



Since 1894

To: House Committee on Taxation
Representative Adam Smith, Chair

From: Jackie Newland, Associate Counsel, Kansas Livestock Association

Re: **SB 318, AN ACT concerning sales and compensating use tax; providing sales tax exemptions for reconstructing, repairing, or replacing certain fencing damaged or destroyed by natural disaster and for constructing, reconstructing, repairing or replacing certain fencing; relating to property tax; providing for abatement or credit or property tax for buildings and improvements destroyed or substantially destroyed by natural disaster.**

Date: February 1, 2022

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,700 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf, and stocker cattle production; cattle feeding; dairy production; swine production; grazing land management; and diversified farming operations.

Thank you, Chairman Smith and members of the Committee, for addressing a significant and catastrophic disaster for many families in Kansas. KLA strongly supports SB 318. As reported by multiple news outlets, on December 15, 2021, an estimated 163,000 acres of land were burned due to wildfires accelerated by extreme wind, across primarily North Central and Northwest Kansas, with the bulk of those acres being in Russell, Osborne, Rooks, and Ellis counties. Other smaller wildfire outbreaks also occurred in Southwest and South-Central Kansas.

Many livestock producers affected by this weather event saw substantial damage to their entire life's work with loss of fence, forage, harvested feed resources, outbuildings, homes, and livestock. Furthermore, the cow-calf producers whose cows perished in the fire will be without a calf crop and paycheck in 2022.

SB 318 would provide much-needed relief for those who were affected by the wildfire event on December 15, 2021, and any wildfire events or other natural disaster, moving forward, by granting a sales tax exemption for materials and services purchased to replace or rebuild fence on land devoted to agricultural use. The bill also allows for a sales tax rebate for those who may have already purchased these items prior to enactment of the bill.

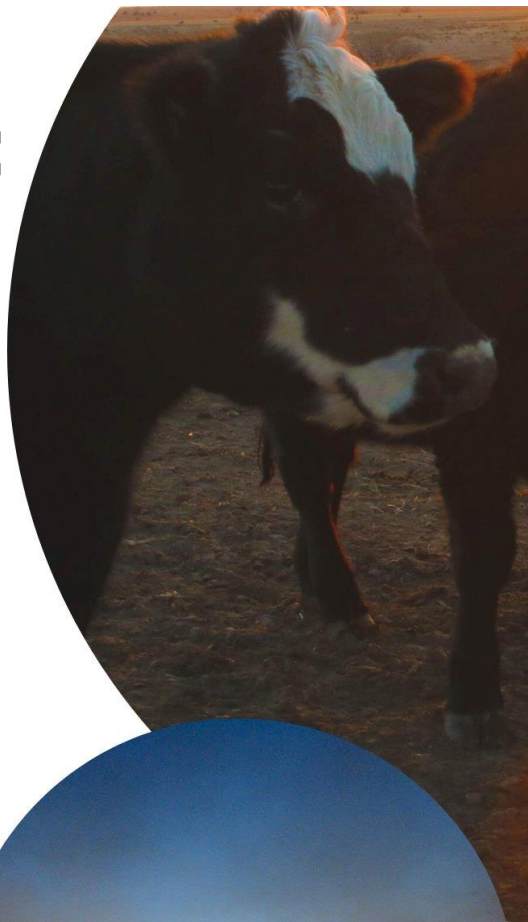
Beginning July 1, 2022, the bill would extend this exemption to all materials and services to construct and repair fence going forward. KLA believes this exemption will benefit the state by keeping the sale of fencing materials and labor in Kansas. Neighboring states, including Oklahoma and Missouri, have implemented similar exemptions that drive farmers and ranchers across state lines to take advantage of such exemptions. KLA believes this amendment will benefit our members and the state.

In addition, there is considerable disagreement surrounding taxation of agricultural fence materials and labor to build such fences. It is KLA's belief that labor for installing new fence should be exempt as new construction, yet the Kansas Department of Revenue (KDOR) has sent some agricultural fence contractors' letters to the contrary. In addition, KDOR routinely tries to force retailers to collect sales tax on electric fence wire, posts, and energizers. These products are intended to be portable and akin to portable panels that are accepted in KDOR guidance as exempt farm machinery and equipment. The amendment to SB 318 would settle this disparate tax treatment by KDOR.

Due to favorable amendments passed by the Senate, this bill would now allow a property owner whose property was destroyed or substantially destroyed by a natural disaster designated by the governor to apply to the board of county commissioners for a property tax abatement or credit. KLA believes this bill would offer potential financial assistance to those property owners who are negatively affected by a tornado, flood, fire, storm, or other event should it be declared a natural disaster by the governor. Additionally, it is the intent of property taxes to reflect the correct valuation of a structure. Commonly after such an event, reconstruction can take time. This bill would help prevent a property owner from being taxed on a destroyed or substantially destroyed building whose reconstruction or improvement is not yet complete.

Thank you for the opportunity to submit KLA's views to the Committee. KLA asks the Committee to approve SB 318 favorably for passage.

Wildfire Relief Resources



Ways to Donate

1.

Cash Donations // KLA and the Kansas Livestock Foundation will be assisting in the efforts to support ranchers affected by fires and high winds across the state. 100% of all donations will be distributed to producers impacted.

**Donate online at www.kla.org.
Mail check donations to: Kansas Livestock Foundation, 6031 SW 37th Street, Topeka, KS, 66614.**

2.

Supply Donations // Several collection and distribution sites have been established. For assistance with supply donation coordination call KLA at (785) 273-5115 or visit www.kla.org



Those interested in applying to receive funds can call the KLA office at (785) 273-5115 to be placed on a list to receive the application when it is finalized.

Membership not required.

The Kansas Livestock Foundation's (KLF) primary objective is to operate solely and exclusively for charitable, scientific and educational purposes that advance the interests of the beef industry.