



WRITTEN TESTIMONY ONLY

**Testimony of Larry Jones, Finney County Commissioner
Before the House Taxation Committee
In Support of House Bill No. 2406
April 4, 2017**

Member Counties

Barber
Barton
Clark
Ellis
Finney
Ford
Gove
Grant
Gray
Hamilton
Harper
Haskell
Hodgeman
Kearny
Kiowa
Lane
Logan
Meade
Morton
Ness
Norton
Rawlins
Rice
Russell
Rush
Scott
Seward
Sheridan
Sherman
Stanton
Stevens
Thomas
Trego
Wallace
Wichita

Chairman Johnson and Members of the House Taxation Committee:

Established in 1980, Kansas Legislative Policy Group (KLP) is a non-partisan organization comprised of elected county commissioners representing the collective interests of 35 rural Kansas counties.

Thank you for allowing KLP to provide written testimony in support of a compromise revision to House Bill No. 2406. The original measure would eliminate, effective July 1, 2017, the 10-year property tax exemption for new crude oil or natural gas liquids pipelines in excess of 190 miles built in the State. After discussion with representatives of the industry, KLP has agreed to a scaled back bill addressing the following:

1. A pipeline line must apply for a property tax exemption provided for in K.S.A. 79-227 within a period not to exceed 24 months from the start of construction in order to qualify or they become ineligible for the exemption.
2. Any exemption currently in place under K.S.A. 79-227 will remain in effect for the statutorily intended duration.
3. Any necessary date changes to reflect the intent of this amendment.

The full 10-year exemption from property taxes would be unchanged for a qualifying pipeline.

Several of our member counties will be impacted by pending approval of a property tax exemption for two adjoining pipelines. As you have heard the history of the exemption from other conferees, the first White Cliffs' pipeline was constructed in 2010 and a parallel line was put in place in 2014. Due to pending litigation, the pipeline did not obtain the exemption from the Department of Revenue. White Cliffs has been paying property tax on their pipeline since completion of construction. The legal issues involving the property tax exemption, brought by unrelated parties, were resolved several years ago. Exempting the pipeline now will create a financial burden on the counties. We don't dispute that White Cliffs qualifies for the exemption and we are not seeking to treat White Cliffs adversely, our concern is the timing and the negative impact to the current tax base the exemption creates.

Had this exemption been granted upon completion of construction White Cliffs wouldn't have paid the property tax and the County's would not have the revenue built into their budget base.

In addition to the counties lost revenue, the State of Kansas, school districts, hospitals and other taxing districts will suffer a loss of funding.

Limiting the exemption application window to 24 months will allow for forethought and planning from both the pipeline and the local taxing units and will not permit a sudden reduction in revenue like many counties will be experiencing in 2017.

We have worked with the interested parties to arrive at a solution that is satisfactory to all and doesn't create undue harm or a burden.

This compromise does not help counties with their current loss of revenue, but it does set forth a better policy going forward.

Thank you for your consideration and the opportunity to present written testimony to the Committee. I urge you to support the compromise amendments to House Bill No. 2406.

Larry Jones
President
Kansas Legislative Policy Group