

Updated
SESSION OF 2021

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2143**

As Agreed to April 9, 2021

Brief*

HB 2143 would modify law related to sales tax.

***Motor Vehicle Rebate Sales Price Exclusion Sunset
Extension***

The bill would extend the sunset on an exclusion of certain motor vehicle manufacturer rebates from the selling price for sales tax purposes to June 30, 2024. Current law excludes cash rebates granted by manufacturers to purchasers or lessees of new motor vehicles if such rebates are paid directly to retailers, but this provision is scheduled to sunset on June 30, 2021.

Sales Tax Exemptions

The bill would exempt the Cerebral Palsy Research Foundation of Kansas and Multi Community Diversified Services from paying sales tax on purchases related to the building, maintenance, and enlargement of facilities used to house non-students of the institutions.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

The bill would provide a sales tax exemption for purchases made by nonprofit integrated community care organizations, which would be defined by the bill.

“Nonprofit integrated community care organization” would be defined as any entity that is exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code, certified to participate in the Medicare program as a hospice focused on providing care to the aging and indigent population across multiple counties, and approved by the Kansas Department for Aging and Disability Services to provide services under the Program of All-Inclusive Care for the Elderly (PACE).

The bill would also provide a sales tax exemption for the Friends of Hospice of Jefferson County for purchases made for the purposes of providing end-of-life hospice care and on all sales of entry or participation fees, charges, or tickets for the fundraising event of the organization.

Retailers Sales Tax Returns and Payment

The bill would increase, as of January 1, 2024, the threshold filing amounts for retailers to submit sales taxes to the Kansas Department of Revenue (KDOR). The bill would increase the threshold amount from \$400 to \$1,000 for annual filings, and from \$4,000 to \$5,000 for quarterly filings. Retailers with annual liability in excess of \$5,000 would be required to file and remit sales tax on a monthly basis. The liability threshold for retailers required to pay the sales tax liability for the first 15 days of each month on the 25th day of that month would be increased from \$40,000 to \$50,000.

Effective Date

The bill would be in effect upon publication in the *Kansas Register*. The provisions relating to sales tax returns and payments would be effective beginning January 1, 2024.

Conference Committee Action

On April 8, 2021, the Conference Committee agreed to the provisions of HB 2143, as passed by the Senate, with the exception of the provision that would eliminate the requirement for retailers with liability exceeding \$40,000 to pay the sales tax liability for the first 15 days of each month on the 25th day of that month; instead, the Conference Committee agreed to amend the bill to change the threshold amounts for annual, quarterly, and monthly filings as outlined above.

The Conference Committee agreed to further amend the bill to modify the sales tax payment thresholds and insert the contents of SB 147, as amended by the House Committee on Taxation.

After reaching an initial agreement, the Conference Committee met again on April 9, 2021, and agreed to change the effective date of changes to filing amount thresholds from January 1, 2022, to January 1, 2024.

Background

HB 2143

The bill was introduced by the House Committee on Taxation at the request of the Kansas Automobile Dealers Association. [*Note:* The bill, as recommended by the House Committee, was identical to 2020 SB 322, as introduced.]

House Committee on Taxation

In the House Committee hearing, a representative of the Kansas Automobile Dealers Association appeared as a **proponent**. He noted the current exemption had been enacted in 2018 and stated Missouri, Nebraska, and Oklahoma have similar exemptions.

No other testimony was provided.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, a representative of the Kansas Automobile Dealers Association appeared as a **proponent**. He noted the current exemption had been enacted in 2018 and stated Missouri, Nebraska, and Oklahoma have similar exemptions.

No other testimony was provided.

The Senate Committee amended the bill to change a repeal of the sunset on an exclusion of certain motor vehicle manufacturer rebates to a three year extension of the sunset and to insert the provisions related to sales tax exemptions and returns and payments. [Note: The Conference Committee retained this amendment.]

SB 147 (Sales Tax Exemptions for Nonprofit Integrated Community Care Organizations)

SB 147 was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Kloos.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a representative of Midland Care

Connection, who stated the bill would provide uniform sales tax treatment for all PACE providers. Written-only **proponent** testimony was provided by LeadingAge Kansas.

No other testimony was provided.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by a representative of Midland Care, who noted the bill would provide an exemption that other PACE provider organizations currently receive.

Written-only **proponent** testimony was provided by LeadingAge Kansas.

No other testimony was provided.

The House Committee amended the bill to insert provisions of HB 2413 regarding a sales tax exemption for Friends of Hospice of Jefferson County. [Note: The Conference Committee retained this amendment.]

HB 2413 (Sales Tax Exemption for the Friends of Hospice of Jefferson County)

HB 2413 was introduced by the House Committee on Taxation.

House Committee on Taxation

In the House Committee hearing on HB 2413, **proponent** testimony was provided by Representative Ellis and a representative of the Jefferson County Hospice Service. The proponents noted the bill would help support an organization that provides a valuable service to residents by

offsetting the costs of sales taxes that negate much of the benefits of fundraising activities.

No other testimony was provided.

Fiscal Information

KDOR provided the following fiscal information on the bill, as agreed to by the Conference Committee.

(\$ in millions)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
State General Fund	-\$3.90	-\$3.90	-\$9.90	-\$0.10	-\$0.10
State Highway Fund	<u>-\$0.80</u>	<u>-\$0.80</u>	<u>-\$1.90</u>	<u>\$0.00</u>	<u>\$0.00</u>
All Funds	<u>-\$4.70</u>	<u>-\$4.70</u>	<u>-\$11.80</u>	<u>-\$0.10</u>	<u>-\$0.10</u>

Any fiscal effect associated with the bill is not reflected *The FY 2022 Governor's Budget Report*.

Fiscal information concerning the individual bills within the agreement may be found below.

HB 2143

According to the fiscal note provided by the Division of the Budget on HB 2143, as introduced, KDOR estimates the bill, if enacted, would decrease revenues by \$4.5 million in FY 2022: \$3.8 million from the State General Fund (SGF) and \$700,000 from the State Highway Fund (SHF). Local sales tax revenues are also estimated to decrease, although KDOR did not provide an estimate. KDOR indicates similar fiscal effects would be expected in subsequent years for which the sunset is extended, with an additional decrease of \$100,000 from the SGF in FY 2024.

The provisions related to sales tax returns and payment are expected to decrease SGF receipts by \$141.5 million and

SHF receipts by \$27.3 million in FY 2022. This is a one-time fiscal impact, which would also reduce local sales tax revenues.

A fiscal estimate concerning the sales tax exemption provision was not immediately available.

Any fiscal effect associated with enactment of HB 2143 is not reflected in *The FY 2022 Governor's Budget Report*.

SB 147 (Sales Tax Exemptions for Nonprofit Integrated Community Care Organizations)

According to the fiscal note provided by the Division of the Budget on SB 147, as introduced, KDOR indicates enactment of the bill would reduce state revenues by \$93,000 each year, which would include a \$78,000 reduction to SGF revenue. Any fiscal effect associated with SB 147 is not reflected in *The FY 2022 Governor's Budget Report*.

HB 2413 (Sales Tax Exemption for the Friends of Hospice of Jefferson County)

According to the fiscal note provided by the Division of the Budget on HB 2413, as introduced, KDOR estimates enactment of the bill would decrease state revenues by \$4,300 in FY 2022, consisting of \$3,600 from the SGF and \$700 from the SHF, with a similar fiscal effect in future fiscal years. Any fiscal effect associated with SB 147 is not reflected in *The FY 2022 Governor's Budget Report*.

Taxation; sales tax; sales price; exemptions; retailers

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