



THE HI-PLAINS COOPERATIVE ASSOC.

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Date: January 25, 2021
To: Representative Jim Kelly, Chairman
House Financial Institutions and Rural Development Committee
From: Bob Standage, General Manager, Hi-Plains Co-op Association
RE: Opponent Testimony on House Bill 2069

Chairman Kelly and members of the committee, thank you for the opportunity to provide testimony in opposition to House Bill 2069, as written. I am the General Manager of Hi-Plains Co-op Association in Colby, Kansas. We are one of the largest state-headquartered agricultural retail cooperatives in Kansas. We are a member owned cooperative providing grain merchandising, animal feeds, and energy products in northwest Kansas.

I want to be clear that we are in support of all of the provisions in House Bill 2069 except one, and that is the privilege tax deduction for banks on agricultural real estate loans. Rural Kansas is our identity, and we support any economic recovery programs that could help our struggling businesses during downturns in the economy.

The large majority of farmers and ranchers in Kansas belong to one or more farmer cooperatives. Farmer cooperatives handle, process and market almost every type of agricultural commodity; furnish farm supplies; and provide credit and related financial services, including export financing. Earnings from these activities are returned to their farmer members on a patronage basis, helping improve their income from the marketplace.

Kansas would be the first state in the country to pass this kind of legislation that gives banks the same tax benefits as not-for-profit cooperatives. There have been efforts on the federal level to pass similar legislation for decades with no success. Lawmakers in Congress understand that cooperatives earn their tax status by ensuring that their success is directly passed through to their member owners. Cooperatives are heavily regulated and have proved vital to the success and profitability to our rural communities, in particular.

We have concern that by allowing these blurred lines between for-profit and not-for-profit financial institutions, this could open the door to the production agricultural industry and even all not-for-profit businesses. Kansas has always valued the right for folks to form together, pool their resources, and find ways to solve their own problems or fill a void in the marketplace.

We believe that the privilege tax deduction for banks proposed in this bill would ultimately un-level the playing field and sets new precedent in Kansas tax policy that could have unintended consequences further down the road.

On behalf of Hi-Plains Co-op Association, we appreciate you taking the time to listen to our concerns and ask that you reconsider this specific language in House Bill 2069.

Respectfully,

Bob Standage
General Manager