

Testimony before the Senate Assessment & Taxation Committee
Feb. 1, 2012
Senate Bill 317
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Chanute, Kansas

Good morning, Mr. Chairman, my name is Randy Pryor, and I am the plant manager for the Ash Grove Cement Company's Chanute cement manufacturing plant.

As you may know, the Ash Grove Cement Company is headquartered in Overland Park, and it is a fourth generation, family-owned company. In our 130th year, we are the largest

American-owned cement company with annual revenues in excess of \$750 million. We have grown from a small business to a company that employs approximately 2,500 across

most of the states west of the Mississippi River. Between our Chanute plant, which has 137 employees, our headquarters and other Kansas interests, we employ more than 440

Kansans, with a payroll exceeding \$30 million.

Thank you for the opportunity to speak in favor of SB 317, which we consider to be an important clarification to the Kansas tax code. Our company, the Kansas and Chanute chambers, of which we are a member, and the business community support this bill because of a January 2012 Court of Tax Appeals decision, which upheld a county's reclassification of commercial and industrial personal property as real property.

In 1986, Kansas voters amended Article 11, Section 1 of the Kansas Constitution to establish a commercial and industrial machinery and equipment classification and provide that such property should be valued at its retail cost when new less depreciation.

The 2006 Kansas Legislature approved, and Gov. Kathleen Sebelius signed into law, a bill that exempted commercial and industrial machinery and equipment that was acquired

after 2006. K.S.A. 79-223. The opponents of that provision included county officials who believed that they would lose significant revenues if commercial and industrial personal property acquired after 2006 was exempted from ad valorem taxation.

At least one county has sought to limit the application of the exemption by reclassifying commercial and industrial machinery and equipment. As second, Neosho County, which is where our Chanute plant is located, has hired the same out-of-state consultants used in

the referenced 2012 Kansas Court of Tax Appeals case to inspect our facility. In January

2012, the Kansas Court of Tax Appeals issued a ruling that upholds the county's reclassification and valuation of commercial and industrial machinery and equipment as real property. The ruling will result in shifts in the burden of taxation and severely limit the exemption for manufacturers. It also creates uncertainty for business. The majority

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of the Court ruled against business and nullified the Legislature's intended tax benefit for manufacturers like Ash Grove.

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Grove's Neosho County plant currently makes up 16 percent of the taxes in the county. As a manufacturer we are facing ever increasing federal regulations and foreign competition that adversely affects our business by driving up costs. The Court of Tax Appeals decision also adversely affects our plant's ability to compete in Kansas and bordering states. Demand for cement is down 50 percent since 2006, and during these economic times, the court decision adds additional costs to our product. We are interested in being a successful manufacturer in Kansas that supports our employees and communities in which they live. We ask that you help us with the business climate to make this a reality.

Our company has invested hundreds of millions of dollars in Kansas, including a plant upgrades in 2001, 2003 and 2005 that modernized our 103-year-old Chanute plant. Along with those investments, we created construction jobs and made charitable contributions to a diverse group of charities that promote the long-term viability of our operations and the surrounding community. We have been actively engaged in Chanute to assist in economic development because the area has endured a population decline, which is, in large part, due to a lack of jobs in the area. We participated in the City of Chanute's effort to bring Spirit Aerosystem's recent expansion to Chanute.

When jurisdictions undertake efforts to change the application of the current law, they are

putting an additional burden on Kansas manufacturers. We anticipate that we, and probably others, will incur significant litigation costs to challenge county appraisers as a result of this decision. We would ask that the Legislature what property is commercial and industrial machinery and equipment. We would appreciate your favorable consideration of SB 317 to provide a more stable and certain property tax environment. I am available for questions. Thank you for your time and