

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on February 10, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Senator Taddiken
Allie Devine, Vice President, General Counsel, Kansas Livestock Association (KLA)
Brad Harrelson, Kansas Farm Bureau (KFB)
Gary Kilgore, Executive Secretary, Kansas Forage and Grassland Council, Inc,

Others attending:

See attached list.

Chairperson Allen opened the hearing on **SB 158** - property tax exemption for hay and cotton storage structures.

Senator Taddiken addressed the Committee in support of **SB 158**. He testified this bill would clarify that hay storage structures are covered under statute. Currently, the statute speaks to hay and haylage, but then refers to a federal code that is interpreted not to include hay. Also, it would require that any hay storage structure that received the exemption be newly constructed and used predominantly for hay storage. This bill would place a one time limit on the exemption of newly acquired storage structures (Attachment 1).

Allie Devine, Vice President, General Counsel, Kansas Livestock Association (KLA), testified in support of **SB 158**. (Attachment 2).

Brad Harrelson, representing the Kansas Farm Bureau (KFB), testified as a proponent of **SB 158** (Attachment 3).

Gary Kilgore, Executive Secretary for Kansas Forage and Grassland Council, Inc, submitted written testimony in support of **SB 158** (Attachment 4).

There being no others wishing to testify on **SB 158**, Chairperson Allen closed the hearing.

SB 58 - Authorizing countywide retailers' sales tax for Sedgwick county arena

Chairperson Allen called for discussion and final action on **SB 58**. Senator Donovan moved that SB 58 be passed out of committee favorably. Senator Bruce seconded the motion. The Committee voted in favor of the motion.

SB 45 - Personal judgment against owner for unpaid real property taxes

Senator Goodwin moved that SB 45 be passed out of committee favorably. Senator Bruce seconded the motion. The Committee voted in favor of the motion.

SB 70 - Creating the Kansas petroleum education and marketing act

Senator Lee moved that SB 70 be passed out of committee favorably. Senator Pine seconded the motion. The Committee voted in favor of the motion.

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:40 A.M. on February 10, 2005 in Room 423-S of the Capitol.

SB 209 - Transportation Development District Act, district sales tax

Senator Bruce moved that **SB 209** be amended by reinserting language from page 2 line 41 through 43 and on page 3 back to page 2 line 21 following "mature". Senator Jordan seconded the motion. The Committee voted in favor of the amendment.

No final action was taken on **SB 209**.

Chairperson Allen then announced that next Tuesday, February 15th, the committee has been invited to a demonstration surrounding the security of drivers licenses at the DMV.

There being not other business, Chairperson Allen closed the meeting at 11:20 a.m.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: Thurs. 2/10/05

NAME	REPRESENTING
BRAD HARRELSON	KFB
George Peterson	Ks Taxpayers Network
Roger Hamm	KDOR - PUD
David Corbin	KDOR
Bonnie Koch	Wichita Area Chamber
Jeanne Goodwin	City of Wichita
Allie Devine	Lincoln Assoc
SCOTT SCHNEIDER	CITY OF WICHITA
John Frenick	The Boeing Company
ED Cross	KIOGA
Danielle Hae	Johnson County
Mike Taylor	Unified Gov/Wyco/KCK
Bill Brady	ISGC
Mary Ellen Bondie	REAP
Rob Mene	HEIN Law Firm
Erik Sartorius	City of Overland Park



TOPEKA

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 CLIFTON, KS 66937
 (785) 926-3325

STATEHOUSE—ROOM 422-S
 TOPEKA, KS 66612
 (785) 296-7371 FAX 368-6365
 taddiken@senate.state.ks.us

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 PLANNING

TESTIMONY IN SUPPORT OF SENATE BILL 158

February 10, 2005

Senate Assessment and Taxation Committee

by Senator Mark Taddiken

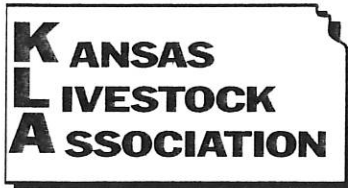
Thank you Chairman Allen and committee members for the opportunity to testify in support of Senate Bill 158 today.

Currently in Kansas we have an eight-year property tax exemption for equipment used for the drying and storing of certain agricultural crops. The intent of the exemption is to provide assistance and encouragement to agricultural producers to protect the newly harvested crops from the deteriorating effects of inclement weather. This protection from the weather preserves both the quantity and the quality of the crop thus maintaining the value of the crop which has a very positive effect on the Kansas economy.

Hay producing practices evolve over time to keep up with the changes in animal feeding methods. Presently the industry is moving toward the use of large square bales measuring 4 foot by 4 foot by 8 foot. This shape of bale is very susceptible to rain and requires coverage before any rainfall.

This bill would clarify that hay storage structures are covered under the statute. Currently the statute speaks to hay and haylage but then refers to a federal code that is interpreted not to include hay. Also, it would require that any hay storage structure that receives the exemption be newly constructed and used predominantly for hay storage.

Assessment & Taxation
 Date 02-10-05
 Attachment # 1



Since 1894

TESTIMONY

To: Senate Assessment and Taxation Committee
Senator Barbara Allen, Chairperson

From: Allie Devine, Vice President and General Counsel
Kansas Livestock Association

Date: February 10, 2005

Re: Support of Senate Bill 158

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 6,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, grazing land management and diversified farming operations.

Madam Chairman, Members of the Committee, My name is Allie Devine. I am here today representing the Kansas Livestock Association. We are asking for your support of Senate Bill 158.

As many of you know Kansas is a leading livestock producing state. In 2003, Kansas ranked number 2 in the nation with 20% of the total number of cattle slaughter in the United States. In 2003 Kansas ranked second in the number of cattle on feed and number 2 in the total number of cattle on farms.

Kansas is a leader in livestock production for several reasons: 1. Favorable weather conditions-Low humidity and relatively mild climate that make ideal conditions for growing cattle (most days); 2. plentiful grain supplies; and, 3. access to processing facilities.

In addition to these basic factors, Kansas has a good business climate created by good laws. Uniform environmental laws and favorable tax laws provide our livestock operations with competitive advantages that other states envy. SB 158 is a good additional cost cutting measure that Kansas livestock operators appreciate and keeps them competitive.

This industry is mobile, within the United States, and the world. While removing this tax may not be the sole reason a livestock operation remains in the state or locates in Kansas, it helps those here remain competitive.

Thank you for your consideration of this proposal.

Assessment & Taxation
Date 02-10-05
Attachment # 2

KANSAS FARM FACTS

KANSAS' RANK IN U.S. AGRICULTURE, 2003

Crop or Livestock Item	Production or Number	Rank	Kansas Number as % of U.S. Total
Wheat Flour Milled	34,159,000 cwt.	1	8.7
Wheat Flour Milling Capacity, Nov. 1, 2003	136,640 cwt.	1	9.7
All Wheat Produced	480,000,000 bu.	1	20.5
Sorghum Grain Produced	130,500,000 bu.	2	31.7
Sorghum Silage Produced	560,000 tons	2	15.8
Cattle Slaughtered	8,926,345 head	2	20.4
Cropland <u>1/</u>	29,542,022 acres	2	6.8
Prime Farmland <u>2/</u>	23,232,100 acres	2	7.0
All Cattle and Calves on Farms, Jan. 1, 2004	6,650,000 head	2	7.0
Cattle and Calves on Grain Feed, Jan. 1, 2004	2,480,000 head	2	18.0
Red Meat Production by Com'l. Slaughter Plants	5,728,900,000 lbs.	3	12.3
Land in Farms	47,200,000 acres	3	5.0
Commercial Grain Storage Capacity, Dec. 1, 2003 ...	890,000,000 bu.	3	10.5
Sunflowers Produced	205,000,000 lbs.	3	7.7
Cash Receipts from Farm Marketings, 2003 <u>3/</u>	9,046,096,000 dol.	5	4.3
All Hay Produced	7,000,000 tons	6	4.5
Exports of Farm Products, FY 2003	2,969,600,000 dol.	6	5.3
Beef Cows That Have Calved, Jan. 1, 2004	1,550,000 head	6	4.7
All Other Hay (Excluding Alfalfa) Produced	3,600,000 tons	6	4.5
Irrigated Acres <u>1/</u>	2,678,277 acres	6	4.8
Alfalfa Hay Produced	3,400,000 tons	8	4.5
Hogs on Farms, Dec. 1, 2003	1,650,000 head	9	2.7
Corn Grain Produced	300,000,000 bu.	10	3.0
Oats Produced	4,550,000 bu.	10	3.1
Soybeans Produced	57,040,000 bu.	11	2.4
Corn Silage Produced	3,080,000 tons	12	2.9
Dry Edible Beans Produced	231,000 cwt.	13	1.0
Cotton Produced	89,500 bales	16	0.5
All Sheep and Lambs on Farms, Jan. 1, 2004	100,000 head	17	1.6
Potatoes Produced, Summer	1,026,000 cwt.	19	0.2
Barley Produced	456,000 bu.	23	0.2

1/ Total cropland and irrigated acres, 2002 U.S. Census of Agriculture.

2/ Prime farmland is the land best suited to producing food, feed, forage, fiber, and oilseed crops. 1997 National Resource Inventory issued by National Resources Conservation Service.

3/ Preliminary.

PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT and TAXATION

RE: SB No. 158 – an act concerning property taxation; relating to
hay and cotton storage

February 10, 2005
Topeka, Kansas

Testimony provided by:
Brad Harrelson
State Policy Director
KFB Governmental Relations

Chairperson Allen, and members of the Senate Committee on Assessment and Taxation, thank you for the opportunity to appear before you today. I am Brad Harrelson, State Policy Director—Governmental Relations for Kansas Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

Attached to my testimony is a copy of K.S.A. 79-201i which lays out in law the purpose for farm machinery and equipment property tax exemptions. It stipulates that the purpose of the act is "to promote, stimulate and develop the general welfare, economic development and prosperity of the state of Kansas by fostering the growth and development of agricultural endeavors within the state". It goes on to state that, "Considering this state's heavy reliance on agriculture, the enhancement of agricultural

endeavors is deemed to be a public purpose which will promote the general welfare of the state and be for the benefit of the people of the state."

As you are aware, production agriculture is very capital intensive and requires substantial investment in land, machinery and equipment. Because of these unique requirements, often accompanied by high risk and marginal returns, property tax places a substantial burden on farmers and ranchers, and often becomes a deterrent to such investment.

The underlying statute contemplated for amendment today, allows a property tax exemption for farm storage and drying equipment for most agricultural commodities. Kansas Farm Bureau supported passage of that legislation and the legislature agreed that it was good public policy with enactment.

Unfortunately, "hay" storage was not included in the list for eligibility at the time. We would suggest that hay is an ag commodity as sure as corn, wheat, beans, sorghum, etc. are. Storage facilities erected to preserve and protect hay quality from the elements serve the same purpose and should therefore qualify for the same treatment. The only difference from grain storage bins is the appearance.

In conclusion, Kansas Farm Bureau respectfully urges your recommendation to pass favorably SB 158. Thank you, once again, for the opportunity to appear before you and share the policy of our members. KFB stands ready to assist you as you consider this measure. Thank you.

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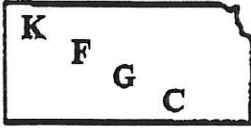
79-201i

Chapter 79.--TAXATION

Article 2.--PROPERTY EXEMPT FROM TAXATION

79-201i. Purpose for farm machinery and equipment property tax exemption. It is the purpose of K.S.A. 79-201j of this act to promote, stimulate and develop the general welfare, economic development and prosperity of the state of Kansas by fostering the growth and development of agricultural endeavors within the state. Agriculture, as conducted in farming and ranching operations throughout the state, is the primary basis of the Kansas economy. Communities, regions, and the state as a whole are materially dependent upon agricultural endeavors and derive substantial financial benefit from the success of Kansas agriculture. Farming and ranching operations require the investment of large sums of capital for the purpose of providing the land on which the operations are conducted, and the farm machinery and equipment necessary to satisfactorily carry out such endeavors. Because of agriculture's unique requirements of substantial capital investment, the property tax burden becomes a deterrent to such investment and, in some instances, an encouragement to farm and ranch abandonment. Kansas, and all its citizens, will benefit from any improvement in the economic environment of Kansas agriculture. The exemption from the ad valorem property tax of farm machinery and equipment actually and regularly used in farming and ranching operations will constitute an incentive to agriculture and will improve the general economy of the state. Considering this state's heavy reliance on agriculture, the enhancement of agricultural endeavors is deemed to be a public purpose which will promote the general welfare of the state and be for the benefit of the people of the state.

History: L. 1982, ch. 390, § 2; May 20.



Kansas Forage & Grassland Council
c/o Gary Kilgore
308 West 14th
Chanute, KS 66720
620-431-1530
gkilgore@oznet.ksu.edu

Karen Walters
kwalters@oznet.ksu.edu

February 9, 2005

To: Senator Mark Taddiken
Kansas Senate

Fr: Kansas Forage and Grassland Council, Inc.

Subject: Senate Bill No. 158

The Kansas Forage and Grassland Council, Inc. (KFGC) supports House Bill No. 158.

KFGC represents the Forage Industry in Kansas. Membership includes: producers and hay and forage industry representatives.

This legislation should clarify the property or ad valorem taxes levied on storage structures for hay.

The Kansas Forage and Grassland Council would further support the fact that previously constructed storage structures less than 8 years be pro-rated. For example, a structure completed 5 years ago would be exempt for 3 years. In the best interest to the industry this would be most desirable. A producer who built a structure in July or August 2004 would be eligible for 7 years of tax exemption. Currently, HB158 does not allow for that.

Sincerely,

Gary L. Kilgore
Executive Secretary
Kansas Forage and Grassland Council, Inc.

GLK:ck

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Executive Secretary
Gary Kilgore

*At large member

Assessment & Taxation
Date 02-10-05
Attachment # 4

FEB 09 2005

Feb. 9. 2005 10:08AM