

**House Committee on Taxation**  
**Hearing on House Bill 2285**  
**Thursday, February 21, 2013 at 3:30 p.m. – Room 582-N**  
**Written Testimony of Loren J. Pepperd**  
**Mayor, City of Manhattan, Kansas**

Good afternoon Chair Carlson, Vice Chair Schwab and honorable members of the House Taxation Committee. My name is Loren Pepperd, and I have the honor of serving as Mayor for the City of Manhattan. I want to thank you for this opportunity to provide written testimony to the Committee.

The City of Manhattan opposes HB 2285 which establishes a new definition for “commercial and industrial machinery and equipment” for taxation purposes. The new definition would significantly expand property that is classified for exemption under the machinery and equipment law.

This bill will not reduce property taxes; it will merely shift the property tax burden to residences and small businesses that do not qualify for the new exemption. The impact in Riley County is estimated to be more than \$6.5 million annually. Much of Manhattan’s commercial property, including the Manhattan Industrial Park, is located in Pottawatomie County, where the impact is estimated at \$2.5 million.

In 2006 when the state exempted machinery and equipment from personal property taxation, the legislature promised a “slider” reimbursement to local governments to help lessen the impact. The state reduced the payment in 2009 and stopped the reimbursements altogether in 2010. Since 2008, the City of Manhattan has lost approximately \$1.2 million in property tax revenue from this exemption. The City has effectively managed the loss, but please do not deal cities another property tax blow.

This bill alters over 100 years of property law in Kansas. Fixtures, or personal property that is affixed to real property, have always been considered part of real property for valuation purposes in Kansas. For this reason, it has been nearly impossible to estimate a fiscal impact for the bill. It is irresponsible for the legislature to tamper with long-standing legal doctrine without fully understanding the consequences.

**Please oppose HB2285 and maintain the current definition of machinery and equipment under the property tax law.**

Thank you for your consideration, and I would be happy to answer any questions. I may be reached by mail at City Hall, City of Manhattan, 1101 Poyntz Avenue, Manhattan, KS 66502, by phone at (785) 587-2404, or by email at [pepperd@cityofmhk.com](mailto:pepperd@cityofmhk.com).