

To: House Taxation Committee, Representative Adam Smith, Chairman

From: John Donley, Kansas Farm Bureau

Date: February 1, 2022

Re: SB 318- concerning sales and compensating use tax; exemption for repairing, rebuilding or replacing certain property destroyed by wildfires

Chairman Smith and members of the Committee, I appreciate the opportunity to provide written testimony as a proponent to SB 318. As the committee is aware, there were devastating wildfires throughout the state of Kansas during the month of December. The damage from these wildfires was significant. Traditionally, the legislature has provided tax relief to help those affected by these types of natural disasters.

Under Kansas law, the labor and supplies used to build fences on farm and pastureland is generally a taxable sale. The Kansas legislature has generally provided a sales tax exemption for fences needing to be rebuilt because of the destruction of wildfires when major wildfires occur in this state. Oftentimes, the cost of replacing fences is not covered by insurance, and this unexpected expense can be difficult for farmers and ranchers to assume when fencing costs can reach well over \$10,000 per mile. This bill is drafted in a manner to help others affected by similar disasters in the future, which is good public policy and will allow those affected by these types of natural disasters to know that this tax relief is available. Therefore, we are supportive of SB 318 in order to provide relief for the farmers and ranchers affected by this terrible natural disaster.

The full Senate also amended this bill to include a sales tax exemption for all agricultural fencing supplies and services after July 1, 2022. We appreciate this committee's willingness to also consider this important tax policy.

Much like business machinery and equipment used in manufacturing businesses, agricultural fencing is also a depreciable asset that is consumed in the production of producing food. It is good tax policy to exempt items that are consumed in the production of a manufacturing or agricultural businesses from a retailer's sales tax system. A retailer's sales tax system is designed to tax items at the ultimate retail sale, not business to business transactions involving depreciable assets that are consumed in production.

Thank you for your positive consideration of this measure, and I encourage you to pass this bill out favorably when the opportunity arrives.