



Kansas Motor Carriers Association

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Legislative Testimony

by the

KANSAS MOTOR CARRIERS ASSOCIATION

In Support of House Bill No. 2557

Before the

SENATE TRANSPORTATION COMMITTEE

Senator Dwayne Umbarger, Chairman

Tuesday, March 6, 2012

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MR. CHAIRMAN AND MEMBERS OF THE SENATE TRANSPORTATION COMMITTEE:

I am Tom Whitaker, executive director of the Kansas Motor Carriers Association. I appear before you this morning representing our 1,100 member firms and the Kansas trucking industry in support of House Bill No. 2557 concerning enactment of a commercial vehicle fee in lieu of motor vehicle property tax. HB 2557 is a collaboration between KMCA, the Kansas Department of Revenue and numerous stakeholders including support of the Kansas County Treasurers Association.

An old adage that has been heard within the halls of the Capitol for many years is; "if it ain't broke, don't fix it." Mr. Chairman and members of the Committee, the current property tax collection process for commercial vehicles is broken and needs fixing.

I want to be clear from the start, this legislation does not affect property tax paid on your **personal** vehicle or **farm** registered vehicles. In 1956, the Kansas Legislature approved the creation of the motor carrier property tax. Interstate and intrastate for-hire motor carriers (not private carriers) are subject to this tax which is based on a 30% assessment value times the average mill levy of all taxing jurisdictions in Kansas, times the percentage of miles traveled in the State. Motor carriers are required to annually file a separate rendition of vehicles owned and operated in or through Kansas as of January 1 of each year. The state then calculates the tax due and the carrier will pay half the tax by December 20th and May 10th.

When the motor carrier property tax was enacted it was easy to determine who was subject to the tax. All intrastate and interstate (instate or out-of-state) for-hire motor carriers were required to register their authority with the Kansas Corporation Commission before operating in Kansas. Carriers received the so-called "bingo stamp" as a credential. In 1995, the Federal government created the Single State Registration System (SSRS) which allowed interstate for-hire motor carriers to register their authority with their base state. Thereby began the difficulty in identifying taxpayers. In 2007, Congress once again changed the process for motor carriers to register their authority creating the Unified Carrier Registration System (UCR). This new system which is in place today not only includes for-hire carriers, but private carriers as well. Combining for-hire carriers with private carriers, including farmers, further exaggerated the States' inability to identify the taxpayers.

HB 2557 creates a "commercial vehicle fee" in lieu of property tax on trucks or truck tractors registered between 12,000 lbs. gross vehicle weight to 85,500 lbs. gross vehicle weight. Those registering their commercial vehicles at the county level would pay the commercial vehicle fee along with their annual vehicle registration fee. Interstate commercial vehicles would pay the commercial vehicle fee along with their apportioned registration through the International Registration Plan (IRP). All interstate and intrastate motor carriers, whether private or for-hire, would pay the fee in lieu of property tax. This eliminates any evasion or avoidance of paying Kansas some sort of property tax and broadens the tax base. We believe that HB 2557 will reduce the taxes on Kansas based companies while assuring all out-of-state companies pay their fair share.

This will be especially true when out-of-state oil exploration firms begin operating in south central Kansas. These firms are private carriers and would not be subject to the current Kansas property tax on their vehicles. HB 2557 would collect the commercial vehicle fee from these companies based on their percentage of miles traveled in Kansas and will be collected through the IRP, thereby placing these companies on a level playing field with Kansas companies.

To review, HB 2557 will have the following positive effect on operators of commercial vehicles, the state and all 105 counties:

- Expands the tax base.
- Eliminates the difficulty of the State identifying the taxpayer.

- Eliminates any evasion or avoidance of the tax.
- Reduces the administration costs for both the State and motor carriers.
- Removes the tax penalty for motor carriers that operate newer more expensive motor vehicles.
- Removes the roadblock to purchase newer and more environmentally efficient motor vehicles.
- Levels the “playing field”, especially for private carriers, making sure that all commercial vehicle operators, whether in state or out-of-state, pay their fair share.
- Reduces the number of state employees needed to administer the current motor carrier property tax.
- Reduces the work load on county appraisers by eliminating the property tax on commercial vehicles and replacing it with the commercial vehicle fee.

HB 2577 was approved by the Kansas House of Representatives on a vote of 124 – 0 on Thursday, February 23, 2012.

Mr. Chairman, KMCA would like to publically thank the Department of Revenue and its divisions; the Division of Vehicles, Motor Carrier Services Bureau and the Property Tax Division for the time and effort they put into this proposal. In addition, we want to thank the Kansas County Treasurers Association for their valuable input the Association provided as HB 2557 evolved.

On behalf of the Kansas Motor Carriers Association, we thank you for allowing us to present the benefits of HB 2557 to you this afternoon. We believe HB 2557 will fix what is broken. Mr. Chairman, we respectfully request the Senate Transportation Committee pass HB 2557 favorably. I would be pleased to respond to any questions you may have.