



To: House Taxation Committee
From: Kansas Soybean Association and Kansas Association of Wheat Growers
Subject: Proponent Testimony on H.B. 2656
Date: March 12, 2020

Chairman Johnson and members of the House Taxation Committee, thank you for the opportunity to present written proponent testimony today on H.B. 2656 on behalf of the Kansas Soybean Association (KSA) and the Kansas Association of Wheat Growers (KAWG). Respectively, the organizations represent Kansas soybean and wheat farmer interests on legislative and regulatory issues.

The Kansas Department of Agriculture reports that oilseeds in Kansas, mainly soybeans, have a direct economic output of more than \$1.7 billion and provide more than 1,500 jobs. Including purchases of inputs and household spending, the oilseed industry supports over 9,300 jobs and creates a total economic contribution of \$2.9 billion in the state. The Kansas wheat industry has a direct output of over \$1.44 billion and creates 3,215 jobs in the state. Through indirect and induced impacts, the wheat industry supports a total of 10,487 jobs and creates a total economic contribution of approximately \$2.57 billion.

Under current conditions, there are two ways that counties can create a sales tax to adjust their tax mix.

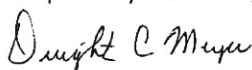
The first, and most used, is the dedicated sales tax with a local option that must have all municipalities in a county and the county commissioners of a county agree to what the tax will be used for. If an agreement can be reached, it is taken to the Kansas Legislature, where it goes through both houses and is signed by the governor, assuming everything runs smoothly, before it can go onto the ballot to be voted on by the populace. This is the only way a county can directly get the sales tax that they need to adjust the mix. However, there is a sunset provision that means constituents must go to the ballot every five years to fund ongoing county services, making it inefficient and difficult for counties to maintain sources of revenue outside of property taxes.

The second way the county can implement a sales tax is when county commissioners issue a ballot initiative for a general use sales tax. If passed, retailers send the tax money to the Department of Revenue, who takes out the state tax, then sends it to the municipalities rather than the counties themselves. It then is up to the municipalities to pass this revenue on to the county. Unfortunately, it is common for municipalities to keep the money, even though it was originally intended to go to the county, thus starving county budgets and creating the need to increase property taxes to maintain essential county services.

This issue is especially prevalent in rural counties where there is a large population that lives outside of city limits. The non-municipality constituents end up paying sometimes double what their municipality dwelling counterparts do. This system creates a situation where those live outside cities, mostly farmers and agribusinesses, are burdened with funding the majority of county services, and makes their votes inconsequential. It creates strife and disenfranchisement of the sovereign county voter.

House Bill 2656 makes a general use county sales tax come directly back to the county, bypassing the municipalities. This bill only addresses general use taxes and how they are distributed back to their originator, it would have no effect on current county sales taxes of a dedicated nature. Cities will continue to receive the surpluses of any dedicated sales taxes, it just makes sure that the county gets the money that the county voted on to fund the county. This is just common-sense legislation where cities get city taxes, counties get county taxes and the state gets state taxes. Therefore, KSA and KAWG are proponents of House Bill 2656. We respectfully request that the committee pass the bill out favorably.

Respectfully submitted,


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