

Before the House Taxation Committee
February 21, 2013
HB 2285
Randy Pryor, Plant Manager
Ash Grove Cement Company
Chanute, Kansas

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

Ash Grove Cement Company is headquartered in Overland Park, and it is a fourth generation, family-owned company. In our 131st year, we are the largest American-owned cement company with an annual production capacity of 9 million tons. 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 HB 2285, 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 decision to re-classify 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 from ad valorem taxation, 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.

Two counties have sought to limit the application of that existing exemption by reclassifying commercial and industrial machinery and equipment as real property. In our case, Neosho County, which is where our Chanute plant is located, hired the same out-of-state appraiser 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 has the potential to significantly shift the tax burden to manufacturers and creates uncertainty for business. The majority of the Court ruled against business, nullify the Legislature's intended tax benefit for manufacturers like Ash Grove.

In mid-April 2012, Ash Grove received notification that its property tax would jump to \$7.2 million annually from \$3.5 million annually because much of our personal property was re-classified as real property. On the attached comparison chart you can see the actual dollar changes (Kansas Cement Industry Property Tax Comparison). Our property taxes exceed our

entire payroll for the plant. Property taxes for this plant are now nearly 59 percent of the property taxes the entire company pays.

Ash Grove's Chanute plant now contributes about a third of total property taxes collected in Neosho County. As a manufacturer we continue to face the pressures and costs of increasing federal regulations and foreign competition that adversely affects our business by driving up costs, which we are unable to pass on to our customers. The Court of Tax Appeals decision not only adversely affects our plant's ability to compete in the global market place, but in the regional market place, putting us at a decided disadvantage with competitors in Kansas and bordering states. Demand for cement is down 50 percent since 2006, and it is during these economic times, that the court decides to add an additional burden to us by its decision. In three of the last four years we have also gone through a painful process of furloughing employees in an attempt to control costs and remain competitive in a highly competitive market under some very difficult economic and regulatory conditions. Our interests are in being a successful Kansas manufacturer that sustains the well-being of our employees and the communities in which they live. We ask that you support HB 2285 to help stabilize the business climate in Kansas by assuring certainty and fairness to businesses in the assessment and application of property taxes statewide.

Ash Grove has invested hundreds of millions of dollars in Kansas, since 2001 by modernizing our 104-year-old Chanute plant to promote the long-term viability of our operations. The investment created construction jobs, sustained jobs for 130 plus people in Chanute as well as maintained jobs for those in surrounding communities who service and supply our facility. It has made possible charitable contributions to a diverse group of charities that benefits the citizens of Chanute and the surrounding area.

Ash Grove has been actively engaged in assisting the City of Chanute in economic development as the area has endured a population decline, which is, in large part, due to a lack of jobs in the area. We have participated recently in the City of Chanute's effort to bring Spirit Aerosystem's expansion to Chanute.

When jurisdictions undertake efforts to change the application of the current tax law, they unfairly place an additional burden on Kansas manufacturers. With our taxes doubling in 2012, we wonder: What is next, what are the far reaching implications of the Tax Appeal Board's ruling on Kansas and who will it affect? Will businesses like ours be forced to incur significant time and resources to litigate the decisions of county appraisers as a result of this decision? How many jobs will be destroyed in Kansas as a result of their short sighted decision? How many jobs will never be created in Kansas due to their decisions? We ask the Legislature to clearly determine what property will be classified as commercial and industrial machinery and equipment and provide us all with a definition that cannot be manipulated in the future. We would appreciate your favorable consideration of HB 2285 to provide a more stable and certain property tax environment for all Kansans

Thank you for your time and attention. I am available for questions you may have of me.