



Kansas Grain & Feed Association (KGFA)
Kansas Cooperative Council (KCC)
Kansas Agribusiness Retailers Association (KARA)
816 SW Tyler, Topeka, Kansas 66612

March 16, 2017

TO: Chairman Steven Johnson and Members
House Committee on Taxation

FROM: Mandy Roe, Director of Member Services
Kansas Cooperative Council (KCC)

Randy E. Stookey, General Counsel,
Kansas Grain and Feed Association (KGFA)
Kansas Agribusiness Retailers Association (KARA)

RE: Written only opposition to the petitioning process outlined in HB 2376 as it relates to local budget/tax increases.

Chairman Johnson and members of the House Tax Committee, thank you for the opportunity to provide comments on HB 2376 regarding what is commonly referred to as the local "property tax lid."

I am Mandy Roe, Director of Member Services for the Kansas Cooperative Council. We share this statement with you on behalf of our Council members and on behalf of the Kansas Grain and Feed and Kansas Agribusiness Retailers Associations.

The KCC represents all types of cooperative businesses in Kansas with members from various sectors including agriculture marketing and supply, rural electric, rural telecommunications, financial and risk management co-ops. KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in Kansas. KGFA's membership includes over 950 Kansas business locations and represents 98 percent of the commercially licensed grain storage in the state. KARA is a voluntary trade association that includes membership of over 700 agribusiness firms that register for sale, supply or apply fertilizers, crop protection products, seed, and petroleum products; and, provide agronomic expertise, and agricultural services to Kansas farmers.

Our three associations share many common members on the grain warehousing side. These agribusinesses are appraised as commercial enterprises and are not covered under the use value appraisal system for agricultural land. Our members are significant tax payers in their communities and are often in the top tier of property tax payers. They understand the importance of supporting their local government and infrastructure through their tax dollars, but in recent years, grain warehouse facilities across the state have seen double, even triple digit increases in their tax valuation and/or total tax bill. For many, double digit increases come on the heels of a significant increase the prior year (or multiple years.)

Grain warehouses have their own specific appraisal guidance manual. The Kansas Cooperative Council formed a property tax working group this past fall comprised of co-op chief financial officers, legal counsel, a professional appraiser and KCC and KGFA staff. The working group reviewed the entire document, noted issues with methodology and data and took those concerns and suggestions for improvement to the Kansas

Dept. of Revenue's Property Valuation Division (PVD) staff. We appreciate the cordial discussions with PVD and we identified ways to better educate our members on important facets of the appraisal process. In fact, just this week PVD hosted a webinar on grain warehouse appraisals as one such avenue for improving taxpayer understanding of the process. Although we are extremely appreciative of that educational outreach, we still believe significant issues exist with the guidance methodology. That is troubling, but even more so following 2016 legislation mandating all county appraisers follow PVD appraisal guidance if one is available for that property type.

We have had and will continue to have polite and meaningful discussions with PVD. We hope we can address the shortcomings in the guide prior to next year's valuation cycle. But, in the meantime, our members are strapped with ballooning tax bills. Continued increases like those our members have seen in the past few years are just unsustainable.

The position we take today is not an easy one to come to as our members understand the need to fund local services. They appreciate the additional financial pressure local governments are under when a tax cut is really just a tax shift to cities or counties.

Previously, our associations in our individual capacities have not actively entered the local tax lid debate. And, we traditionally have not favored ballot initiatives or referendums as a means of legislating. Some may consider the petition process outlined in HB 2376 somewhat akin to those mechanisms, other may not? Either way, we recognize the petition process outlined in HB 2376 creates a huge hurdle for taxpayers to overcome in order to voice their opinions on local tax issues and attempts to increase tax burdens at the local level.

For the reasons noted above, and until our issues with the grain warehouse appraisal guide are addressed or following that guidance is no longer mandated, we support a local tax lid as a means of moderating the property tax spikes our members are experiencing. But, we cannot support the petition process as currently outlined in HB 2376.

Thank you, again, for the opportunity to comment today. If you have questions for us, we will gladly stand for them or you may contact us at the numbers below.

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