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TO: House Committee on Taxation
FROM: Donna Funk, Principal, KCoe Isom, LLP
RE: **Testimony in Opposition to HB 2401**, imposing an excise tax on ethanol produced in Kansas

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Good afternoon Chairman Kleeb and members of the Committee. I am a principal at KCoe Isom, LLP in Lenexa, Kansas. On behalf of KCoe Isom, LLP, thank you for allowing us the opportunity to testify in opposition to HB 2401.

The Kansas ethanol industry greatly affects the economic vitality and development of communities across the state. Serving as a direct consumer of Kansas corn and sorghum, the ethanol industry has helped to stabilize the basis price of corn and sorghum for our state's farmers, and provide our large cattle industry with nutrient-rich feed products. The multiplier effect of the ethanol industry serves to promote the development of our rural economies and increase tax revenues at both state and local levels.

KCoe Isom, LLP has six offices in Kansas all largely focused on agriculture related business and producers. We have directly seen the benefits the ethanol industry has provided to producers and livestock growers. As we travel across the state serving our many clients we have seen the growth and prosperity in many rural communities than can very directly be tied to an ethanol plant in the area: new jobs, improved infrastructure, better schools, etc.

Here are some facts from a *2010 Report by the Kansas Legislative Research Dept*:

- Without the ethanol industry, or with higher fixed costs imposed on the industry, farmers would receive a much lower price for their crops. <u>Sub-$3.00/bu</u> corn would devastate farmers, rural communities, land value, ag lenders, local taxing authorities, and state revenues

- Kansas ethanol industry <u>annually</u> provides: over $2 million in real property taxes, $100,000 in personal property taxes, $53 million in trucking fees, 384 direct jobs, average salary of $49,000

- Each ethanol plant enhances rural Kansas**:** Annually purchases average of 14.5 million bushels of grain from local farmers (valued at over $680 million in 2008), Produces ready access to wet and dry distillers grains feed for Kansas livestock producers, dairies, and feed yards

While we in the ethanol industry certainly understand the current budgetary constraints of our State, we must strongly oppose the new tax imposed on the ethanol industry under HB 2401.

Imposing a tax of this magnitude on a commodity based business is the same as a death sentence to every ethanol producer in the state of Kansas in times of low margins. Shutting down ethanol plants means lower grain prices for the producers, which means lower disposable income, less grain production for use in Kansas or export, an immediate impact on the feed availability for livestock producers, decreased tax base in local communities, etc. The trickle-down impact is tremendous.

We would strongly encourage the Committee to oppose this bill and not pass the bill out of Committee. Thank you for the opportunity to share our comments, and I will stand for questions at the appropriate time.