

PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT and TAXATION

RE: Support for SB 317

**February 1, 2012
Topeka, Kansas**

**Testimony provided by:
Brad Harrelson
Assistant Director
KFB Governmental Relations**

Chairman Donovan and members of the Senate Committee on Assessment and Taxation, thank you for the opportunity to appear in support of SB 317. I am Brad Harrelson, Assistant Director—Governmental Relations for Kansas Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

As you are aware, production agriculture is very capital intensive and requires substantial investment in land, machinery and equipment. Kansas agricultural producers are the largest land owners in the state. Because of these unique requirements, often accompanied by high risk and marginal returns, property taxes place a substantial burden on farmers and ranchers, and often becomes a deterrent to such investment. Stability in classification of property is essential to the long term business decisions made by ag producers, and continued success of the state's largest industry.

For as long as heavy equipment and machinery has been used in Kansas, the machines and equipment that businesses use to operate have been classified as personal property, not real property. The Kansas Supreme Court has held repeatedly that machinery and equipment serves the business and not the land to which it is attached. Therefore, such machinery is personal property.

Due to the differences in how the actual amount of tax is determined in Kansas between real and personal property, in general the ultimate taxes paid by Kansas agriculture could increase significantly under Court of Tax Appeals decision and the inevitable reclassification of machinery and equipment. While manufacturing and industrial businesses may be most affected by the decision, production agriculture is not unaffected. There are many examples of ag equipment that could be negatively impacted by this departure from long standing precedent. Some examples include, but are not limited to: certain livestock handling equipment, feedbunks, boilers, grain and feed handling equipment, stock waterers, milling equipment, environmental protection equipment, and much more.

Passage of SB 317 would reaffirm legislative intent and clarify that equipment and machinery is personal property for classification purposes. Kansas Farm Bureau respectfully urges your recommendation to pass favorably SB 317. Thank you, once again, for the opportunity to appear before you and share the policy of our members. KFB stands ready to assist you as you consider this important measure.