

February 7, 2022

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2571 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2571 is respectfully submitted to your committee.

Under current law, the sales tax for a vehicle is calculated by subtracting the value of a trade-in vehicle from the purchased price of a new or used vehicle as long as the transactions are from the same dealer. HB 2571 would allow an individual to pay sales tax on the net difference if they sell a used vehicle and within 180 days they purchase a new or used vehicle of greater value than the vehicle sold. The bill would become effective on July 1, 2022, and would include vehicles sold on or after January 1, 2022.

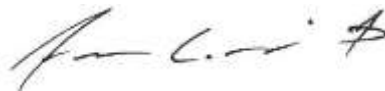
The Department of Revenue indicates HB 2571 would reduce state and local sales tax revenues by unknown amounts beginning in FY 2023. The Department is unable to track the number of individuals selling vehicles and subsequently purchasing a different vehicle within six months of the sale to provide a reliable estimate of the fiscal effect the bill. The bill would reduce State General Fund, State Highway Fund, and local government revenues by unknown amounts.

The Department of Revenue indicates that it would require a total of \$79,210 from the State General Fund in FY 2023 to implement the bill and to modify the motor vehicle system. The bill would require the Department to hire 1.00 new FTE position to answer questions from taxpayers. The Department estimates that ongoing expenses for salaries and wages for the 1.00 FTE position and overhead expenses would total \$61,505 from the State General Fund in FY 2024. 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 indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. 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 2571 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

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