

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on February 11, 2002, in Room 519-S of the Capitol.

All members were present except: Senators Allen and Pugh

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: Janet McPherson, Kansas Farm Bureau  
Todd Johnson, Kansas Livestock Association  
Charles Benjamin, Sierra Club

Others attending: See attached list.

The minutes of the February 6, 2002, meeting were approved.

**SB 404—Tax credits for required improvements for confined feeding facilities**

Janet McPherson, Kansas Farm Bureau, testified in support of **SB 404**, which would allow livestock producers to qualify for a tax credit of up to \$10,000 of costs incurred for required improvements to a confined feeding facility to comply with natural resource protection regulations. She noted that a tax credit would offset expenses of such required improvements and assist the state's agricultural producers in their stewardship of natural resources. (Attachment 1)

Todd Johnson, Kansas Livestock Association, testified in support of **SB 404**, noting that the concept of tax credits for producers with confined feeding facilities was also used in 1998 in **HB 2950**, which dealt with improvements to a qualified swine facility. He discussed the livestock industry's economic impact on the state, noting that cattle represented 62.6 percent of the 2000 Kansas agricultural cash receipts and that Kansas had 1.52 million beef cows and 36,000 farms with cattle and calves as of January 1, 2001. He pointed out that producers of beef cows and stocker cattle would benefit significantly from the bill because their feeding facilities are the type that are impacted by state regulations. He emphasized that farmers and ranchers support protecting the environment; however, they are challenged in meeting the costs of complying with increased regulations. In his opinion, it would be in the best interest of the state to help keep livestock producers in business by offering financial assistance with meeting required standards. (Attachment 2)

Senator Goodwin noted that, to date, no one has qualified for the 1998 tax credits passed for swine facilities. She asked Mr. Johnson for an estimate of the number of persons in the livestock industry who would qualify for the tax credits under **SB 404**. Mr. Johnson responded that the language in **SB 404** is less restrictive, but he had no information on the exact number of livestock producers who would qualify. He noted that there are currently 2,000 permitted facilities in the state, several of which have made required improvements prior to the effective date of the bill. He felt that the manner in which the bill was drafted would allow more producers to come under compliance.

With regard to the fiscal note on **SB 404**, Senator Lee questioned Richard Cram, Kansas Department of Revenue, regarding the need for another Department employee to approve tax credits under **SB 404** if the Department already has an employee designated to review tax credits for swine facilities under the 1998 legislation for which no one has qualified. Mr. Cram indicated that the Department anticipates increased activity based on the more liberal language in **SB 404** as opposed to the swine facility credit.

Senator Donovan commented that it was likely that **SB 404** would apply to swine facilities. Mr. Johnson noted that **SB 404** is capped at \$10,000 for general confined feeding facilities whereas the provisions in **HB**

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**2950** went up to 50 percent of the construction costs and only applied to qualified swine facilities, which restricts it to smaller sized operations.

Charles Benjamin, representing the Sierra Club, testified in support of **SB 404** as a means to allow small farmers to comply with the Kansas Department of Health and Environment's requirements. He said that the Sierra Club's support of the bill is consistent its policy with regard to tax credits for landowners who provide habitats for Kansas' endangered species and with regard to the use of buffer strips to prevent runoff of agricultural chemicals into nearby streams. He noted that the Sierra Club has become concerned with the increase in the size of confined animal feeding operations and the use of lagoons. He emphasized the Sierra Club has a bias toward small farmers and would have a problem with supporting tax credits for large operations who most likely could afford to make required improvements. He acknowledged that the bill has no provision regarding the size of the facility, but it offers a solution not currently available.

There being no others wishing to testify, the hearing on **SB 404** was closed.

The meeting was adjourned at 11:00 a.m.

The next meeting is scheduled for February 12, 2002.