SUPPLEMENTAL NOTE ON SENATE BILL NO. 242

As Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 242, as amended, would make several changes to the motor vehicle tax law.

The bill would reduce the current 20 percent assessment rate to 19 percent in 2010; 18 percent in 2011; 17 percent in 2012; 16 percent in 2013; and to 15 percent in 2014. Additional reductions of one percent would occur in future years (to a floor of 12 percent), contingent upon full funding of the Local Ad Valorem Tax Reduction Fund (LAVTRF) transfers to local units of government.

The bill also would change the definition of “county average tax rate” for purposes of the motor vehicle tax formula to restore over five years that portion of the tax that was formerly distributed to school district general funds. (Legislation enacted in 1995 had eliminated car tax distributions to school district general funds.) For 2010, 4 of the 20 mills attributable to school district general funds would be restored to the rates; for 2011, 8 of the 20 mills would be restored; for 2012, 12 of the 20 mills would be restored; for 2013, 16 of the 20 would be restored; and for 2014 and all future years, all 20 mills would be restored.

Background

LAVTRF transfers are currently scheduled to be made at a statewide level of $54 million in FY 2013 and all subsequent years.

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*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

Proponents, included Representative Pat George and the Kansas Automobile Dealers' Association, said that Kansas motor vehicle taxes were once again becoming quite high relative to similar taxes levied in other states; and that the provisions of the bill would combine to provide an overall reduction in car tax liability.

The following table summarizes the latest fiscal notes provided by the Department of Revenue relative to the two changes' happening simultaneously:

($ in millions)

	Change in Assessment Level	Change in Mill Levy Rates	Net Change in M Veh Tax Liability
FY 2010	($17.200)	$12.500	($4.700)
FY 2011	($35.000)	$24.100	($10.900)
FY 2012	($53.400)	$34.600	($18.800)
FY 2013	($72.300)	$44.100	($28.200)
FY 2014	($95.800)	$51.600	($44.200)
5-Year Total	($273.700)	$166.900	($106.800)

The restoration of receipts to school district general funds (the additional revenue from the change in mill levy rates) would effectively represent an increase in local effort for purposes of the school finance formula. As such, the Legislature could choose to reduce school finance appropriations by $12.5 million in FY 2010, everything else being equal. Over the next five fiscal years, the amount by which such appropriations could be reduced relative to current law would be $166.9 million.

The amount of reduced receipts reflected by the first column relative to the change in the assessment level would represent the amount by which motor vehicle tax receipts would be reduced to other taxing subdivisions, and, to a lesser extent, other school district funds beyond their general funds.