

Testimony on HB 2267
to
The House Committee on Taxation
By Secretary of Agriculture Dale Rodman
Kansas Department of Agriculture
March 7, 2013

Good afternoon, Chairman Carlson and members of the committee. I am Dale Rodman, Kansas Secretary of Agriculture. I am here to express KDA's support for HB 2267. This bill adds one NAICS code to the existing High Performance Incentive Program (HPIP).

Prior to December 31, 2011, capital investments in production agriculture were eligible to be included in the Enterprise Zone program. The 2011 Legislature eliminated this program with the passage of SB196. One important incentive that still exists today is the Enterprise Zone sales tax exemption. This exemption is for investments of \$50,000 or more in rural counties and \$1 million or more in metropolitan counties. The Enterprise Zone sales tax exemption is available through HPIP. However, HPIP is only open to certain NAICS codes. While production agriculture is not included in those codes, many of the other businesses covered by the Enterprise Zone program that was eliminated with SB196 are included in HPIP.

We believe the exclusion of production agriculture from the incentive programs currently available was likely an oversight. Once the exclusion of production agriculture was recognized last April an attempt was made to correct this during the 2012 legislative session. Unfortunately, it was too late in the session to accomplish the fix and we were asked to come back this year. This is why HB 2267 is retroactive back to December 31, 2011. HB 2267 would add the code 112 for animal agriculture to the existing list in HPIP.

The Kansas Department of Revenue estimates the fiscal note on this bill to be \$2.6 million to \$3.4 million per year in lost income and sales tax revenue. This is based on \$60 million per year in qualifying investment. Kansas Department of Agriculture dynamic modeling of this \$60 million per year in investments shows that \$3.5 million will be collected in local and state taxes as a result of the investment making this revenue neutral. In addition to the tax revenue generated, this average annual investment of \$60 million in Kansas for production agriculture will create 595 jobs and support another 500 jobs, adding more than \$85 million of value to the Kansas economy.

It makes sense to include production agriculture in the tax incentives that help generate investment in Kansas. Agriculture is the largest industry in Kansas and lifeblood of the state's economy, particularly in rural areas. Agriculture employs 250,000 Kansans and contributes \$21 billion directly to the state's economy. Another 178,000 jobs are supported by agriculture activity and an additional \$13 billion in economic activity occurs because of Kansas agriculture. For our rural communities, this means that local residents are employed at the grain elevator,

feed mill, implement dealership, bank, irrigation service, sale barn and hardware store that sell products and services to local farmers and ranchers. These are the individuals doing business with the local restaurant, hospital, grocery store, attorney and auto store. The local school is attended by the children of all these residents who are connected to agriculture and these are the folks who run for county commission, sit on the school board, volunteer with the Rotary Club and so on. Regardless of the small town in Kansas, the foundation of the community's economic vitality and its existence as a community rests upon the strength of agriculture.

Thank you for the opportunity to speak with you today. Chad Bontrager, from our agribusiness development team, and I will be happy to stand for questions.