



102 W. 7<sup>th</sup> Street • P.O. Box 1629 • (620) 252-6163  
Coffeyville, Kansas 67337-0949

Testimony to Senate Assessment and Taxation Committee

**Senate Bill 317**

Jeffrey D. Morris, City Manager  
City of Coffeyville, Kansas  
February 14, 2012

Chairman Donovan and Members of the Committee:

My name is Jeff Morris, City Manager for the City of Coffeyville, Kansas located in Montgomery County in southeast Kansas. Thank you for the opportunity to testify in opposition to SB 317 today.

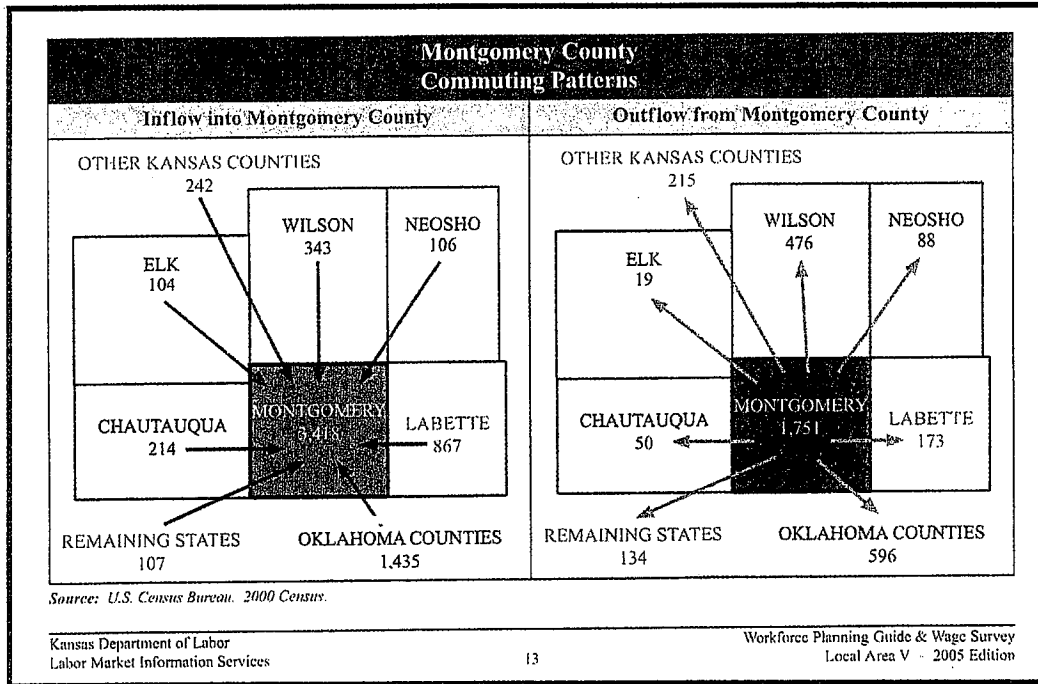
The City of Coffeyville opposes SB 317 as it will likely cause another major property tax shift all across the state of Kansas through the elimination of property taxes on trade fixtures.

Many rural communities like Coffeyville have experienced declining population in recent decades. In an effort to reverse this trend, the residents of Montgomery County and the Kansas Department of Commerce invested millions of dollars over the last 10-20 years to recruit new industry and help existing industry expand. This investment has created hundreds of jobs at industries such as Southwire Company (formerly American Insulated Wire), Amazon.com, Coffeyville Resources (formerly Farmland) and Cessna. What is extremely discouraging is that while all of these new jobs have come into existence, population figures in Montgomery County continue to decline.

Kansans do not appear to be reaping all of the rewards from making such economic development investments. According to Kansas Department of Labor statistics, Oklahoma is receiving a large benefit from the jobs created in Montgomery County as over 1400 workers take their paycheck to residences across the state line, according to information published by the Kansas Department of Labor in 2005. A basic and probably conservative calculation indicates that nearly \$45 million in payroll is transported from Kansas to Oklahoma on an annual basis.

1,435	OK residents working in MG County
x 2080	hours worked per year
x \$15	per hour wage
\$44,772,000	Payroll transported to OK each year

Coffeyville officials have identified two major reasons many of those workers do not locate in Kansas, those being a lack of affordable quality housing and high property taxes.



The City of Coffeyville has been actively trying to encourage new housing development within its power and ability. Neighborhood Revitalization Areas have been established providing property tax relief for new improvements. Water and Sewer tap fees have been waived for new housing construction and the City has established a Free Land program, giving city owned infill lots away to those committing to build a new home. On property where all of these benefits could work in unison, new houses have been built.

Further, the City of Coffeyville has attained State and Federal grants to install necessary infrastructure for new housing areas following the flood of 2007 which destroyed in excess of 400 houses.

One of the tools used in the recruitment of new industry and expansion of existing industry was the granting of property tax exemptions. Public officials granted the tax exemptions in return for the industrial investment. As the industrial tax exemptions expired, the tax base would grow providing much needed tax relief to residents and small business.

In 2003, the Kansas Legislature eliminated demand transfer payments (Local Ad Valorem Tax Reduction and City/County Revenue Sharing) to local units of government. For most local governments, the legislative action placed an additional burden on the local tax base.

In 2006, the Kansas Legislature exempted machinery and equipment purchased after June 30, 2006, which resulted in another shift to residents and small business owners. At the time, Montgomery County was the second most impacted county in the state due to the percentage of the tax base that was machinery and equipment. The 2006 Legislature did plan to offset some of

the impact on local units of government by scheduling "Slider" payments to local governments for a five year period, but the payments were discontinued in the middle of year two and never restarted. Again, many local governments had to ask their residents to take on more of the burden.

The previous legislative actions offset all of the efforts of local policy makers to provide the much needed tax relief to our residents as we had anticipated and continues to keep Coffeyville and Montgomery County at a competitive disadvantage to the State of Oklahoma.

SB 317 may open the door for many Montgomery County manufacturers to reclassify property from real to personal for property tax purposes. Montgomery County manufacturers include Coffeyville Resources, Acme Foundry, Bartlett Milling, Cessna, Linde and Tessengerlo Kerley to name a few. The value of the property owned by these companies is in excess of several billion dollars. The Montgomery County Appraiser believes much of the property owned by these companies would be reclassified to personal property, some of which has been on the tax rolls as real property for decades.

Much of the testimony has been focused on the Coffeyville Resources Nitrogen Fertilizer facility, which had a ten-year tax exemption and has been paying taxes under protest since the exemption expired. The City of Coffeyville has been conservative in the handling of those tax dollars and set most of them aside pending the outcome of the tax appeal. What the City of Coffeyville nor any other taxing entity is prepared for is the massive volume of assessed dollars that will come off the tax rolls as a result of the other manufacturers reclassifying much of their assets as this legislation allows. Further, if manufacturers are allowed to make their reclassifications retroactive, the City Coffeyville will have no choice but to lay off large numbers of employees, including policemen, firemen and street workers.

Local units of government do not have revenue sources as diversified as the State, and therefore are more dependent on property tax revenue. SB 317 will once again place additional pressure on local units of government by further eroding the tax base forcing them to either further reduce services and/or increase property taxes on all residents and non-manufacturing businesses.

The legislature needs to quantify the impact of this bill on all levels of government before taking any action. The industries listed above are just a few of those in Montgomery County, however, SB 317's impact will reclassify property all across the state. Rural areas, especially those that have experienced declining population will feel the pain far more than those in growing urban areas.

For the above reasons, the City of Coffeyville strongly opposes this bill and respectfully urges you vote against this bill.