



*Since 1894*

**KLA Tax Committee Meeting**

Thursday, December 5, 2019

1:00 pm – 2:30 pm

Meeting Room Redbud 210A

Century II Convention Center

Wichita, KS

Chairman: **Dirck Hoagland**, Leavenworth

Vice Chairman: **Matthew Welsh**, Ingalls

**\* AGENDA \***

1. Introductions– Dirck Hoagland
2. Welcome and opening remarks – Don Hineman – 2001 KLA President
3. Use Value Appraisal  
Dr. Allen Featherstone, Professor, Head and Director of the Masters of Agribusiness Program  
Department of Agricultural Economics - Kansas State University
4. Legislative Tax Changes and Outlook  
Lucky DeFries, Coffman, DeFries & Nothern
5. Policy Resolutions- Resolutions with a 2017 date will expire unless amended or reaffirmed.
  - a. 1. TAXES (2018)
  - b. 2. CONSTITUTIONAL AMENDMENT FOR SCHOOL FINANCE (2019)
  - c. 3. TAXATION OF WIND POWER (2017) **EXPIRING**
  - d. 4. FAIRER AND SIMPLER TAX CODE (2017) **EXPIRING**
  - e. 5. FEDERAL DEFICIT/BALANCED BUDGET (2018)
  - f. 6. CAPITAL GAINS ROLLOVER (2019)
  - g. 7. TAX CREDIT FOR PRE-HARVEST INTERVENTIONS (2017) **EXPIRING**
6. New Policy Discussion
7. Other business?
8. Adjournment

*The Tax Committee Meeting is sponsored by:  
Coffman, DeFries & Nothern, P.A.*

**COFFMAN,  
DeFRIES  
& NOTHERN**

**ATTORNEYS**

**A Professional Association**

## **1. TAXES (2018)**

WHEREAS, Kansas is a state blessed with many natural resources, including prime agricultural land, and

WHEREAS, the production and sale of agricultural products composes a major portion of the economy of the United States and Kansas, and

WHEREAS, the members of the Kansas Livestock Association rely on these resources for their livelihoods.

THEREFORE BE IT RESOLVED, the Kansas Livestock Association urges property, sales, income, and inheritance and gift tax policies that encourage, promote, preserve, and protect agricultural activities and provide a favorable business climate for agricultural businesses and livestock operations in particular.

With regard to property taxes:

1. The Kansas Livestock Association supports the appropriate implementation of use-value appraisal and opposes efforts to modify the use-value appraisal methodology that would be detrimental to agriculture.
2. The Kansas Livestock Association opposes the full funding of schools through property taxes and supports increased reliance on income tax and other non-property tax sources for support of local school districts.
3. The Kansas Livestock Association supports local government funding through the use of sales and/or income tax rather than property taxes.
4. The Kansas Livestock Association opposes the funding of community colleges and vo-tech schools with a statewide levy or regional mill levy property tax.

With regard to sales taxes:

1. The Kansas Livestock Association supports continued sales tax exemptions for inputs and livestock.
2. The Kansas Livestock Association supports the continued sales tax exemption for new and used farm machinery; farm equipment; grain storage, drying, and cleaning equipment repair parts; and the service and labor of repairs.

With regard to income taxes:

1. The Kansas Livestock Association supports the adoption of statutory changes that allow carry back losses, income averaging, cash basis accounting, deductibility of interest payments, prepayment of expense deductions, deferral of income through the use of deferred payment contracts, the use of 1031 exchanges, income deferral provisions to apply to situations occurring from all types of natural disasters, or other means to reduce the volatility of agricultural income.
2. The Kansas Livestock Association supports a state income tax credit for investment in an agricultural marketing cooperative.
3. The Kansas Livestock Association supports state and federal income tax credits or exemptions for private investment in agricultural operations.
4. The Kansas Livestock Association supports amendments to the federal tax code that provide full deductibility for donated conservation easements from landowners whose income is predominantly from farming and ranching.
5. KLA does not support limiting or restricting statutory authority allowing cash basis of accounting for agricultural entities.

With regard to inheritance and gift taxes:

1. The Kansas Livestock Association supports the reduction, and ultimately the elimination, of the federal estate and gift tax.

2. The Kansas Livestock Association opposes any effort to increase estate taxes, to reduce the unified credit, to eliminate “stepped- up basis” provisions, or otherwise increase by tax rate change the burden of estate and/or gift taxes on family farms, ranches and businesses.

## **2. CONSTITUTIONAL AMENDMENT FOR SCHOOL FINANCE (2019)**

WHEREAS, KLA and its members support K-12 public education; and

WHEREAS, KLA is concerned that the constant cycle of education funding litigation jeopardizes other important spending priorities within the state, risks massive future tax increases, and interferes with the local school districts’ ability to make timely decisions; and

WHEREAS, Kansas legislators are elected to make decisions about how much revenue to raise and how to spend that revenue.

THEREFORE BE IT RESOLVED, the Kansas Livestock Association supports a constitutional amendment that ensures elected legislators have sole authority to appropriate the total amount of funds for K-12 education.

BE IT FURTHER RESOLVED, the Kansas Livestock Association supports a constitutional amendment that ensures and specifies the judiciary retains the authority to review whether the funds appropriated by the legislature for K-12 education were equitably distributed among the school districts.

BE IT FURTHER RESOLVED, the Kansas Livestock Association does not support the repeal of Article 6, paragraph 6(b) of the Kansas Constitution.

## **3. TAXATION OF WIND POWER (2017)            EXPIRING**

WHEREAS, farm and ranch land in Kansas has been identified as an ideal location for the development of large-scale commercial wind-powered electric generating facilities, and

WHEREAS, Kansas law exempts such facilities from ad valorem taxation, and

WHEREAS, wind power development companies have offered in lieu of tax payments to local units of government and schools where such facilities are proposed, and

WHEREAS, property taxes on agricultural land have become a significant financial burden for landowners in many rural areas of Kansas.

THEREFORE BE IT RESOLVED, the Kansas Livestock Association supports legislation to require wind power facilities to pay local property taxes.

BE IT FURTHER RESOLVED, the state should develop an appraisal or assessment procedure, such as a graduated schedule over a ten-year period, which encourages development in Kansas.

## **4. FAIRER AND SIMPLER TAX CODE (2017)            EXPIRING**

WHEREAS, the current federal tax system is complex and may distort business decisions.

THEREFORE BE IT RESOLVED, the Kansas Livestock Association supports the implementation of a fairer and simpler tax code.

## **5. FEDERAL DEFICIT/BALANCED BUDGET (2018)**

BE IT RESOLVED, the Kansas Livestock Association strongly urges Congress and the administration to work toward a balanced federal budget by cutting government spending and/or freezing federal budgets.

BE IT FURTHER RESOLVED, the Kansas Livestock Association supports the adoption of statutory and/or constitutional limitations on federal government spending to require a balanced federal budget.

## **6. CAPITAL GAINS ROLLOVER (2019)**

WHEREAS, many farmers and ranchers are dependent on their land, livestock, and machinery to fund their retirement, and

WHEREAS, the accumulated estate is significantly reduced by income taxes upon liquidation.

THEREFORE BE IT RESOLVED, the Kansas Livestock Association supports tax law changes to (1) allow agricultural operators a tax-free capital gains rollover from the sale of agricultural assets into an IRA, Keough Plan, or similar retirement account to be taxed at time of withdrawal and (2) establish a reduced capital gains tax rate on other sales of capital assets.

## **7. TAX CREDIT FOR PRE-HARVEST INTERVENTIONS (2017)    **EXPIRING****

WHEREAS, the beef industry continues to invest significant capital and other resources to address food-borne illness, and data and studies suggest that additional steps, particularly those pre-harvest, could enhance the mitigation of pathogens, and

WHEREAS, utilizing publicly funded incentives to encourage beef producers to use pre-harvest interventions will promote the widespread development and implementation of technologies important to public health and well-being, and therefore, benefit all beef producers.

THEREFORE BE IT RESOLVED, the Kansas Livestock Association supports efforts to obtain tax credits equal to the costs of implementing government-approved pre-harvest food safety interventions to reduce food-borne pathogens in animals being raised for human consumption.