

February 3, 2021

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2143 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2143 is respectfully submitted to your committee.

Under current law, cash rebates paid by a vehicle manufacturer to a purchaser or lessee of a new motor vehicle are excluded from the definition of “sales or selling price” as used for the calculation of sales tax on vehicles through June 30, 2021. HB 2143 would make this sales tax exemption permanent.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$3,800,000)	(\$4,500,000)
Expenditure	--	--	\$3,200	\$3,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2143 would decrease state revenues by \$4.5 million in FY 2022. Of that total, the State General Fund is estimated to decrease by \$3.8 million in FY 2022, while the State Highway Fund is estimated to decrease by \$700,000 in FY 2022. This bill also is estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue. The fiscal effect to state revenues during subsequent years would be as follows:

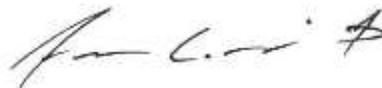
	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State General Fund	(\$3,800,000)	(\$3,900,000)	(\$3,900,000)	(\$3,900,000)
State Highway Fund	<u>(700,000)</u>	<u>(700,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>
	(\$4,500,000)	(\$4,600,000)	(\$4,700,000)	(\$4,700,000)

To formulate these estimates on excluding cash rebates on vehicles from the calculation of sales tax, the Department of Revenue reviewed data on new vehicle sales and leases that occurred Kansas. It should be noted that the offering of vehicle rebates fluctuates from year to year.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2143 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties