

Testimony of Commerce Secretary Pat George In Support of Senate Bill No. 317

Senate Assessment and Taxation Committee

10:30 a.m., Wednesday, Feb. 1, 2012
152-S The Statehouse

Good afternoon, Mr. Chairman, and members of the Committee. I am pleased to be here today to express my support for Senate Bill No. 317, legislation which concerns property taxation and the definition of real and personal property.

This legislation deals with a minor, but important, change in policy. A change to a definition in 79-102 of the property statute is needed because of a recent Court of Tax Appeals decision.

As a former Legislator, I remember in 2006 when the exemption from property tax for commercial and industrial machinery and equipment was approved and signed into law. The opponents of that proposal were led by county officials who objected to the exemption because they were concerned about losing commercial and industrial personal property from their tax rolls.

A recent Court of Tax Appeals decision would limit the exemption. As a result, businesses that believed machinery and equipment were exempt find such items to be considered real property, and taxable, under county appraisers' interpretation of the law. In a 2-1 split decision, the court ruled against the business, and nullified the Legislature's intended tax benefit, which may cause other counties to do the same.

The Legislature is well aware that Kansas is in stiff competition with neighboring states for businesses and jobs. The Brownback Administration has made growing the Kansas economy its top priority. Circumventing the 2006 Legislature's intent will harm economic development in the state. For businesses, there are additional litigation costs to challenge county appraisers and their vendors, as well as uncertainty in the tax code, which harms planning. For Kansas, there will be additional appeals that the Court of Tax Appeals will have to address, costing both time and money that could be directed to other matters.

We've had some great successes in recent months: Mars North America in Topeka; New Millennium Wind Energy in Newton, Caterpillar in Wamego; Spirit AeroSystems in Chanute, and Valent Aerostructures in Fredonia. The exemption is part of the "economic toolbox" we use to convince businesses to relocate or expand to Kansas. Without it, our ability to achieve similar successes will be negatively impacted.

I ask you to support SB 317, so that we can clarify the Legislature's 2006 intent and preserve our ability to grow the Kansas economy. Thank you.

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Sn. Assmnt & Tax

2-1-12

Attachment # 6