



Testimony In Support of SB235

Offered by Troy Kennedy on Behalf of General Motors

Senate Assessment and Taxation Committee

March 18, 2013

Good morning Chairman Donovan and members of the Committee. My name is Troy Kennedy with the General Motors Tax Staff. On behalf of General Motors, I would like to thank you for the opportunity to provide input on SB235 to provide a real property tax exemption on certain new real property of an automobile manufacturer in the state of Kansas.

The current GM Fairfax Assembly Plant was constructed beginning in 1985 and was completed two years later at a total cost of \$1.05 billion.

Since the initial investment, General Motors has spent hundreds of millions of dollars to keep the Fairfax Plant's products and production technologies competitive in the world automotive market. More recent investment has been made to support the production of such products as the Chevrolet Malibu and Buick Lacrosse.

In partnership with the UAW, the Kansas Department of Commerce and Governor Brownback, we were proud to announce a new \$600 million investment for our Fairfax assembly facility which includes the construction of a new state of the art paint shop addition.

In the past, GM has worked with the Unified Government to secure property tax abatement for new construction like the new paint shop through the issuance of Industrial Revenue Bonds or "IRBs". However, the IRB approach has a number of significant drawbacks, including:

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- 1) Requires the conveyance of title to the exempt entity (Unified Government)
- 2) Is a cumbersome, administratively intensive, complex structure and process
- 3) Is very expensive to implement (requires bond counsel for the taxpayer and municipality, a significant amount of staff time, etc.) due to the voluminous amount of legal requirements and various agreements.
- 4) Requires the involvement of many disciplines within GM to implement these structures and creates a lot of churn that is not required in other States that offer similar or superior incentives
- 5) Increases risk to GM and the exempt entity (governmental unit) as a result of conveyance of title
- 6) Creates accounting and reporting issues for the taxpayer
- 7) For these reasons, makes the state less attractive from an economic development standpoint, especially when compared to a state that does not require the IRB process.

If passed, this bill would enable an automobile manufacturer to secure a 10-year property tax abatement on an investment cost of at least \$10 million for land and building and the building size would have to be at least 50,000 square feet. What's more, the exemption would require the negotiation of a payment in lieu of tax or PILOT agreement with, in this case, the Unified Government. This proposal essentially eliminates most if not all of the issues associated with IRBs.

It is important to note that we are not in any way looking to change the terms of a proposed PILOT discussed with the Unified Government concerning the most recently announced investment. Nor would SB235 have such an effect.

There are many other states where GM operates assembly plants that provide for real property tax abatement and that do not require the IRB approach including Michigan, Indiana, Ohio and Texas to name a few. Adopting this change to Kansas law will help Kansas stay competitive with other business-friendly states for future GM projects and further investment in Kansas.

By approving SB235, the State of Kansas will provide a much more efficient, attractive tool to enable real property tax abatement for automobile manufacturers and we wholeheartedly support this effort.

I urge your support of SB235 and I would be happy to answer questions.

SENATE BILL No. 235

By Committee on Assessment and Taxation

3-13

1 AN ACT concerning property taxation; relating to exemptions; certain new
2 automobile manufacturing property.

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4 *Be it enacted by the Legislature of the State of Kansas:*

5 Section 1. (a) The following described property, to the extent herein
6 specified, shall be exempt from all property taxes levied under the laws of
7 Kansas:

8 Any new automobile manufacturing property.

9 (b) The provisions of subsection (a) shall apply from and after the
10 later of the purchase or commencement of construction of such property
11 and continue thereafter until 10 ~~taxable~~ years following the ~~taxable~~ year in
12 which construction of such property is completed.

13 (c) The provisions of this section shall apply to all taxable years
14 beginning after December 31, 2011.

15 (d) The owner of any new automobile manufacturing property shall
16 pay in lieu of taxes in an amount mutually agreed to by the governing
17 body of the appropriate taxing subdivisions and the owners as long as this
18 exemption is in effect. The in lieu of taxes shall be paid at the same time
19 taxes are required to be paid pursuant to K.S.A. 79-2004 and 79-2004a,
20 and amendments thereto. The county treasurer shall apportion such in lieu
21 of tax payments among the taxing subdivisions of this state in the territory
22 in which the facility is located. Any payment in lieu of taxes shall be
23 divided by the county treasurer among such taxing subdivisions in the
24 same proportion that the amount of the total mill levy of each individual
25 taxing subdivision bears to the aggregate of such levies of all the taxing
26 subdivisions among which the division is to be made. The county treasurer
27 shall pay such amounts to the taxing subdivisions at the same time or times
28 as their regular operating tax rate mill levy is paid to them. Based upon the
29 assessed valuation which such facility would have if it were upon the tax
30 rolls of the county, the county clerk shall compute the total of the property
31 taxes which would be levied upon such facility by all taxing subdivisions
32 within which the facility is located if such property were taxable.

33 (e) As used in this section:

34 (1) "Appropriate taxing subdivisions" means the county, city or
35 unified government jurisdiction in which the new automobile property is
36 located; and

only for a period

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