

NATIONAL COOPERATIVE REFINERY ASSOCIATION



Testimony re: HB 2501 Real and Personal Property

**Presented by Kent Stos
on behalf of
National Cooperative Refinery Association
February 1, 2012**

Mr. Chairman, Members of the Committee:

My name is Kent Stos and I am the Vice President of Finance with National Cooperative Refinery Association (NCRA). NCRA, a petroleum refinery based in McPherson, Kansas, is a cooperative organized under the Kansas Cooperative Marketing Act.

First of all, NCRA wants to express appreciation to the Chairman of this Committee for the opportunity to provide input on House Bill No. 2501. Defining real and personal property is not only a concern to the petroleum refining business in which NCRA is involved but also to the many other forms of business in Kansas such as agriculture and manufacturing which provide valuable employment opportunities to Kansans.

Oil production and oil refining have been a major piece of the Kansas economy for many years. NCRA is one of the three remaining refineries in Kansas. We employ about 650 people in Kansas. We process about 85,000 barrels of crude oil per day of which over half is sourced from Kansas.

NCRA is owned by three regional farm cooperatives. All gasoline, diesel fuel and propane produced at the McPherson, Kansas refinery is sold to the three cooperatives to supply agricultural demand to the farms in the upper Midwest.

NCRA believes the definition of "trade fixtures" as defined in HB 2501 to include industrial machinery and equipment permanently attached to real estate as "personal property" is correct. Our Oil Refinery is a very complex and capital intensive plant. The majority of the capital invested in the NCRA plant relates to regulatory compliance or replacement of existing major complex processing equipment. These projects are rarely profit improvement projects, but rather stay-in-business projects. NCRA is currently facing a \$500 MM plus project to replace its existing Coker Unit used in the refining process. We regard this processing unit to be personal property, not real property. We are not purchasing or acquiring any new real property. The lack of clarity in what constitutes real or personal

property in our industry causes unnecessary conflict with taxing authorities on annual basis. It is not logical that replacement equipment be considered “real property”. The proposed definition would eliminate the ambiguity that currently exists on this issue.

In summary, NCRA is in support of HB 2501 as an important fundamental issue of tax fairness. NCRA encourages this committee to vote in favor of passing the bill and send a pro-active message to business encouraging investment in equipment within the State of Kansas. Thank you very much for permitting me to testify.