# TESTIMONY OF JIM RICE, SEWARD COUNTY COMMISSIONER
# ON BEHALF OF KANSAS LEGISLATIVE POLICY GROUP
# BEFORE THE HOUSE TAXATION COMMITTEE
# RE: SENATE BILL NO. 2285
# FEBRUARY 21, 2013

*Member Counties*

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

Chairman Carlson and Members of the Committee

I appreciate the opportunity to come before you today, I am providing testimony on behalf of the Kansas Legislative Policy Group (KLPG) and as a Seward County Commissioner, both are in opposition to House Bill No. 2285. KLPG is a non-partisan, non-profit corporation of elected commissioners from 33 rural Kansas counties. KLPG members believe it is of great importance for legislative committees to hear from constituent groups on matters.

Counties are complex organizations, operating literally dozens of distinct functions serving the needs of our constituents. As county commissioners, our role and mission as local policy-makers is to provide an efficient, responsive and fiscally sustainable government operation, which assures the health, welfare and safety of all citizens, while planning the direction for our county with long-range goals that ultimately benefit and grow our community.

Kansas Legislative Policy Group opposes efforts to further exempt certain types of commercial and industrial machinery and equipment from property taxation, especially facilities that have historically been classified as real estate. Broadening this exemption will further erode an already delicate tax base. What will be the consequences of the lost revenue should this bill pass? As I see it, local governments have two choices, reduce services or increase taxes. Any new taxes will be directly levied on local home and property owners? Any reduction in services may result in increased costs in insurance premiums and increased risks for business and individuals. Simply reducing or eliminating a source of tax revenue does not mean the demand for services will be equally reduced. It merely transfers the tax obligation from commercial businesses to homeowners and businesses unaffected by the exemption. I hear from our homeowners on a regular basis that residential taxes are too high, our business community objects as well. Now we are preparing for the farm industry to appear before us as agricultural values are expected to increase by double digits the next few years as low-cost years drop the from our valuation formula.

In an effort for local government to continue providing and maintaining needed services such as emergency services, road and bridge construction and maintenance, health care facilities, recreation facilities and many other services, the reduction or elimination of these present tax revenue sources will severely hamper local governments ability to continue providing those services. All businesses use public services such as law enforcement, trash removal, and fire protection. I believe it their obligation to share in the costs of providing these services. By giving certain businesses preferential tax treatment, one could argue, they pay less for the same public services as individuals and non-exempt businesses. If the obligation of taxes were transferred from one segment of business to another, it is likely that delinquent taxes increase once again leaving local officials to decide which services to further reduce or eliminate.

In this aggressive business world our rural counties struggle to offer competitive incentive packages for businesses to relocate or expand. Companies seek free land, ample workforce, sufficient water and money. Counties have been able to offer the land, employees, water and often tax abatements. Expanding the exemption removes a financial incentive option from our economic development toolbox. We can still offer abatements, but if the property is exempt from taxation, the abatement will have less of an impact and affect out ability to attract or expand business.

Many factors in addition to business taxes are considered prior to locating a new or expanding an existing business in any community. Businesses are more likely to seek an area with uniform taxes, with a wide and diverse tax base and quality public services, all at the lowest possible cost.

In one western Kansas county, a calculation by the local appraiser indicated if only a 60% reduction in the machinery and equipment tax were to happen, the present mill levy of 34.63 would increase by 103.75 mill or a 299.56% increase to maintain the same tax revenue dollars presently being collected. Greater reductions would require greater increases in personal taxes. What potential employer or employee would consider moving to a community with a mill levy of 138.38 mills?

Industry is asking local property owners to furnish all their needed services. Transferring the corporate or company tax obligation to other segments of the county will no doubt create a higher cost of living. What if as a result, a community cannot provide the necessary workforce due to the unacceptable high cost of living? Should we truly obligate local citizens to provide the owners and share holders, many of which are located outside Kansas, free services, allowing larger profit margins and a richer bottom line, all courtesy of our local residential property owners.

My fellow County Commissioners and I oppose House Bill No. 2285 and encourage this Committee to reject this Bill as drafted because of the significant impact it will have on our individual taxpayers. I ask each of you to consider the unintended consequences of this bill through the exemption of business and industry from certain real estate and property taxes.

However, in an effort to make Kansas a better place for business and families, we are willing to work with the legislature to review and develop a better set of guidelines for appraisal purposes. Kansas Legislative Policy Group would suggest that if a public policy statement is required in the statute the "three-pronged fixture test" in the Kansas Department of Revenue's Personal Property Valuation Guide should be utilized to determine classification and that we avoid "reclassification" of property.

The amendment offered by the Kansas Association of Counties, seeking to include “realty” would be acceptable to our organization.

Regardless of your agreement/disagreement, I sincerely thank you for your commitment and service to Kansans, and wish you all the best for the remainder of this legislative session.

Thank you for your consideration and the opportunity to present these remarks.

Jim Rice
Seward County Commissioner,
Kansas Legislative Policy Group