

SESSION OF 2012

SUPPLEMENTAL NOTE ON SENATE BILL NO. 421

As Amended by Senate Committee of the Whole

Brief*

SB 421, as amended, would make a number of changes in the motor vehicle tax, the in-lieu-of property tax imposed on most passenger vehicles.

The statutory assessment rate would be reduced from the current 20 percent to 18 percent in 2013, 16 percent in 2014, 14 percent in 2015, and 12 percent in 2016 and thereafter.

The "county average tax rate" used for purposes of the tax would be increased over the same four-year period to effectively restore that portion of the tax that had been distributed to school district general funds prior to tax year 2000. Five mills of the current 20 mill school district general fund levy would be collected and distributed in 2013, 10 mills in 2014, 15 mills in 2015, and the 20 mills for vehicles would be fully restored beginning in 2016.

The current 15 percent annual depreciation would be decelerated beginning in 2013, such that vehicles would depreciate by 15 percent in the first three years only, followed by 12 percent in the next three years, and 10 percent in all subsequent years.

Finally, the current minimum tax levels of \$12 for motorcycles and \$24 for passenger vehicles would be increased to \$18 and \$36, respectively, except a grandfather clause amendment would prevent older vehicles (including

*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>

those already below the newly proposed minimum tax thresholds) from receiving a tax increase above the prior year.

Additional language would provide for distributions of property tax relief money to local units of government through the Local Ad Valorem Tax Reduction Fund (LAVTRF) program in the amount of \$7 million for FY 2013; \$20 million for FY 2014; \$30 million for FY 2015; and \$50 million for FY 2016 and all subsequent years.

Background

The bill was supported by Chairman Les Donovan, who appeared as the lead proponent, as well as the Kansas Automobile Dealers' Association. The proponents noted the motor vehicle tax cuts enacted in the mid 1990s had stimulated new vehicle sales, and this legislation would be expected to do the same. They also argued that increasing vehicle sales would tend to dramatically increase state and local sales tax collections.

Opponents included the League of Kansas Municipalities, and Kansas Association of Counties, who expressed concern over the loss of motor vehicle revenue expected for local units of government.

The original bill was expected to increase local effort for purposes of the school finance formula, reduce receipts for local units of government, and slightly reduce receipts to state building funds – with an overall decrease expected relative to current law in total motor vehicle tax collections.

The Senate Committee of the Whole on March 20 amended the bill to add the LAVTRF provisions.

The fiscal impact of the Senate Committee of the Whole version of the bill is as follows:

	<u>CY 2013</u>	<u>CY 2014</u>	<u>CY 2015</u>	<u>CY 2016</u>
<i>Current Law</i>				
State 1.5 Mills	\$ <u>4,758,347</u>	\$ <u>4,834,485</u>	\$ <u>4,911,842</u>	\$ <u>4,990,437</u>
Locals	<u>347,611,177</u>	<u>353,173,319</u>	<u>358,824,461</u>	<u>364,566,028</u>
USD General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Car Taxes	\$ <u>352,369,523</u>	\$ <u>358,007,804</u>	\$ <u>363,736,303</u>	\$ <u>369,556,464</u>
 <i>SB 421; as Am. by Senate A&T</i>				
State 1.5 Mills	\$ <u>4,417,375</u>	\$ <u>4,208,616</u>	\$ <u>4,086,378</u>	\$ <u>4,115,348</u>
Locals	<u>322,630,193</u>	<u>311,136,697</u>	<u>305,788,349</u>	<u>311,715,593</u>
USD General Fund	<u>14,724,584</u>	<u>28,057,438</u>	<u>40,863,783</u>	<u>54,871,311</u>
Total Car Taxes	\$ <u>341,772,153</u>	\$ <u>343,402,751</u>	\$ <u>350,738,510</u>	\$ <u>370,702,253</u>
 <i>Fiscal Note; Car Tax</i>				
State 1.5 Mills	\$ <u>(340,971)</u>	\$ <u>(625,869)</u>	\$ <u>(825,464)</u>	\$ <u>(875,088)</u>
Locals	<u>(24,980,983)</u>	<u>(42,036,622)</u>	<u>(53,036,113)</u>	<u>(52,850,434)</u>
USD General Fund	<u>14,724,584</u>	<u>28,057,438</u>	<u>40,863,783</u>	<u>54,871,311</u>
Total Car Taxes	\$ <u>(10,597,370)</u>	\$ <u>(14,605,053)</u>	\$ <u>(12,997,794)</u>	\$ <u>1,145,788</u>
 Exhibit:				
LAVTRF to Locals	\$ <u>7,000,000</u>	\$ <u>20,000,000</u>	\$ <u>30,000,000</u>	\$ <u>50,000,000</u>