

## MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:55 a.m. on February 8, 2001, in Room 519-S of the Capitol.

All members were present except: Senator Haley

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Doug Wareham, Kansas Grain and Feed Association and  
Kansas Fertilizer and Chemical Association  
Greg Krissek, Kansas Corn Growers Association and  
Kansas Grain Sorghum Producers Association  
Leslie Kaufman, Kansas Farm Bureau  
Brett Myers, Kansas Association of Wheat Growers  
Bill Fuller, Kansas Farm Bureau  
Chris Wilson, Kansas Agricultural Aviation Association and  
Kansas Seed Industry Association  
Charles Beavers, Farm Credit Services Central Kansas  
Mike Beam, Kansas Livestock Association

Others attending: See attached list.

The minutes of the February 6, 2001, meeting were approved.

**SB 93—Sales taxation; exempting grain storage facility construction materials and services.**

Doug Wareham, Kansas Grain and Feed Association, testified in support of **SB 93**, which would establish a permanent sales tax exemption for the construction or rehabilitation of grain storage facilities. Mr. Wareham highlighted the positive impact of this sales tax exemption, calling attention to grain storage fact sheets attached to his written testimony. He noted that, in addition to the continued pressure caused by significant grain carry over stocks, the grain storage industry is now also faced with handling a growing number of specialty grains which will further increase the need for additional storage space and grain handling equipment. He believes the tax exemptions in the bill will provide a financial incentive for farmers and grain elevator operations to update their existing facilities. He pointed out that construction of new commercial grain storage facilities also has a positive impact on the amount of property tax collected. In conclusion, Mr. Wareham requested that **SB 93** be amended to make the language consistent with the language in a similar bill, **HB 2065**, which was adopted by the House Taxation Committee and subsequently adopted by the full House. That language ensures that the exemption is retroactive to January 1, 2001, and clarifies that on-farm grain handling, cleaning, and storage equipment is also exempt from sales tax. (Attachment 1)

Greg Krissek testified in support of **SB 93** on behalf of the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. He noted that the trend of continued bountiful production of agricultural crops in Kansas during the past several years has created shortages of grain storage space. In addition, he called attention to a list of specialty crops, noting that there is a need to expand separate storage facilities to enable suppliers of these grains to remain competitive. Noting that the sales tax exemption has assisted in the construction or refurbishing of both commercial and farmer-owned grain storage facilities during the past several years, he urged the Committee to support making the exemption permanent. (Attachment 2)

Leslie Kaufman, Kansas Farm Bureau, testified in support of **SB 93**. She informed the Committee that the voting delegates at the Bureau's annual meeting reaffirmed and strengthened its support for extending the sales tax exemption for construction and renovation of grain storage facilities and, in addition, recommended the specific inclusion of on-

farm grain handling and cleaning equipment within the exemption as amended into **HB 2065**. ([Attachment 3](#))

## CONTINUATION PAGE

Brett Myers, Kansas Association of Wheat Growers, testified in support of **SB 93**. He agreed with other conferees that identity-preserved systems are the key to a new level of value added benefits for producers. He explained that a portion of his testimony includes comments from the January issue of a Canadian grain magazine, which he believes are just as true in the United States. The article states that identity-preserved systems were a solution for both farmers and consumers, with farmers getting bonuses for production and consumers getting the products they want. Any failure in the identity-preserved systems could cause significant costs to the whole system, devalue the end product, and destroy public faith in food safety. The demand to establish the genetic identity of crops has opened a new chapter in agriculture wherein traceability has become critical. In conclusion, Mr. Myers noted that such companies as BASF and Monsanto are looking to other states because they fear that Kansas will not be able to identity preserve and segregate specialty grains. In order for Kansas to be competitive in this area, he urged support of the bill. ([Attachment 4](#))

Senator Corbin called the Committee's attention to written testimony in support of **SB 93** submitted by Mike Beam, Kansas Livestock Association ([Attachment 5](#)), Joe Lieber, Kansas Cooperative Council ([Attachment 6](#)), and Kerri Ebert, Kansas Agricultural Alliance ([Attachment 7](#)). There being not others wishing to testify, the hearing on **SB 93** was closed.

### **SB 105–Sales taxation; exempting sales of precision farming equipment.**

Doug Wareham testified in support of **SB 105** on behalf of the Kansas Fertilizer and Chemical Association. He noted that the bill simply broadens the sales tax exemption for what is considered to be farm machinery and equipment. He explained that the language contained in the bill is model language adopted by the State of Illinois last year to include precision farming equipment such as soil testing sensors, computers, monitors, software, and global positioning and mapping systems in the definition of farm machinery and equipment. He noted that the request for the introduction of **SB 105** was to ensure the term "farming machinery and equipment" is representative of both traditional farm machinery and equipment as well as new technology machinery and equipment commonly used by agricultural producers and crop consultants. ([Attachment 8](#))

Greg Krissek, testified in support of **SB 105** on behalf of the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. He noted that technological advancements continue to become available at an accelerating pace in agricultural production. He observed that these tools are expected to garner increased acceptance among farmers as they become more readily understood and continue to evolve. As with many new technologies, there is a cost in obtaining and maintaining these new tools which are rapidly becoming critical to a farmer's productivity. Because of the many potential benefits expected to be derived from use of these technologies, Mr. Krissek believes it is appropriate to request clarification that this type of equipment is qualified for the sales tax exemption currently available for farm machinery and equipment. ([Attachment 9](#))

Bill Fuller, Kansas Farm Bureau, testified in support of **SB 105**. He pointed out that the bill does not add another sales tax exemption but merely updates section (t) on page 6, line 10, which currently exempts farm machinery and equipment from sales tax, by expressly including precision farming equipment. He pointed out that the new language begins on line 16 and continues through line 26. In closing, he emphasized that high-tech equipment is the future of modern agriculture. ([Attachment 10](#))

Chris Wilson, representing the Kansas Agricultural Aviation Association and the Kansas Seed Industry Association, gave final testimony in support of **SB 105**. Noting that precision agriculture equipment is also used in the air, she explained that pilots use global positioning satellite equipment in their aircraft for the accurate placement of crop protection chemicals and nutrients to the ground. She commented that all of the equipment of this type purchased to date has been exempt from sales taxation as agricultural or aviation equipment; however, she feels it is important to ensure that this new technology is reflected in the definition of farm machinery and equipment. ([Attachment 11](#))

Senator Corbin called attention to written testimony in support of **SB 105** submitted by Kerri Ebert, Kansas Agricultural Alliance. ([Attachment 12](#)) With this, the hearing on **SB 105** was closed.

### **SB 138–Property taxation; exemption for farm storage and drying equipment.**

Charles Beavers, Farm Credit Services Central Kansas, testified in support of **SB 138**. He explained that K.S.A. 79-210d provides a tax exemption for farm grain storage and drying equipment, but unfortunately, the Board of Tax Appeals (BOTA) issued a ruling denying the exemption for farmers who lease this equipment.

#### CONTINUATION PAGE

He explained further that many farmers prefer to finance grain storage and drying equipment with leases instead of traditional farm loans. BOTA uses the “exclusive use” argument, asserting the equipment is not used for grain storage because the lessor is receiving rental payments. Mr. Beavers said that the clarifying language in the bill would give farmers back their freedom to choose financial alternatives, alleviate the frustration of county appraisers in determining how grain storage facilities are financed, and eliminate the need for BOTA to determine which grain storage facilities are exempt. ([Attachment 13](#))

Mike Beam, Kansas Livestock Association, testified in support of **SB 138**. He noted that the Legislature enacted an eight-year property tax exemption for grain storage and drying equipment in 1977 to correspond with federal action to provide low interest loans for the construction of grain storage equipment, and Kansas has continued the exemption. He went on to say that **SB 138** was requested to clarify that grain storage and drying facilities may not be denied the exemption if it is financed through lease agreement. He pointed that lines 24 through 26 references a regulation that is no longer in place and suggested that, instead, the language included in his written testimony be recognized. ([Attachment 14](#))

Greg Krissek, representing the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association, briefly testified in support of **SB 138**. He noted that farmers and their lenders may utilize several types of financing to make the acquisition of on-farm storage as affordable for the producer as possible, and his organizations’ members have chosen both traditional financing and leasing as financing options. The provisions of the bill would address situations that have arisen wherein the form of financing a farmer uses when acquiring farm storage negatively impacts his ability to qualify for the property tax exemption currently authorized by statute. ([Attachment 15](#))

Leslie Kaufman, Kansas Farm Bureau (KFB), gave final testimony in support of **SB 138**. She noted that KFB became aware in 1997 that BOTA was denying the property tax exemption on farm machinery and equipment in cases where the property was acquired by a lease-purchase agreement on the ground that the property had a dual use when it was financed through lease-purchase. She said KFB supports the bill because it would eliminate what is essentially discrimination based on financing agreements. She pointed out that the language in **SB 138** identifies “leased” property as opposed to “lease-purchase.” She questioned whether the language is broader than the lease-purchase situations discussed and would include a rental-type lease. ([Attachment 16](#))

Don Hayward, Revisor of Statutes Office, commented that perhaps the issue of “exclusive use” could be easily resolved by deleting “exclusively” on line 30 of the bill. He also pointed out that the Constitution exempts farm machinery and equipment and does not allow for a use test, and the Legislature cannot restrict a constitutional exemption. In his opinion, the “use test” is unconstitutional, and that argument should have been used when BOTA’s decision was appealed. In addition, he informed the Committee that the language suggested by Mr. Beam is not necessary.

There being no others wishing to testify, the hearing on **SB 138** was closed.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for February 12, 2001.