



Date: January 25, 2021

RE: House Bill 2069

Mr. Chairman and Members of the Committee,

Thank you for the consideration regarding the Kansas Cooperative Council's position on House Bill 2069. The Kansas Cooperative Council (KCC) works on behalf of all types of cooperatively structured businesses in Kansas. The industries organized as cooperatives are vast, and include agriculture, utility, insurance, and financial cooperatives. The KCC board and membership has a vested interest in protecting the business structure of all cooperatives.

Co-ops differ from for-profit businesses because they are member-owned, member-controlled, democratically governed and profits generated are returned to the member-owners. As not-for-profit businesses, cooperatives are afforded tax benefits and required to pass those benefits to members. Depending on the cooperative business, this could be through cash patronage, equity, lower interest rates or a combination of benefits.

The KCC is opposed to House Bill 2069 as written.

The privilege tax exemption component of House Bill 2069 would go against long-held precedent by allowing for-profit businesses the same benefits of not-for-profit cooperatively structured businesses.

- This would set new precedent in Kansas tax policy that opens the door for higher taxation on all not-for-profit cooperatives.
- Cooperatives are required to pass tax exemptions down to members.
- Banks have access to this tax exemption today by organizing as a non-profit business.

For generations, Kansas lawmakers have recognized the structural difference between not-for-profit cooperatives and for-profit corporations and valued the rights of Kansans to come together and pool their resources to form cooperatives.

The privilege tax exemption component of House Bill 15 would create new precedent in Kansas and jeopardize the cooperative structure that is an important part of, not only our state's financial market, but also our agricultural & rural economies.

Kansas cooperatives have faced the same challenges that other businesses have faced during the last 10 months, so we support the economic recovery loan deposit program as a way for rural Kansans to gain access to capital. In addition, we support the expansion of field of membership, as this provides Kansas with additional financial options.

The KCC supports Kansans as well as a competitive marketplace but remains concerned that this bill will provide for-profit companies access to the same benefits as cooperatives without adhering to the same business requirements. The language in this bill does not afford the same transparency that cooperatives are required as not-for profit entities and does not assure that the

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tax exemption would truly be passed directly to borrowers. It is why we respectfully request the committee reconsider the privilege tax exemption language in this bill.

If additional questions arise, we are more than happy to address them. Thank you again for your consideration of our concerns and your service to the state of Kansas.

A handwritten signature in black ink, appearing to read "G. Smith", written in a cursive style.

President and CEO