



TO: House Committee on Taxation
FROM: Lyle Schlyer, President, Pratt energy, LLC
RE: **Testimony in Opposition to HB 2401**, imposing an excise tax on ethanol produced in Kansas
DATE: March 18, 2015

Good afternoon Chairman KleeB and members of the Committee. I am the President of Pratt Energy, LLC located in Pratt, Kansas. I regret I am unable to appear in person before your Committee. On behalf of Pratt Energy, thank you for allowing us the opportunity to testify in writing 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.

Here are some facts from a *2010 Report by the Kansas Legislative Research Dept* that speak to the importance of the ethanol industry in Kansas:

- Without a Kansas ethanol industry, or with higher fixed costs imposed on the industry, Kansas farmers would receive a much lower price for their crops. Sub-\$3.00/bu corn would devastate farmers, rural communities, land value, ag lenders, local taxing authorities, and state revenues
- The Kansas ethanol industry annually 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
- In 2008 the grain that Kansas ethanol plants purchased from local farmers was valued at over \$680 million. This did not include Pratt Energy's plant, which was idle for almost six years. Our plant consumes an additional 20 million bushels of Kansas grain per year
- A significant portion of the ethanol and distillers grains produced in Kansas is exported to other states

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.

The ethanol industry in the United States has 15 billion gallons per year of capacity versus only 14.2 billion gallons per year of domestic demand and exports. As a fragmented industry, margins are tight. Accordingly, each of us works to improve efficiencies so we can keep our doors open. Some states recognize this and provide financial incentives. Pratt Energy gets no such incentives from Kansas and seeks none. We ask only that Kansas not hobble us. Since we believe a tax on Kansas ethanol production would hobble the ethanol industry in the state, we urge the Committee to oppose this bill and not pass it out of Committee.

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