

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Vice-Chairman David Huff at 9:00 a.m. on February 13, 2003 in Room 519-S of the Capitol.

All members were present except: Representative Flora

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Office of the Revisor
Carol Doel, Committee Secretary

Conferees appearing before the committee: Representative Dan Johnson
Dan Theissen, Former Senator, Farmer
Leslie Kaufman, Kansas Farm Bureau
Steve Baccus, Kansas Farm Bureau
Gay Beth Moore, Kansas Farm Bureau
Mark Burghart, Southwestern Association
Duane Lanter, Farmer
John Thaemert, Kansas Association of Wheat Growers
Mike Beam, Kansas Livestock Association
Doug Wareham, Kansas Feed & Grain
Martha Smith, Kansas Manufactured Homes
Chris Wilson, Dairy Association
Greg Foley, Acting Secretary of Agriculture

Others attending: See attached sheet

Vice-Chairman Huff requested introduction of a bill which would clarify the 79-201w exemption for commercial property.

With no objections this will be introduced.

Information requested from Southwestern Bell on **HB 2077** was distributed for review by the committee. (Attachment 1)

Vice-Chairman Huff advised the committee that the fiscal note on **HB 2096** for FY 2004 was \$153,330,000 and opened the meeting for hearings. (Attachment 2)

Hearing no proponents on the bill, Vice-Chairman Huff accepted the testimony of Representative Dan Johnson who requested keeping the tax exemptions on farm equipment and supplies to avoid increased suffering of the farmers and compounding the problems of implement dealers as well as feed and fertilizer suppliers. (Attachment 3)

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Dan Thiessen, farmer/stockman and former Senator submitted testimony in opposition to **HB 2096**. In his testimony, Mr. Thiessen voices the opinion that farmers and ranchers are paying by far the highest amount of property taxes on the lowest net income and there is no way the Kansas farmer can pass on the cost of taxes in their production. His testimony also showed the latest KSU Farm Management Association records show average Kansas farm income dropping from \$37,162 to \$10,147. (Attachment 4)

Next to appear in opposition of **HB 2096** was Leslie Kaufman, State Director, Kansas Farm Bureau Governmental Relations. KFB voiced the opinion that Kansas must have a tax and regulatory structure that is favorable for keeping families on the farm and does not further depress an already sluggish economy or any single sector of the economy. If agricultural operations fail, the rural economy and rural communities lose. (Attachment 5)

Testifying in opposition to **HB 2096** was Steve Baccus, President of Kansas Farm Bureau. The testimony presented by Mr. Baccus expressed concern for the Kansas farmer stating that to try to balance the State's budget on the backs of the Kansas farmer, who is some parts of our state are in their fourth year of drought, is not good business. To increase the expenses of the Kansas farmer defies logic and Kansas common sense. (Attachment 6)

Gay Beth Moore, farmer/rancher from the NE corner of Haskell County in Southwest Kansas gave testimony in opposition to **HB 2096**. Ms. Moore stated that she was aware that the state has economic stress, but so do agricultural producers and to take away the existing exemptions would only depress our economy further. (Attachment 7)

Mark A. Burghart, Legislative Counsel, Southwestern Association, gave testimony in opposition to **HB 2096**. It is Southwestern's position that the current sales tax exemption for farm machinery should be maintained fully. To remove the sales tax exemption would make Kansas dealers non-competitive with dealers in other states. (Attachment 8)

Testimony in opposition to **HB 2096** was delivered by Duane Lanter, a farmer from Lancaster, Kansas. In his opinion the agricultural business sector is already suffering from the strain on farmers, and we need to keep competitive with other states in order to set the stage for a strong economic recovery. (Attachment 9)

The Kansas Association of Wheat Growers, was represented by John C. Thaemert, President of the organization testifying in opposition to **HB 2096**. In his testimony, Mr. Thaemert pointed out that farmers cannot pass price increases as other industries do, there are few alternatives for farmers to reduce expenses, they also compete in a world market, and farming is risky both physically and financially, therefore, he implored that the current and longstanding sales tax exemption remain. (Attachment 10)

Next to come before the committee in opposition of **HB 2096**, was Mike Beam, Sr. Vice President of the Kansas Livestock Association. Voiced in their testimony, is the belief that repeal of the sales tax exemption on livestock sales would cause a negative impact to most of rural Kansas. (Attachment 11)

Doug Wareham of the KGFA (Kansas Grain & Feed Association) and KARA (Kansas Agribusiness Retailers Association) presented testimony in opposition to **HB 2096**. They oppose the establishment of any new taxes

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which would be a disincentive for economic development in the state by discouraging new businesses from expanding. (Attachment 12)

The final conferee to appear before the committee in opposition to **HB 2096** was Carol Jordon giving testimony for Acting Secretary of Agriculture, Greg A. Foley. This testimony also voiced the opinion that eliminating tax exemptions for the inputs to Kansas agriculture would have a devastating short and long-run economic effect. (Attachment 13)

Presenting written testimony in opposition to **HB 2096** was Kansas Cooperative Council (Attachment 14); Dana Eikenberry, semi-retired farmer (Attachment 15); Ken Graves, farmer and stockman from Labette County in Southeast Kansas (Attachment 16); Wanda Kinney, Osage County Farmer-Rancher(Attachment 17); Greg Krissek of the Kansas Corn Growers Association(Attachment 18); Leslie Kalufman, President Kansas Agricultural Alliance(Attachment 19); Kansas Agricultural Aviation Association (Attachment 20); and Cowley County Economic Development Agency (Attachment 21)

With no further opponents and no further business before the committee the meeting was adjourned by Vice Chairman Huff at 10:30 a.m.