

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2098**

As Agreed to April 3, 2024

Brief*

HB 2098 would create a sales tax deduction for certain motor vehicle transactions, provide for manufacturer's coupons to be excluded from sales price for sales tax purposes, and create several sales tax exemptions.

Motor Vehicle Sales Tax Deduction

The bill would provide, for purposes of retail sales and compensating use tax, a deduction from the sales price of the purchase of a new or used motor vehicle in the amount of the proceeds from the sale of a used motor vehicle sold by the purchaser within 120 days before or after the purchase. If proceeds from the sale exceeded the purchase price, the purchaser would not owe any sales or use tax.

The deduction would apply to any sales of used motor vehicles on or after January 1, 2025.

Individuals would qualify for the deduction by either providing a completed bill of sale to the county treasurer when registering the purchased vehicle or by applying to the Department of Revenue for a refund within three years of the date of the purchase of the replacement vehicle.

The deduction would be permitted only if the taxpayer claiming the deduction provides a copy of the required bill of sale on Department of Revenue TR-312 forms or provides the information required by that form and the information matches the information entered in the assignment of title on the back of the certificate of title.

Manufacturer's Coupons Sales Tax Exclusion

The bill would exclude from sales price, for purposes of retail sales and compensating use taxes, the amount of coupons issued by a manufacturer, supplier, or distributor when the seller accepts such coupons and is reimbursed by the manufacturer, supplier, or distributor.

The exclusion would take effect January 1, 2025.

*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>

Sales Tax Exemptions

The bill would create a sales tax exemption for the purchase of equipment, machinery, or other infrastructure purchased for use in the provision of internet access service, telecommunications service, or video service and for the purchase of repair, maintenance, and installation services purchased by providers in the provision of such internet access service, telecommunications service, or video service. The exemption would expire on July 1, 2029.

The bill would also create a sales tax exemption for all sales of the services of slaughtering, butchering, custom cutting, dressing, processing, and packaging of an animal for human consumption when the animal is delivered or furnished by the customer, and the meat is for use or consumption by the customer.

The bill would also exempt the Kansas State School for the Blind and Kansas State School for the Deaf from paying sales tax on purchases related to the building, maintenance, and enlargement of facilities used for human habitation.

The bill would also provide a sales tax exemption for purchases for the construction, equipment, and maintenance of buildings operated by the Kansas Fairgrounds Foundation and located on the grounds of the Kansas State Fair and for purchases made by a contractor for purposes of constructing and maintaining such facilities. For such purchases made after January 1, 2024, but prior to the effective date of the bill, the bill would provide for refunds of sales tax to be paid by the Department of Revenue.

The bill would also create a sales tax exemption for purchases by or on behalf of Doorstep, Inc., for the purpose of providing short-term emergency aid to families and individuals in need and providing information on services to promote long-term self-sufficiency.

The bill would also provide a sales tax exemption, effective January 1, 2024, for Exploration Place, Inc., for the purpose of constructing, remodeling, furnishing, or equipping a riverfront amphitheater, a destination playscape, an education center, and indoor renovations at Exploration Place in Wichita, Kansas.

The bill would also provide a sales tax exemption, effective January 1, 2024, for Kansas Children's Discovery Center, Inc., (KCDC) for the purpose of constructing, remodeling, furnishing or equipping a hands-on children's museum with a mission to enhance the lives of children and enrich the communities it serves. [*Note: The Kansas Children's Discovery Center, Inc., is located in Topeka, Kansas.*]

The exemptions for Exploration Place and KCDC would also apply to qualifying purchases made by any contractor hired for such projects and would sunset on December 31, 2030. For purchases made after January 1, 2024, but prior to the effective date of the bill, refunds of sales tax would be paid by the Department of Revenue.

Disabled Veterans Sales Tax Exemption

The bill would create a sales tax exemption beginning July 1, 2026, for tangible personal property and services purchased by Kansas resident veterans who have been honorably discharged and have a 100 percent, total, or unemployable permanent disability rating sustained through military service.

Sales of motor vehicles, alcoholic beverages, tobacco products, or electronic cigarettes would be excluded from the exemption, as would any purchases not made for personal use or made for the production of income.

Purchases for the benefit of such individuals or made on behalf of such individuals would also qualify for the exemption, which would be capped at \$24,000 of taxable sales per year per eligible person. Surviving spouses of eligible persons would continue to be eligible for the exemption until remarriage.

The bill would require individuals claiming the exemption to apply to the Secretary of Revenue for a veteran exemption identification number, which would be provided on a card the size of a driver's license upon the provision of information sufficient to establish the eligibility of the individual. The bill would require the exemption identification number or exemption card to be presented to retailers when claiming the exemption.

Upon request of the Secretary of Revenue, an eligible person would be required to provide a statement under oath that the total sales amounts have not exceeded the amount provided for by the bill. If the amount of exempt sales exceeds the limit, the amount of excess sales tax would be considered a direct sales tax liability of the eligible individual.

Conference Committee Action

The Conference Committee agreed to remove the contents of HB 2098 and insert sales tax provisions from HB 2229, SB 53, HB 2106, Sub. for SB 60, HB 2662, and Senate Sub. for HB 2036.

Background

The Conference Committee removed the contents of HB 2098 and inserted provisions from the bills stated above. HB 2098 would have made changes to the definition of "person" within the Insurance Code. Its provisions are contained in the Conference Committee Report for SB 119 (2023 Law). The background information for the relevant portion of each of the above-mentioned bills is provided below.

HB 2229 (Motor Vehicle Sales Tax Deduction)

The bill was introduced by Representatives Turner and Resman.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Representative Turner, who stated the bill would apply sales tax treatment to private motor vehicle transactions completed within 180 days that is currently provided to simultaneous commercial transactions. Written-only proponent testimony was provided by two private citizens.

Neutral testimony was provided by a representative of the Kansas Automobile Dealers Association (KADA).

No other testimony was provided.

Senate Committee on Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Representative Turner, who generally stated the bill would give equal sales tax treatment to both automobile trade-in transactions and a subsequent private sale and improve private sale reporting accuracy.

Neutral testimony was provided by a KADA representative who generally stated the bill may not accurately capture private transaction sales prices and suggested adding a Department of Revenue TR-312 form requirement to ensure accurate sales prices.

Written-only proponent testimony was provided by four private citizens.

Written-only opponent testimony was provided by a representative of Americans for Prosperity–Kansas.

The Senate Committee amended the bill to change the starting date from January 1, 2024, to January 1, 2025, and reduce the 180-day transaction window to 120 days. [*Note:* The Conference Committee retained this amendment.]

SB 53 (Manufacturer’s Coupons)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a private citizen, who stated the bill would allow customers to pay sales tax on the actual amount they pay for a product, rather than on the price without the coupon.

No other testimony was provided.

The Senate Committee amended the bill to change the effective date of the exclusion to January 1, 2024. [*Note:* The Conference Committee modified this amendment to January 1, 2025.]

HB 2106 (Telecommunications Infrastructure)

The bill was introduced by the House Committee on Taxation at the request of a representative of AT&T.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of AT&T, Brightspeed, and the Kansas Cable Telecommunications Association. The proponents generally stated the bill would enable them to maximize the use of recent state and federal assistance for broadband infrastructure. Written-only proponent testimony was provided by representatives of the Kansas Chamber of Commerce, T-Mobile, and WANRack.

Opponent testimony was provided by a representative of the League of Kansas Municipalities, generally stating the exemption would erode the local tax base and reduce the amount of sales tax revenues to local governments.

House Committee of the Whole

The House Committee of the Whole amended the bill to insert the July 1, 2028, expiration date of the exemption. [*Note: The Conference Committee modified this amendment to July 1, 2029.*]

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by representatives of AT&T and Brightspeed. The proponents generally stated the bill would enable them to maximize the use of recent state and federal assistance for broadband infrastructure.

Written-only proponent testimony was provided by representatives of Ideatek, Kansas Cable Telecommunications Association, Kansas Chamber of Commerce, T-Mobile, Verizon, and WANRack.

Written-only opponent testimony was provided by a representative of the League of Kansas Municipalities.

The Senate Committee amended the bill to insert the contents related to the motor vehicle sales price deduction, which are similar to the contents of HB 2229. [*Note: The Conference Committee did not retain this amendment, but did incorporate a similar provision from HB 2229.*]

Sub. for SB 60 (Custom Meat Processing, State Schools for the Blind and Deaf, Exploration Place, KCDC, Doorstep)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Bowers.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Bowers and representatives of Kansas Farm Bureau and Kansas Livestock Association. The proponents stated the exemption is conceptually in line with the reduced state sales tax rate on food and supportive of expansion in an industry that is in high demand.

Written-only neutral testimony was provided by a representative of the Kansas Association of Counties.

No other testimony was provided.

On January 9, 2024, the bill was withdrawn from the Senate Calendar and rereferred to the Senate Committee on Assessment and Taxation.

Following discussion on January 24, 2024, the Senate Committee inserted the contents of SB 4, SB 22, and SB 129 and recommended the bill be passed as a substitute bill. Background information for those bills is provided below. [Note: The Conference Committee retained the provisions of SB 4 and SB 129 but did not retain the provisions of SB 22.]

SB 4 (Kansas State Schools for the Blind and Deaf)

The bill was prefiled for introduction on December 27, 2022, by Senator Fagg.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Fagg, who stated the bill would result in savings to the State as it currently imposes the sales tax on itself in these transactions, resulting in local sales taxes also applying to the State.

Written-only proponent testimony was provided by a representative of the Olathe Chamber of Commerce.

No other testimony was provided.

SB 129 (Doorstep, Inc.)

The bill 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 Senator Kloos, who stated enactment of the bill would enable the organization to extend the impact of its contributions to the community it serves.

Written-only opponent testimony was provided by a representative of Americans for Prosperity–Kansas.

Senate Committee of the Whole

The Senate Committee of the Whole amended Sub. for SB 60 to insert provisions providing for the back-to-school sales tax holiday, sales tax exemptions for menstrual discharge collection devices, diapers, and purchases by Exploration Place and Kansas Children's Discovery Center and their project contractors. [Note: The Conference Committee retained the provisions related to Exploration Place and KCDC but did not retain the provisions related to the back-to-school sales tax holiday or exemptions for menstrual discharge collection devices or diapers.]

HB 2662 (Kansas Fairgrounds Foundation)

The bill was introduced by the House Committee on Taxation at the request of Representative Moser on behalf of the Kansas Fairgrounds Foundation.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Representative Moser, Representative Murphy, and three representatives of the Kansas Fairgrounds Foundation. Written-only proponent testimony was provided by a representative of the Kansas State Fair. Proponents generally stated the Kansas Fairgrounds Foundation provides a great benefit to the state, that projects undertaken by the Foundation become state property even though funded entirely by private donations, and that the bill would increase the impact of such improvements.

No other testimony was provided.

The House Committee recommended the bill be placed on the Consent Calendar.

Senate Sub. for HB 2036 (Disabled Veterans)

The bill was introduced by Representatives Proctor, Blex, Buehler, Butler, Clifford, Collins, Dodson, Ellis, Johnson, Neelly, Thompson, and Turk.

House Committee on Taxation

In the House Committee hearing on January 30, 2023, **proponent** testimony was provided by Representative Proctor, representatives of Kansas Disabled Veterans Lobby and Military Officers Association of America–Kansas, and a private citizen. The proponents generally stated the bill would provide property tax relief for disabled veterans, some of whom may not qualify for existing residential property tax relief programs.

Written-only proponent testimony was provided by representatives of Aftermarket Logistics, Kansas Association of Counties, Santa Fe Trail VFW Post 846, and VFW, and by ten private citizens.

Written-only opponent testimony was provided by a representative of the League of Kansas Municipalities.

House Committee of the Whole

The House Committee of the Whole amended the bill to prevent recipients of any exemption under the bill from being eligible for refunds under the Homestead Property Tax Refund Act. [Note: The Conference Committee did not retain the provision underlying this amendment.]

Senate Committee on Assessment and Taxation

In the Senate Committee hearing starting January 16, 2024, **proponent** testimony was provided by Representative Proctor, representatives of the Enlisted Association of the National Guard of Kansas, Junction City Chamber of Commerce, and Military Officers Association of America–Kansas, and seven private citizens. The proponents generally stated the bill would provide property tax relief for disabled veterans and recommended amendments be adopted to ensure the exemptions are not too burdensome for the most substantially impacted counties in the state.

Written-only proponent testimony was provided by representatives of AARP–Kansas, Geary County Board of County Commissioners, Kansas Disabled Veterans Lobby, Vietnam Veterans of America, and 18 private citizens.

Opponent testimony was provided by representatives of the Leavenworth County Commission and the Riley County Commission. The opponents generally stated the exemption would be onerous for counties with high populations of disabled veterans and would shift property taxes to other taxpayers.

Written-only neutral testimony was provided by representatives of the Kansas Association of Counties, Kansas Policy Institute, and League of Kansas Municipalities.

The Senate Committee amended the bill to remove the contents of the bill and insert the contents of SB 58, with amendments described below. Background information for SB 58 follows. [Note: The Conference Committee retained this amendment.]

SB 58 (Disabled Veterans Sales Tax Exemption)

The bill was introduced by Senators Peck, Blasi, Bowers, Claeys, Corson, Dietrich, Doll, Kloos, and Pittman.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing on March 9, 2023, **proponent** testimony was provided by Senator Peck and representatives of Military Officers Association of America–Kansas, Southeast Kansas Veteran Providers Coalition, and VFW Post 1186. Proponents generally

stated the bill would provide sales tax relief for disabled veterans commensurate with what is provided in some other states.

Written-only proponent testimony was provided by three private citizens.

No other testimony was provided.

The Senate Committee amended the bill to provide for the exemption to be effective July 1, 2025; exclude sales of alcoholic beverages, tobacco, and electronic cigarettes from the exemption; limit the exemption sales to be used for personal use and not for the production of income; change the disability rating of eligible veterans from 100 percent to 50 percent or greater; and reduce the limit exempted sales from \$50,000 to \$24,000 annually. [Note: The Conference Committee modified the effective date amendment to July 1, 2026 and did not retain the amendment reducing the disability rating from 100 percent to 50 percent. These amendments were otherwise retained by the Conference Committee.]

Fiscal Information

According to the Department of Revenue, enactment of the bill is estimated to have the following fiscal effect:

	(Dollars i Mill o)		
	FY 2025	FY 2026	FY 2027
Telecommunications Infrastructure	\$ (17.0)	\$ (17.1)	\$ (17.3)
Custom Meat Processing Services	(1.7)	(2.1)	(2.1)
Disabled Veterans	-	-	(11.1)
Motor Vehicle Transactions	(2.4)	(2.4)	(2.4)
Manufacturer's Coupons	(2.1)	(2.3)	(2.3)
State Schools for the Blind and Deaf	(0.0)	(0.0)	(0.0)
Kansas Fairgrounds Foundation	(0.2)	-	-
Exploration Place	(0.1)	(0.1)	(0.1)
Kansas Children's Discovery Center	(0.6)	-	-
Doorstep, Inc.	(0.0)	(0.0)	(0.0)
Total All Funds	\$ (24.2)	\$ (24.1)	\$ (35.4)

Note: Totals may not add due to rounding.

The amounts listed above would be split across the State General Fund and State Highway Fund in accordance with statutory distribution of revenue provisions.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2025 Governor's Budget Report*.

Taxation; sales tax; exemptions

