

Written Testimony:
HB 2501, Defining Real and Personal Property Tax
House Taxation Committee
Wednesday, February 1, 2012
By: Christy Caldwell
Greater Topeka Chamber of Commerce
ccaldwell@topekachamber.org



Chairman Carlson and members of the Committee:

The Greater Topeka Chamber of Commerce would like to express how important the Business Machinery & Equipment (M&E) personal property tax exemption, approved in 2006, has been in our economic development efforts. We believe it has been one of the most important factors in our ability to attract, grow and retain companies in our state and community.

In the fall of 2011, we were fortunate to attract the newest Mars Chocolate manufacturing facility to be built in the last thirty-five years. This facility is under construction in the southern part of our community. Mars is investing \$250,000,000 to build and equip this new manufacturing plant. They will begin their employment with about 200 persons; they have been incentivized to grow their employment to 400 as they begin operations.

Prior to this addition to the Topeka, Kansas manufacturing landscape, Bimbo Bakeries/Allen Foods opened a new manufacturing plant, making Oroweat and other bread products. They are an international company who invested \$30 million in their building and M&E; they now employ 110 Kansans. Frito-Lay has expanded twice in the last couple years, investing over \$110 million. Like other multi-state companies, the Topeka plant competes with other sister plant locations for expansions. This expansion included state of the art equipment; they were able to retain 90 people that might not have otherwise been employed, had it not been for their investment.

Del Monte Foods had the same experience, retaining workers by way of an \$11.4 million expansion adding new equipment. Goodyear invested \$250 million in new M&E in 2009; Kansas benefited by their holding onto 1400 employees and since Goodyear has added another 400 workers. U.S. Food Service retained 175 jobs and added another 24 with a \$13 million remodel and addition of new equipment. Home Depot built and equipped their new \$25 million facility in 2009 and created 300 new jobs.

PTMW, Inc., a metal fabricator and assembly facility, invested almost \$8 million dollars in new M&E after they purchased the former Payless ShoeSource warehouse in 2009. They are now in negotiations to invest another \$4 million that might not come to pass should the M&E exemption erode. I have attached a letter from PTMW that outlines the impact the M&E tax credit has on them and expresses their concerns.

Mr. Chairman and Committee, I am pointing out these recent successes in our community to make the point that the business M&E property tax exemption is an important tool in our efforts to grow investment and jobs in Topeka, Kansas. HB 2501 clarifies the definition of what is real property and business personal property. We support this bill or further refinement that makes it clear that business personal property is exempt from property taxes so that businesses in our state, and those we attract to our state, continue to invest, grow and create jobs in Kansas.

**Also attached is a page from a January, 2012 meeting of the Site Selectors Guild, at which they outlined the most important factors professional business site selector look for when working to invest in a new location for a manufacturing company's investment in plant and equipment. Please note one of these important factors is personal property taxes for M&E.

PTMW, Inc.

O.E.M. METAL FABRICATION & ASSEMBLY

5040 NW US HWY 24
TOPEKA, KS 66618-3815
(785) 232-7792 PHONE
(785) 232-7793 FAX
WWW.PTMW.COM

January 27, 2012

Ms. Christy Caldwell
Vice President of Government Relations
GREATER TOPEKA CHAMBER OF COMMERCE
120 SE 6th Street, Suite 110
Topeka, Kansas 66603

Via E-Mail

RE: TAX EXEMPTION ON MACKENNEY & EQUIPMENT

Dear Ms. Caldwell:

As you know, PTMW, Inc., is a Kansas manufacturing company and it fabricates and constructs signal houses, communications houses, and equipment houses for railroads, utilities, transit authorities, generator power companies, and the like. In 2009, PTMW acquired the vacated Payless ShoeSource Warehouse in Topeka, and rehabilitated that facility into a state of the art manufacturing plant, investing almost \$8,000,000 in new equipment, a substantial portion of which, are or could be, characterized as trade fixtures. One of the primary considerations for the decision to remain in Kansas and to make these investments has been the ad valorem tax exemptions on machinery and equipment, and at the time of acquisition, we were granted further exemptions from sales tax for those purchases. Had those exemptions not been available, that may have tipped equities of the decision to another location (such as Texas) closer to our primary customers.

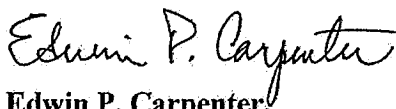
PTMW is currently in negotiations to replace its flexible manufacturing system, acquired in 2004, at a substantial new investment which is forecasted to be in excess of \$4,000,000. In the event the exemption is not available or is diluted in any appreciable manner, we would certainly reconsider our plans. This investment would not necessarily add additional jobs, but would provide a basis for retention of the 40 jobs currently in place in our fabrication division.

Since 2006, PTMW's business has grown approximately 13% per year on the average. There are now approximately 120 more people employed at PTMW (who are knowledge workers) since that time, and the numbers continue to grow.

In the event you have other questions or concerns, please contact me. Thank you for your inquiry.

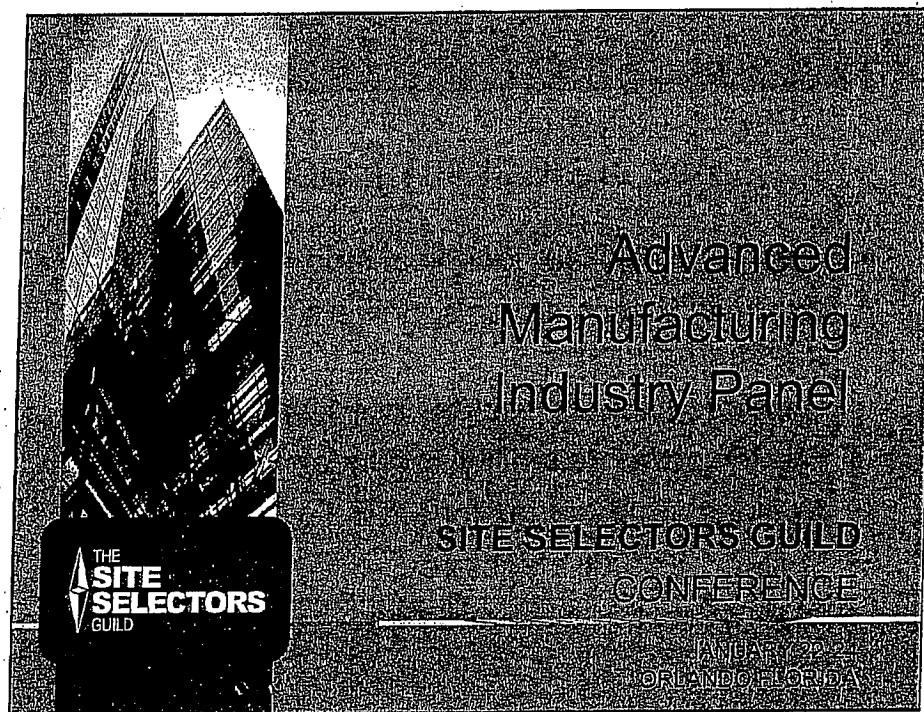
Yours truly,


PTMW, INC.



Edwin P. Carpenter,
Vice-President of External Affairs

cc: Jo Feldman – Go Topeka, Inc.



 THE SITE SELECTORS GUILD

Site Selection Factors

- More highly skilled, technical labor
- Proximity to tech schools, universities: improve skills and systems
- Training: initial & ongoing, incentives
- Electric power reliability, redundancy
- Personal property tax for M&E
- Quality of life for transferees
- More attractive sites and parks