

Testimony of Coffeyville Resources Nitrogen Fertilizers, LLC
Submitted by Kevan Vick, Executive Vice President and General Manager
Regarding SB 317
Property Taxation of Commercial and Industrial Machinery and Equipment
Before the Senate Taxation Committee
Wednesday, February 15, 2012

Mr. Chairman and members of the Committee, thank you for another opportunity to discuss our support for the substitute language of SB 317, the legislation to clarify the definition of commercial and industrial machinery and equipment for property tax purposes. My name is Kevan Vick and until recently, I served as the Executive Vice President and General Manager of Coffeyville Resources Nitrogen Fertilizers, LLC ("CRNF"), the owner and operator of the fertilizer plant in Coffeyville, Kansas. I am currently a consultant for CRNF.

Company Background

CRNF operates a nitrogen fertilizer manufacturing facility in Coffeyville, Kansas. CRNF's affiliated company, Coffeyville Resources Refining & Marketing, LLC ("CRRM") operates a petroleum refinery adjacent to the CRNF fertilizer plant in Coffeyville, Kansas.

In 2010, we produced 155,600 tons of anhydrous ammonia and 578,300 tons of UAN, all essential inputs for Kansas and Midwest agriculture producers with approximately 35-40% sold in this state.

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Our companion company, CRRM is one of only three petroleum refineries left in Kansas. It has a capacity of 115,000 barrels of oil per day. I will use the name, "Coffeyville Resources" when referring jointly to both CRNF and CRRM.

Employee and Community Investment

Our company, Coffeyville Resources, is a major economic growth engine for Southeast Kansas through job creation and community investment. During 2011, our fertilizer facility employed 124 individuals with a total payroll of \$9.8 million per year, and our refinery employed more than 400 individuals with a total payroll of nearly \$35 million. Together they employed more than 525 individuals in Montgomery County with a total payroll of nearly \$45 million plus benefits. Coffeyville Resources has created more than 100 new jobs in the past five years in Montgomery County.

Last year, *our company purchased \$35 million worth in goods and services from Montgomery County-based suppliers.* In addition, in 2011 we contributed more than \$2.4 million in payroll taxes and nearly \$2 million in other business-related taxes to the State of Kansas.

At Issue

Our concern today is that the massive increase in property taxes as a result of the incorrect classification of commercial and industrial machinery and equipment, will drive future investment to other states. While the specifics of our case are important to Montgomery County, the issue of properly classifying commercial and industrial machinery and equipment ("CIME")

as personal property and not real estate should be important to every taxpayer and local unit of government in the State.

I would like to stress a few more key points before you begin serious consideration of this important legislation.

First of all, when this fertilizer facility was first built in 1998, Coffeyville and Montgomery County provided a 10-year tax abatement while classifying most of the fertilizer facility as personal property. My company anticipated paying a \$1 to \$2 million increase in personal property taxes in 2008, when the tax abatement ended. However, as the property was returned to the tax rolls, it also was reclassified as "real estate" and our property tax liability ballooned to more than \$10 million. The taxes on our fertilizer plant have continued to increase and we have continued to pay them under protest. In 2011, our property tax bill for the fertilizer operation was \$13.7 million. Property taxes are now CRNF's second highest cost of conducting our business in Montgomery County.

This is an unacceptable increase and one that influences every business decision my company currently makes. The current assessment of CIME as real property has had a strong negative impact on our plans to grow and expand our business in Montgomery County.

We are not opposed to paying our fair share of property taxes, but the increases sought by Montgomery County officials as a result of the incorrect classification of our property as personal have been excessive.

The action by Montgomery County and the decision by COTA in the CRNF case should cause all of Kansas industry to express major concerns about the business climate in this state. This is a real and immediate threat to that business climate and warrants your attention. We urge your support for SB 317.

Thank you.

If you should have questions please do not hesitate to contact us by contacting Gina Bowman, Vice President of Government Relations, CVR Energy, Inc. gmbowman@cvrenergy.com or 816/769-7125.