the opportunities. That is why I am here this morning in support of Senate Bill 93 and would ask that you consider this bill favorably. Thank you and I would answer any questions at the appropriate time.



Since 1894

To: The Senate Assessment and Taxation Committee
Senator David Corbin, Chairman

From: Mike Beam, Executive Secretary, Cow-Calf/Stocker Division

Subj: **Support for SB 93 - Grain Storage Sales Tax Exemption**

Date: February 8, 2001

The Kansas Livestock Association supports the continuation of the sales tax exemption on the sales of materials and services used in the "construction, reconstruction, repair, or replacement" of grain storage facilities. We support SB 93 and appreciate that the bill makes the exemption permanent like most of the exemptions found in K.S.A. 79-3606.

We did not actively support this exemption when it was first considered in 1999. Since then, we have experienced significant interest among our members in this issue. Many grain bins on Kansas's farms were built in the late 1970's. It is not uncommon for grain farmers to spend considerable money repairing and updating these facilities. The sales tax exemption is helpful when producers make these costly repairs and updates.

You will hear from other groups about the need for additional grain storage facilities across Kansas to help preserve the identity of grain. In recent years, there seems to be interest in planting and marketing alternative crops. Storage facilities will be in more demand and such facilities are essential if producers want full flexibility in their marketing options.

If the state grants this exemption, it would continue to provide an incentive to build and/or repair grain storage facilities. We whole heartily support SB 93 and urge this committee to give the bill your favorable consideration.

Thank you.

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2-8-01
Attachment 5*

Testimony on SB 93
Senate Assessment and Taxation Committee
February 8, 2001
Prepared by Joe Lieber, Kansas Cooperative Council

Mr. Chairman and members of the Committee, I'm Joe Lieber, President of the Kansas Cooperative Council. The Council has a membership of nearly 200 cooperative businesses who have a combined membership of nearly 200,000 Kansans. Approximately 120 of our members are farm supply cooperatives and most of them are involved in the grain storage business. The Council is in support of SB 93.

Kansas has had a record harvest for two of the last three years, coupled with low prices. Because of these factors there is a shortage of grain storage space.

Even with the passage of SB 59 last year and SB 45 the year before that, we still had approximately 42 million bushels of grain that had to be placed on the ground or was stored under other emergency conditions last year.

The passage of SB 59 and SB 45 was well received in the country and many of our members used the opportunity to expand their facilities. But, because so many of the grain elevators decided to increase their storage and utilize the sales tax exemption, there were not enough grain elevator construction companies to keep up with the demand. Not only were there not enough construction companies, but because of the demand, often times there was a shortage of materials. This meant that many of our members did not get the opportunity to get the sales tax exemption the last two years.

Because there is still a shortage of space, plus the fact that many additions did not get built in 1999 and 2000, we ask for your support for the passage of SB 93.

Also, because agriculture is still the State's number one industry and grain handling is an important part of the industry we support the position that would give a permanent sales tax exemption for all sales of materials and services purchased for the original construction, reconstruction, repair or replacement of grain storage facilities.

Thank you for your consideration.

Senate Assessment & Taxation
2-8-01
Attachment 4

Kansas Agricultural Alliance

Kansas Agricultural Aviation Association

Kansas Agri-Women

Kansas Association of Ag Educators

Kansas Association of Conservation Districts

Kansas Association of Wheat Growers

Kansas Cooperative Council

Kansas Corn Growers Association

Kansas Crop Consultant Association

Kansas Dairy Association

Kansas Ethanol Association

Kansas Farm Bureau

Kansas Fertilizer and Chemical Association

Kansas Grain and Feed Association

Kansas Grain Sorghum Producers Association

Kansas Nursery & Landscape Association

Kansas Livestock Association

Kansas Pork Association

Kansas Seed Industry Association

Kansas Soybean Association

Kansas Veterinary Medical Association

Western Retail Implement and Hardware Association

February 8, 2001

The Honorable David Corbin
Chairman of the Senate Assessment and Taxation Committee
Statehouse
Topeka, KS 66612

Dear Chairman Corbin,

The Kansas Agricultural Alliance, representing the 21 above-named agricultural associations, supports SB 93, providing sales tax exemptions for construction materials and service for grain storage facilities.

Members of the Ag Alliance have voted unanimously to endorse and support this legislation.

Thank you for your consideration.

Sincerely,



Kerri Ebert
KAA President

*Senate Assessment & Taxation
2-8-01
Attachment 7*

KANSAS FERTILIZER AND CHEMICAL ASSOCIATION

Statement of the

Kansas Fertilizer and Chemical Association

Presented to the

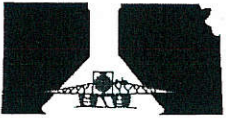
Senate Assessment and Taxation Committee

Senator David Corbin, Chairman

Regarding Senate Bill 105

February 8, 2001

Senate Assessment & Taxation
2-8-01
Attachment 8



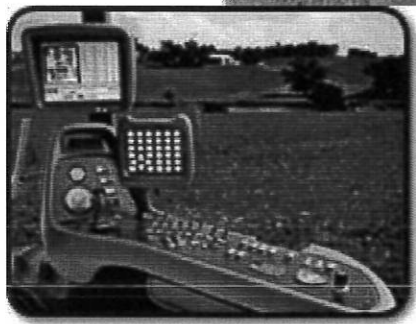
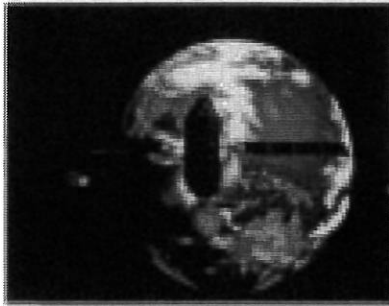
KFCA IS
COMMITTED TO
PROFESSIONAL
DEVELOPMENT
AND BUSINESS
VIABILITY FOR
THE PLANT
NUTRIENT AND
CROP
PROTECTION
INDUSTRY IN
KANSAS.

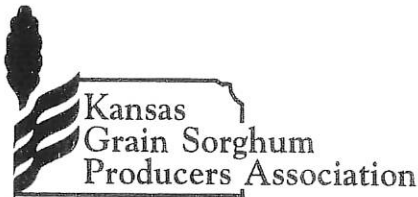
Chairman Corbin and members of the Senate Assessment and Taxation Committee, my name is Doug Wareham and I serve as Vice President, Government Affairs for the Kansas Fertilizer and Chemical Association (KFCA). KFCA is the professional trade association for the state's plant nutrient and crop protection industry. KFCA's nearly 500 members are primarily retail dealers scattered across Kansas which sell and custom apply crop protection chemicals and fertilizers for Kansas producers. However, KFCA's membership also includes distribution firms, manufacturer representatives, equipment manufacturers and others who serve the industry.

I appear today in support of Senate Bill 105, which broadens the sales tax exemption for what is considered to be farm machinery and equipment. I want to point out that the language contained in Senate Bill 105 is model language that was adopted by the State of Illinois last year to include precision farming equipment such as soil testing sensors, computers, monitors, software and global positioning and mapping systems, in the definition of farm machinery and equipment.

Our objective in requesting the introduction of Senate Bill 105 is to simply ensure the term "farming machinery and equipment" is representative of both traditional farm machinery and equipment items as well as new technology derived machinery and equipment items. These items are increasingly being utilized by agricultural producers, crop consultants and retail fertilizer and agricultural chemical dealers across Kansas.

I appreciate the opportunity to appear in support of Senate Bill 105 and would be happy to respond to any questions.





**Testimony Regarding Senate Bill No. 105
Before the Senate Assessment and Taxation Committee
February 8, 2001**

Good morning Chairman Corbin and members of the Senate Assessment and Taxation Committee, my name is Greg Krissek. I am Director of Operations for the Kansas Corn Growers Association. I appreciate the opportunity to make comments in support of SB 105. My comments also reflect the position of the Kansas Grain Sorghum Producers Association.

SB 105 would specifically clarify the sales tax exemption for all sales of farm machinery and equipment to include precision farming equipment that is installed and used in current farm machinery and implements pursuant to KSA 2000 Supp. 79-3606 (t).

Technological advancements continue to become available at an accelerating pace in agricultural production. Many of these information tools include data gathering and processing equipment that are in the category of precision application decision aides. The advent of sensors tied directly to satellites with computer monitoring equipment now allow producers the ability to make decisions on a prescriptive basis within areas to the square foot. Subsequently the farmer can choose to apply varied but optimal, and frequently reduced, levels of nutrients and pesticides in order to match specific agronomic needs.

These tools are expected to garner increased acceptance among farmers as they become more readily understood. They also will continue to evolve in ways no one's crystal ball can predict today. But as with many new technologies, there is a cost to obtaining and maintaining these tools that rapidly are becoming as critical to a farmer's productivity as has been other more traditional farm machinery and equipment. Because of the many potential benefits that are expected to be derived from use of these technologies, not least of which may be reducing potential runoff, we believe it is appropriate to request the clarification of this type of equipment as qualified for the sales tax exemption currently available for farm machinery and equipment.

For these reasons, we request your support of SB 105 and its provisions. Thank you for the opportunity to make these comments and I will try to answer any questions concerning this testimony.



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

**RE: SB 105 – Exempts precision farming equipment from the
sales tax.**

**February 8, 2001
Topeka, Kansas**

**Presented by:
Bill R. Fuller, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Corbin and members of the Senate Committee on Assessment and Taxation, we certainly appreciate this opportunity to express Kansas Farm Bureau support for SB 105.

My name is Bill Fuller. I serve Kansas Farm Bureau as Associate Director of the Public Policy Division.

The 59 exemptions listed in the statutes of Kansas excludes scores of goods and services from the sales tax. The list began many years ago with (a) dealing with motor-vehicle fuel. The list currently ends with (ggg) approved by the 2000 Legislature exempting purchases by the Kansas Academy of Science.

Kansas Farm Bureau member-adopted policy includes this statement concerning the sales tax:

“Kansas has appropriately created justifiable sales tax exemptions for agriculture, business, industry and many not-for-profit groups. This has been done to assist economic development and provide for competitiveness with our neighboring states. Existing exemptions should remain in place.”

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2-8-01
Attachment 10*

ps 6
line 10

SB 105 does not add another sales tax exemption. The bill merely updates item (t) that currently exempts farm machinery and equipment from sales tax by expressly including precision farming equipment. This high-tech equipment includes soil testing sensors, computers, monitors, software, global positioning and mapping systems. More and more agricultural producers are utilizing this kind of computer-assisted equipment in the operation of their farms and ranches. This technology is the future of modern agriculture to assist in improving efficiency, increasing net income, marketing commodities and protecting the environment.

Kansas Farm Bureau respectfully encourages the Committee to approve SB 105 and advance the measure to the full Senate with a recommendation for passage.

Thank you!

STATEMENT OF THE KANSAS AGRICULTURAL AVIATION ASSOCIATION
AND THE
KANSAS SEED INDUSTRY ASSOCIATION
TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE
SENATOR DAVID CORBIN, CHAIR

REGARDING S.B. 105

Thursday, February 8, 2001

Mr. Chairman and Members of the Committee, I am Chris Wilson, Executive Director of the Kansas Agricultural Aviation Association (KAAA) and Director of Member Services of the Kansas Seed Industry Association (KSIA). KAAA is the professional trade association of the aerial application of crop protection chemicals in the state. Our 300 members are involved in agricultural aviation. KSIA is the professional trade association of seed companies in the Kansas market, involved in the production, preparation, distribution, wholesale or retail of seed, with over 150 member companies.

KAAA and KSIA are in support of S.B. 105, which would include precision agriculture equipment in the definition of farm machinery and equipment. Many of our members use this type of equipment, which has come into use over the past few years. It is used in ground equipment and also in the air. A majority of our pilots use global positioning satellite (GPS) equipment in their aircraft for the accurate placement of crop protection chemicals and nutrients to the ground.

As far as I know in talking with Association members, all of the equipment of this type they have purchased to date has been sales tax exempt as agricultural or aviation equipment. However, when I read this bill, I thought it is a good idea to make sure this new technology is reflected in the definition. Technology in the agricultural industry rapidly changes and passage of this bill will keep the statutes up-to-date in reflecting changes in technology.

This bill should not have an impact on state revenues, but it would send a message to agriculture that there is recognition and encouragement of the use of these pro-environment technologies.

Thank you for this opportunity to support S.B. 105, and I would be glad to respond to questions.

*Senate Assessment & Taxation
2-8-01
Attachment II*

Kansas Agricultural Alliance

Kansas Agricultural Aviation Association

Kansas Agri-Women

Kansas Association of Ag Educators

Kansas Association of Conservation Districts

Kansas Association of Wheat Growers

Kansas Cooperative Council

Kansas Corn Growers Association

Kansas Crop Consultant Association

Kansas Dairy Association

Kansas Ethanol Association

Kansas Farm Bureau

Kansas Fertilizer and Chemical Association

Kansas Grain and Feed Association

Kansas Grain Sorghum Producers Association

Kansas Nursery & Landscape Association

Kansas Livestock Association

Kansas Pork Association

Kansas Seed Industry Association

Kansas Soybean Association

Kansas Veterinary Medical Association

Western Retail Implement and Hardware Association

February 8, 2001

The Honorable David Corbin
Chairman of the Senate Assessment and Taxation Committee
Statehouse
Topeka, KS 66612

Dear Chairman Corbin,

The Kansas Agricultural Alliance, representing the 21 above-named agricultural associations, supports SB 105, providing for a sales tax exemption for precision agricultural equipment.

Members of the Ag Alliance have voted unanimously to endorse and support this legislation.

Thank you for your consideration.

Sincerely,



Kerri Ebert
KAA President

Senate Assessment & Taxation
2-8-01
Attachment 12

**Testimony
of**

**Charles Beavers
Vice President**

Farm Credit Services Central Kansas, PCA/ FLCA

Wichita, Kansas

**Before the Kansas Legislature
Senate Assessment and Taxation Committee
At the State Capitol in Topeka, Kansas**

February 8, 2001

Mr. Chairman and members of the Committee, my name is Charles Beavers. I serve as a vice-president for the Farm Credit Services of Central Kansas, PCA/FLCA, which is located in Wichita, Kansas. Our Farm Credit Association serves thirty-nine counties in the central part of the state.

I am here today speaking on behalf of all of the Farm Credit System Associations in Kansas and the more than 14,000 farmers and ranchers who borrow over \$1.5 Billion in funds from Farm Credit Associations all across the state.

*Senate Assessment + Taxation
2-8-01
Attachment 13*

Farm Credit is asking for your support of Senate Bill 138. This bill amends state statute 79-210d to bring clarity and fairness to our tax code. The issue has been clearly outlined in Richard McKee's letter dated Sept. 19, 2000. (Attached)

The statute provides a property tax exemption for new and qualifying grain storage and drying equipment. As you know, Kansas has and is experiencing a severe shortage of grain storage. Previous sessions of the legislature have recognized this and exempted this equipment from sales and ad valorem tax to promote expansion. However, some producers have been denied these tax benefits based solely on the manner in which they financed the facility, and not on the eligibility of the facility.

For example, if one of my customers was adding two grain bins today, I could offer them the choice of a term loan or a lease. Let's assume they choose a term loan for one bin and a lease for the other. Based on this scenario, the farmer can get an ad valorem tax exemption on the bin financed by the term loan, but not on the bin financed by the lease.

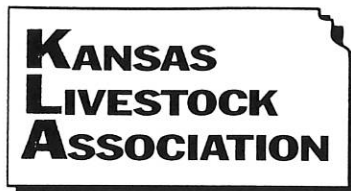
In a lease, the Board of Tax Appeals found that there is a "simultaneous use" by the lessor and the lessee. Their ruling states that since both the lessor and the lessee are making a profit on the storage facility, the transaction is no longer eligible for the exemption. However, as a banker, I can offer a term loan on the same storage facility, at a profit, and not have any affect on the exemption. In both instances all costs of ownership are borne by the producer, including all taxes, insurance and maintenance.

We feel this to be a double standard that penalizes Kansas's farmers who choose leasing as their financing vehicle rather than term loans.

In conclusion, this bill will:

- Give farmers back their freedom to choose financial alternatives based on individual needs,
- Alleviate the frustration of county appraisers in determining how grain storage facilities are financed,
- Eliminate the need for BOTA to decide which grain storage facilities are exempt and which are not.

Mr. Chairman, I have kept my remarks very brief. Thank you for letting me share my thoughts on this important program, and I would be happy to answer any questions you or the committee might have.



Since 1894

Memorandum

DATE: September 19, 2000

TO: Senator Dave Corbin (Vice-chair, Senate Tax Committee), Senator Steve Morris (Chair, Senate Ag Committee), Representative Susan Wagle (Chair, Senate Tax Committee) and Representative Dan Johnson (Chair, House Ag Committee)

FROM: Rich McKee

RE: Property tax exemption for on farm grain storage

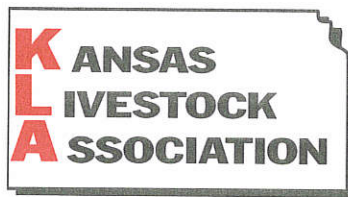
K.S.A. 79-210d provides a property tax exemption for farm grain storage and drying equipment. Unfortunately, the Board of Tax Appeals (BOTA) has issued a ruling denying the exemption to farmers that lease this equipment. A growing number of farmers prefer to finance grain storage and drying equipment with leases instead of traditional term loans. BOTA is back to using the old "exclusive use" argument...asserting the equipment isn't used for grain storage because the lessor is receiving rental payments.

To confuse matters more an earlier BOTA ruling found leased grain storage and drying equipment was exempt. However, BOTA said in it's most recent ruling the previous order, finding the leased equipment exempt, was a mistake.

What a nightmare for county appraisers! How would they know a farmer's financing arraignments for grain storage and drying equipment? When the legislature passed this statue I can't imagine they intended to base the exemption on how the equipment was financed.

We would like you to consider some "clean-up" legislation next year that would make it abundantly clear it doesn't matter how the equipment is financed (leased vs. term loan) in order to qualify for the exemption. It appears this statue needs some revisions regardless of this issue as the definitions used are based on a farm program that no longer exists.

Thanks for your interest.



Since 1894

To: The Senate Assessment and Taxation Committee
Senator David Corbin, Chairman

From: Mike Beam, Executive Secretary, Cow-Calf/Stocker Division

Subject: Support for **Senate Bill 138** – Property Taxes on Farm Storage and Drying Equipment

Date: February 8, 2001

Thank you Mr. Chairman for introducing SB 138 and scheduling a hearing on this legislation. I realize it will be easy to confuse this measure with other bills scheduled in today's hearing. As a reminder, this is the only bill that deals with the limited property tax exemption for grain storage and drying equipment.

Apparently the legislature enacted this *eight-year* exemption around 1977 to correspond with federal action to provide low interest loans for the building of grain storage equipment. It was determined it was a wise policy for the state to help USDA encourage the construction of on farm grain storage facilities by exempting such facilities from property taxes. Since that time, the state has continued this exemption.

We requested this bill because of a recent Board of Tax Appeals ruling that states the exemption does not apply if the grain storage facility is acquired through a lease agreement. Ironically, in line 27, the law does not stipulate the grain storage facility must be financed in any particular manner.

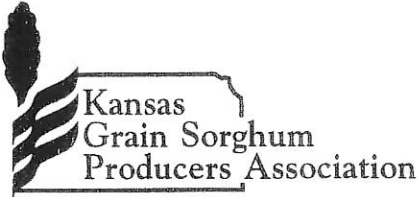
Today, in 2001, it is not uncommon for farmers and ranchers to use a lease agreement as a way to finance the purchase of equipment. The intention of this bill is to merely clarify that grain storage and drying facilities may not be denied the exemption if it is financed through a lease agreement.

We appreciate the Committee's favorable consideration of the bill and stand willing to answer any questions or respond to any comments. Thank you.

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2-8-01
Attachment 14

Eligible bins in 1982 regulations 1474.5

Eligible facilities shall include the following: (1) New or newly constructed conventional-type cribs, bins or flat structures designed and engineered for grain storage; (2) flat storage structures designed and engineered for multipurpose use which are adapted or modified for use as grain storage: multipurpose use which are adapted or modified for use as grain storage: *Provided*, that if only a portion of the structure is for use as grain storage, the area or space used for grain storage must be isolated or closed off from other use areas and only the pro rata costs of the portion of space used for grain storage shall be included in determining the amount of the loan; (3) oxygen-limiting and other upright silo-type structures designed for wet storage; and ~~(4) used structures~~ ~~(including the real estate where located, if any) purchased from CCC or sold by CCC~~ ~~under provisions of a security agreement.~~



**Testimony Regarding Senate Bill No. 138
Before the Senate Assessment and Taxation Committee
February 8, 2001**

Good morning Chairman Corbin and members of the Senate Assessment and Taxation Committee, my name is Greg Krissek. I am Director of Operations for the Kansas Corn Growers Association. I appreciate the opportunity to make comments in support of SB 138. My comments also reflect the position of the Kansas Grain Sorghum Producers Association.

The provisions of SB 138 are an attempt to address situations that have arisen wherein the form of financing a farmer uses when acquiring farm storage may negatively impact his ability to qualify for the property tax exemption currently available pursuant to KSA 79-201d.

The need for additional grain storage in the state and tax incentives encouraging such construction is being addressed in other proposals this legislative session. Plentiful commodity production and increased use of specific varieties requiring identity preservation are prompting producers to replace or construct on-farm grain storage.

In these challenging financial times, farmers and their lenders may utilize several types of financing to make the acquisition of on-farm storage as affordable and feasible for the producer as possible. Our organizations' members have chosen both traditional financing and leasing as financing options. But the latter approach would have been and will be less favored since this financing option does not seem to qualify for the eight year property tax exemption authorized by the statute.

This type of financing-neutral clarification was approved by the Legislature several years ago concerning farm machinery and equipment. The goal of SB138 is to provide the same type of clarification with on-farm storage and drying equipment.

For these reasons, we request your support of SB 138. Thank you for the opportunity to make these comments and I will try to answer any questions concerning this testimony.





PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND TAXATION

**RE: SB 138 - Allowing farm storage and drying equipment
acquired through a lease to qualify for a state
property tax exemption.**

**February 8, 2001
Topeka, Kansas**

**Presented by:
Leslie Kaufman, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Corbin and members of the Senate Committee on Assessment and Taxation, thank you for the opportunity to appear today on behalf of the farmer and rancher members of Farm Bureau and express our support for SB 138 which allows property acquired through a lease to qualify for a state property tax exemption. I am Leslie Kaufman, Associate Director of Public Policy for Kansas Farm Bureau.

In 1997, Farm Bureau was apprised that the Board of Tax Appeals (BOTA) was denying the state property tax exemption on farm machinery and equipment in cases where the property was acquired by a lease-purchase agreement. BOTA determined the property had a dual use when it was financed through lease-purchase. A bill passed during the 1997 Legislative Session that removed the exclusive use provision from

*Senate Assessment & Taxation
2-8-01
Attachment 16*

K.S.A. 79-201j. The result is farm machinery and equipment is granted exemption based on its use, rather than the financing arrangement through which it was acquired.

This summer, it was brought to our attention that BOTA was applying the same dual use analysis in denying property tax exemptions under K.S.A. 79-201d to farm storage and drying equipment. Farm Bureau supports SB 138 because it would reconcile K.S.A. 79-201j and 79-201d and it would eliminate, what is essentially discrimination based on financing agreements, rather than actual use.

In November, farmers and ranchers from all 105 counties in Kansas gathered in Wichita to adopt resolutions for Kansas Farm Bureau. The policies adopted recognize the financing needs of agriculture producers, as well as the need for equity in tax matters:

- ***“Farmers and ranchers need a variety of credit facilities to finance operating and ownership expenses.”***
- ***“The type of financing arrangement should not impact whether property is exempt from taxation.”***

The wording in SB 138 identifies “leased” property as opposed to using the words “lease-purchase.” There is some question whether the language is broader than the lease-purchase situations we have discussed above and would include a rental-type lease. The policy discussion at our annual meeting focused on the lease-purchase situation. As such, our support for SB 138 is targeted at addressing denial of a tax exemption based primarily on financing rather than how the farm storage and drying equipment is used. Thus, we respectfully encourage this committee to address this situation statutorily and assure that property acquired through a lease-purchase agreement is clearly included within K.S.A. 79-210d. Thank you.