

Date: February 3, 2016

To: House Taxation Committee

From: Larry R. Baer
General Counsel

Re: HB 2264 – Testimony in Opposition

Thank you for allowing me to appear before you today and present testimony in opposition to House Bill 2264 on behalf of the League of Kansas Municipalities and its member cities.

HB 2264, as written, would legislatively define certain types of equipment and materials used in the production of oil and gas as personal property and it would be assessed and taxed as commercial machinery and equipment. If the equipment in question was purchased after June 30, 2006, it would fall under the existing commercial and industrial machinery and equipment property tax exemption.

This change can result in a loss in assessed valuation in cities and counties. HB 2264 addresses equipment used by only one industry and would impact those parts of the state with oil and gas production. It would set a precedent for any industry to seek special tax treatment. This would be a precedent that could open the doors to a state-wide broadening of the machinery and equipment tax exemption. Which could result in the significant loss of assessed valuation both locally and state-wide.

The League believes that the existing property tax base should be protected and that the legislature should avoid this proposal, and any proposal, to further erode the property tax base by the exclusion of any specific types of property. Legislatively doing piece meal exemptions on property tax exemptions sets a dangerous tax policy precedent. Of which, the end result could resemble the sales tax exemption list.

In addition, a reduction in property tax paid by any class of taxpayer will generally mean an increase in taxes paid by some other class of taxpayer. Any increase in property taxes to replace the lost taxes paid on fixtures represents a shift in taxation from the industry to the homeowner.

For these reasons, the League of Kansas Municipalities stands in opposition to HB 2264. We ask that you do not pass this bill from committee.

Thank you for allowing me to present this testimony. I will stand for questions at the appropriate time.