

February 6, 2012

TO: House Taxation Committee
FROM: Rep. J. Robert (Bob) Brookens
RE: HB 2350

I am Bob Brookens, Representative of the 70th District covering Marion and Chase Counties and parts of Butler County. In the Governor's State of the State address, Governor Brownback talked about leveling the playing field and not picking winners and losers. This bill is designed to help us do exactly that, at least somewhat. Because of KSA Sections 79-227 and 79-32,223, both of which were adopted in the 2006 legislative session, oil and gas pipelines exceeding 190 miles in length may be granted a 10 year property tax exemption, if the project meets the criteria set out in the statutes. Not discussed in this bill is the 2nd tax advantage currently granted to those pipelines, that being a state tax credit in KSA 79-32,224 and other sections. This bill is not designed to impact the tax credit aspect.

There is another bill in this committee proposing to terminate the exemption completely; if passed, that bill would impact future pipelines and would assure this exemption from local property taxes does not happen again. With one small change, HB 2350 would assure the current pipeline that travels from Nebraska through Kansas on its way to Oklahoma would at least pay a payment in lieu of taxes for those first 10 years, which would assist the counties through which TransCanada's Keystone Pipeline passes. Those counties are: Washington, Clay, Dickinson, Marion, Butler and Cowley Counties. Of course, this depends on whether TransCanada's Keystone Pipeline is granted an exemption in the first place. That determination is set to be made some time this year in the Tax Court. The matter is still timely, because if the exemption is granted, the payment in lieu of tax would and ought to commence immediately, not wait yet another year.

When HB 2350 was introduced last year, there were a number of complicating factors, those being the KLISS system, my desire to get a bill timely introduced, a host of other tax matters in front of this committee, the issue of who would be active parties in the Tax Court, and a host of other things. Because of all those issues, a start date February 2011 was inserted in the last sentence of Section 1 in the bill. I believe that is now counter-productive to the intent of the bill, and I respectfully request the bill be amended to delete the last sentence of Section 1.

Thank you for your consideration.

Respectfully submitted,

JRB/bb