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Date: March 15, 2023  
To: Representative Adam Smith, Chairman, House Committee on Taxation  
From: Shahira Stafford, Kansas Cooperative Council  
RE: **Proponent, Written-only Testimony on Senate Bill 8**

Mr. Chairman and Members of the Committee,

On behalf of the Kansas Cooperative Council (Co-op Council), thank you for the opportunity to provide comments on Senate Bill 8. The Co-op Council is a statewide association that works on behalf of all types of cooperatively structured businesses in Kansas. Some of the industries organized as cooperatives include agriculture, utility, financial, and insurance. Simply, cooperatives differ from other businesses because they are member-owned, member-controlled, and profits are returned to its member-patrons.

Senate Bill 8 would significantly reduce the mandatory penalties for the late filing, or failure to file, personal property renditions and the discovery of escaped personal property. Here is some background as to how this bill would impact our farmer-owned agricultural cooperatives.

Kansas grain elevators have been in legal battles regarding the tax classification of equipment and machinery for years. The Kansas Supreme Court's October 2022 ruling in *Dodge City Cooperative Exchange vs. County Commissioners of Gray County* gives clear guidance to county appraisers that, under Kansas law, elevator commercial and industrial machinery and equipment should be appropriately classified as personal property and not a fixture to the realty. And, if installed after 2006, should be exempt from ad valorem property taxation. The significance of this case for our members is paramount.

Under current law, if grain elevators were to now appeal their previous misclassified property, they would be hit with a 50 percent penalty for failing to file a complete list of their personal property at the time it was originally due. Senate Bill 8 would reduce that penalty to 12.5 percent, which is good for all taxpayers in this situation.

However, while an extension to file can be requested to waive the fee, it must be received before the statutory filing deadline. The Co-op Council supports the amendment made by the Senate Committee that does two things: grant county appraisers the authority to waive the penalty for failing to file a statement listing personal property for assessment; and make such a waiver mandatory if the property were previously classified as real property. This change addresses the implications of the recent Dodge City Cooperative court decision and allows past misclassifications of personal property to be challenged without penalty.

Thank you for allowing the Kansas Cooperative Council to comment on Senate Bill 8, and we appreciate this legislation being introduced.