

TO: House Committee on Taxation
FROM: Dave VanderGriend, ICM Inc., CEO
RE: **Testimony in Opposition to HB 2401**, excise tax on ethanol produced in Kansas
DATE: March 18, 2015

Good afternoon Chairman Kleeb and members of the Committee. I am the CEO of ICM, Inc., in Colwich, Kansas. On behalf of ICM, thank you for allowing us the opportunity to submit a written testimony in opposition to HB 2401.

The proposed tax penalizes the Kansas ethanol industry specifically, and puts us at a disadvantage as we compete against gasoline produced from oil, as well as ethanol produced in other states. As a vendor to the ethanol industry, we are extremely dependent on the modest profit margin the ethanol plants earn. This tax will be a direct reduction in those profits, which will have an immediate negative impact on our business, as they will be less likely to be able to purchase our products. The less profit we make, the less jobs we create, and the less tax we pay to the State.

If a tax on liquid fuels is levied, it should not be specific to the ethanol industry, and should be applied at the pump. This will allow the ethanol industry to not be at a cost disadvantage to gasoline, and would assure cost competitiveness to other states.

The Kansas ethanol industry greatly affects the economic vitality and development of communities across the state. Serving as a direct consumer of Kansas corn and sorghum, the ethanol industry has helped to stabilize the basis price of corn and sorghum for our state's farmers, and provide our large cattle industry with nutrient-rich feed products. The multiplier effect of the ethanol industry serves to promote the development of our rural economies and increase tax revenues at both state and local levels.

- Without the ethanol industry, or with higher fixed costs imposed on the industry, farmers would receive a much lower price for their crops. Sub-\$3.00/bu corn would devastate farmers, rural communities, land value, ag lenders, local taxing authorities, and state revenues
- Kansas ethanol industry annually provides: over \$2 million in real property taxes, \$100,000 in personal property taxes, \$53 million in trucking fees, 384 direct jobs, average salary of \$49,000
- Each ethanol plant enhances rural Kansas: Annually purchases average of 14.5 million bushels of grain from local farmers (valued at over \$680 million in 2008), Produces ready access to wet and dry distillers grains feed for Kansas livestock producers, dairies, and feed yards
- The loss of jobs and farmer income would exceed the potential revenue from this tax which would end up being worse for the state in a short time.
- If the goal of the state of Kansas is to improve the quality of life and the air we breathe, ethanol is the highest octane fuel additive on the market today and is nontoxic. The alternative (toluene/iso-benzine) is over \$1.00 above the price of ethanol and a primary contributor to elevating tailpipe emissions.

While we in the ethanol industry certainly understand the current budgetary constraints of our State, we must strongly oppose the new tax imposed specifically on the ethanol industry under HB 2401. We would strongly encourage the Committee to oppose this bill and not pass the bill out of Committee.

Thank you for the opportunity to share our comments,

Dave VanderGriend