



Jon Hummell, Interim Director

Division of the Budget

Sam Brownback, Governor

February 27, 2014

The Honorable Richard Carlson, Chairperson  
 House Committee on Taxation  
 Statehouse, Room 185-N  
 Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2590 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2590 is respectfully submitted to your committee.

HB 2590 would allow a person who sells a motor vehicle at an isolated or occasional sale to be refunded the sales tax on the selling price of the motor vehicle if the person also purchases another vehicle within 30 days before or after the date of the sale. The bill would require the Director of Taxation at the Department of Revenue to develop forms for the processing of the refunds. The amount of the refund would be equal to the sales price of the sold motor vehicle.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	(\$4,680,000)	(\$5,640,000)
Expenditure	--	--	\$186,095	\$186,095
FTE Pos.	--	--	--	3.00

The Department of Revenue estimates that HB 2590 would decrease state revenues by \$5,640,000 in FY 2015. Of that total, the State General Fund is estimated to decrease by \$4,680,000 in FY 2015, while the State Highway Fund is estimated to decrease by \$960,000 in FY 2015. This bill also is estimated to decrease local revenues by \$2,240,000 in FY 2015. The decrease in revenues and how the November 6, 2013 consensus revenue estimate for FY 2015 would be affected are shown in the following table:

Effect on FY 2015 Consensus Revenue Estimates  
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2013)	Change in Revenue FY 2015	Proposed Adjusted CRE FY 2015
Motor Carrier	\$ 24,000	\$ --	\$ 24,000

Income Taxes:			
Individual	2,525,000	--	2,525,000
Corporate	380,000	--	380,000
Financial Institutions	34,500	--	34,500
Excise Taxes:			
Retail Sales	2,160,000	(4,680)	2,155,320
Compensating Use	355,000	--	355,000
Cigarette	89,000	--	89,000
Severance	135,000	--	135,000
All Other Excise Taxes	111,000	--	111,000
Other Taxes	<u>161,700</u>	<u>--</u>	<u>161,700</u>
Total Taxes	\$5,975,200	(\$ 4,680)	\$5,970,520
Other Revenues:			
Interest	\$ 10,000	\$ --	\$ 10,000
Transfers	(118,000)	--	(118,000)
Agency Earnings	<u>49,900</u>	<u>--</u>	<u>49,900</u>
Total Other Revenues	(\$ 58,100)	\$ --	(\$ 58,100)
Total Receipts	\$5,917,100	(\$ 4,680)	\$5,912,420

The fiscal effect to revenues during subsequent years would be as follows:

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
State General Fund	(\$4,850,000)	(\$5,040,000)	(\$5,230,000)	(\$5,420,000)
State Highway Fund	(1,000,000)	(1,040,000)	(1,080,000)	(1,120,000)
Local Governments	<u>(3,080,000)</u>	<u>(4,230,000)</u>	<u>(5,810,000)</u>	<u>(7,990,000)</u>
	(\$8,930,000)	(\$10,310,000)	(\$12,120,000)	(\$14,530,000)

To formulate these estimates, the Department of Revenue reviewed data on sales taxes collected on motor vehicles through county treasurer offices. The Department indicates that the state and local sales taxes collected from 12,000 isolated and occasional motor vehicle sales was \$9,290,000 in FY 2013. The Department assumes that sales tax refund requests would only be made for 80.0 percent of these sales.

The Department of Revenue indicates that it would require \$186,095 from the State General Fund in FY 2015 for the costs associated with hiring 3.00 additional FTE positions to process and audit motor vehicle sales tax refund requests. The Department estimates that there would be at least 10,000 requests for sales tax refunds annually. The requests would need to be validated by checking that the sold vehicle has been titled and registered in Kansas, the purchase price reported by the new owner is consistent with the sales price the seller is reporting, and maintenance of a database to track the refunds that are issued.

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

The Honorable Richard Carlson, Chairperson

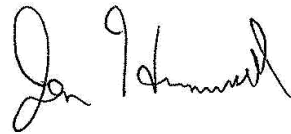
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receives lower State Highway Fund dollars it is required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS. Any fiscal effect associated with HB 2590 is not reflected in *The FY 2015 Governor's Budget Report*.

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with a large initial "J" and "H".

Jon Hummell,  
Interim Director of the Budget

cc: Steve Neske, Revenue  
Melissa Wangemann, KAC  
Larry Baer, LKM  
Ben Cleeves, KDOT