

SESSION OF 2023

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2106**

As Amended by Senate Committee on  
Assessment and Taxation

**Brief\***

HB 2106, as amended, would provide a sales tax exemption for certain purchases related to telecommunications services and would provide for a sales tax price reduction in certain cases of non-simultaneous motor vehicle transactions.

***Telecommunications Service Sales Tax Exemption***

The bill would create a sales tax exemption for the purchase of equipment, machinery, or other infrastructure purchased for use in the provision of internet access service, telecommunications service, or video service and for the purchase of repair, maintenance, and installation services purchased by providers in the provision of such internet access service, telecommunications service, or video service.

The exemption would expire on July 1, 2028.

***Motor Vehicle Sales Price Deduction***

The bill would provide, for purposes of retail sales and compensating use tax, for a deduction from the sales price of the purchase of a new or used motor vehicle in the amount of the proceeds from the sale of a used motor vehicle sold by the purchaser within 90 days before or after the purchase. If

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

proceeds from the sale exceeded the purchase price, the purchaser would not owe any sales or use tax.

The deduction would apply to any sales of used motor vehicles on or after January 1, 2024.

Individuals would qualify for the deduction by either providing a completed bill of sale to the county treasurer when registering the purchased vehicle or by applying to the Department of Revenue for a refund within three years of the date of the purchase of the replacement vehicle.

The deduction would be permitted only if the taxpayer claiming the deduction provides a copy of the required bill of sale on the Department of Revenue TR-312 form, and the information matches the information entered in the assignment of title on the back of the certificate of title.

## **Background**

The bill was introduced by the House Committee on Taxation at the request of a representative of AT&T.

### ***House Committee on Taxation***

In the House Committee hearing, **proponent** testimony was provided by representatives of AT&T, Brightspeed, and Kansas Cable Telecommunications Association. The proponents generally stated the bill would enable them to maximize the use of recent state and federal assistance for broadband infrastructure. Written-only proponent testimony was provided by representatives of the Kansas Chamber of Commerce, T-Mobile, and WANRack.

**Opponent** testimony was provided by a representative of the League of Kansas Municipalities, generally stating the exemption would erode the local tax base and reduce the amount of sales tax revenues to local governments.

No other testimony was provided.

### ***House Committee of the Whole***

The House Committee of the Whole amended the bill to insert the July 1, 2028, expiration date of the exemption.

### ***Senate Committee on Assessment and Taxation***

In the Senate Committee hearing, **proponent** testimony was provided by representatives of AT&T and Brightspeed. The proponents generally stated the bill would enable them to maximize the use of recent state and federal assistance for broadband infrastructure.

Written-only proponent testimony was provided by representatives of Ideatek, Kansas Cable Telecommunications Association, Kansas Chamber of Commerce, T-Mobile, Verizon, and WANRack.

Written-only **opponent** testimony was provided by a representative of the League of Kansas Municipalities.

The Senate Committee amended the bill to insert the contents related to the motor vehicle sales price deduction, which are similar to the contents of HB 2229.

### ***HB 2229 (Motor Vehicle Sales Price Deduction)***

The bill was introduced by Representatives Turner and Resman.

### ***House Committee on Taxation***

In the House Committee hearing, **proponent** testimony was provided by Representative Turner, who stated the bill would afford sales tax treatment to private motor vehicle

transactions completed within 180 days that is currently provided to simultaneous commercial transactions. Written-only proponent testimony was provided by two private citizens.

Neutral testimony was provided by a representative of the Kansas Automobile Dealers Association.

*Senate Committee on Assessment and Taxation*

In the Senate Committee hearing, neutral testimony was provided by a representative of the Kansas Automobile Dealers Association.

No other testimony was provided.

**Fiscal Information**

According to the Department of Revenue, enactment of the bill is expected to have the following impact on state receipts:

(Dollars in Millions)

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Telecommunications Exemption	\$ (13.9)	\$ (14.0)	\$ (14.0)
Motor Vehicles Sales Tax Price Deduction	(1.5)	(1.5)	(1.5)
<i>Subtotal – State General Fund</i>	<u>\$ (15.4)</u>	<u>\$ (15.5)</u>	<u>\$ (15.5)</u>
Telecommunications Exemption	\$ (2.9)	\$ (3.0)	\$ (3.1)
Motor Vehicles Sales Tax Price Deduction	(0.3)	(0.3)	(0.3)
<i>Subtotal – State Highway Fund</i>	<u>\$ (3.2)</u>	<u>\$ (3.3)</u>	<u>\$ (3.4)</u>
<b>Total All Funds</b>	<u><b>\$ (18.6)</b></u>	<u><b>\$ (18.8)</b></u>	<u><b>\$ (18.9)</b></u>

The provisions of the bill would have additional impacts on local sales tax receipts. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor’s Budget Report*.

Taxation; sales tax; exemptions; communications; broadband; motor vehicles