

February 11, 2020

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 322 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 322 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. SB 322 would make this sales tax exemption permanent.

The Department of Revenue estimates that SB 322 would decrease state revenues by \$4,530,000 in FY 2022 and by \$4.6 million in FY 2023. Of those totals, the State General Fund is estimated to decrease by \$3.8 million in FY 2022 and by \$3,860,000 in FY 2023, while the State Highway Fund is estimated to decrease by \$730,000 in FY 2022 and by \$740,000 in FY 2023. 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 Department indicates that there would be similar reductions in revenue in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed data on new vehicle sales and leases that occurred Kansas. The Department estimates that the current sales tax exemption on certain cash rebates on new vehicle sales and leases reduces state sales tax revenues by \$4,470,000 in FY 2021. It should be noted that the offering of vehicle rebates fluctuates from year to year.

The Department indicates that the bill would require \$3,871 from the State General Fund in FY 2021 to update sales tax forms and publications, notify vehicle dealers, and to modify the

automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

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, known as T-WORKS.

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 SB 322 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with the first name "L." and last name "Campbell" clearly visible.

Larry L. Campbell
Director of the Budget

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