

HODGEMAN COUNTY CLERK

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April 4, 2017

Testimony on the House Taxation Committee

HB 2406

Mr. Chairman and Members of the House Taxation Committee:

A very sincere thank you for accommodating us with a hearing on HB 2406 – we know that it is an extremely busy time for all of our legislators this late in session. We hope that testimony brought forth today will bring light to the implications of K.S.A. 79-227/79-32,223 and its effect on both the state and local property tax system.

Much of the testimony brought forward today is due to the recent filings by White Cliff Pipeline LLC with the Board of Tax Appeals. From our understanding, there is no reason for the exemptions *not* to be granted under current law – because of this, 14 counties are bracing for local impact on the upcoming tax roll. This is not the first time counties are reaching out to legislation to repeal the language. Similar discussion was held in 2015 with SB 48 brought on by the exemption of TransCanada Pipeline (impacting the counties of Butler, Clay, Cowley, Dickenson, Marion, and Washington).

A bit about Hodgeman

White Cliffs Pipeline LLC is our largest tax payer here in Hodgeman County. Based on the exemption applications that were filed on March 1, 2017 by White Cliffs Pipeline, we would stand to suffer another loss of over 4 million in county valuation which equates to over \$747,000 in tax dollars for the 2016 year. We say another loss simply because we have been one of the many western counties that have suffered major decreases in Oil & Gas valuations over the past few years (lost around 1/3 of our total valuation in 2014). Should this pipeline be exempted, we expect our valuation to drop from 39 million to right under 35 million for the 2017 tax year – a huge burden to our local taxpayers and economy.

When constituents see an increase in their taxes, they automatically assume that it is due to increased spending. The reality is that it is not increased spending that is causing their taxes to rise – it's exemptions much like what is allowed under K.S.A. 79-227. The impact is not limited to the county level, but also to the state, local schools, townships, and cemetery taxing entities.

We understand the need for certain exemptions to be in place, but we also recognize a growing need for a "level playing field" for local tax payers. I believe we are representing our local farmers, residents, and business owners when we say that we do not agree with the current legislation in place. It is our understanding that when legislation was passed in 2006, the intent was to encourage energy projects throughout the state and to subsequently encourage growth with the economy.

¹ State assesses 20 mills for education \$124 million x 20/1,000 = \$1.48 million annually

1.5 mills for education Building & State Institute Building \$124 million x 20/1,000 = \$186,000 annually

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Locally, we show almost no effect based on what seems to be transient employees with these companies. Yes, the argument could be made that even these transient employees are spending income locally, however, our sales tax collections for our local hospital bonds reflect differently (see attachment).

We implore you as our representatives to support legislation to end these types of exemptions. While Oil & Gas companies will argue that they are unable to compete with other companies, we can also argue that our farmers & residents cannot compete with the oil and gas companies. In the end the exemptions only multiply the tax burden on the actual local tax payers.

At a minimum, we hope that the language in 79-227 be repealed giving an opportunity for legislation and counties to come up with some sort of solution or compromise. Leaving the current law in place only guarantees future exemptions that will add to the already growing list of counties impacted across the state. All 14 counties are bracing for the looming impact of White Cliff's filing – the state should be as well (an estimated loss of 2.48 million in education and \$186,000 in state Education/Institution Building ¹). We also hope that support would be given if legislation was introduced to establish deadlines in which other exemptions can be filed. If cut off times could be implemented, our taxing entities could build their budgets without having to be concerned about value being pulled from their equations after the fact. We appreciate that White Cliff Pipeline LLC is not requesting an abatement on 2016 taxes, however, future companies may not be willing to do the same. We would rather know that we are going to be down in value “up front”, versus finding out after budgets and levies have been set.

Once again, we want to express a sincere thank you to all of the committee members for their time. We truly appreciate the opportunity!

Sincerely,

Sarah Rains
Certified County Clerk | Election Officer | PIO | FIO

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2013 - 2016 TOTAL SALES TAX COLLECTION - HG COUNTY HOSPITAL BOND



**September 2015 - Bike Across Kansas through HG County (estimated 1500 bikers traveling through August)