

SESSION OF 2021

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2143

As Recommended by House Committee on
Taxation

Brief*

HB 2143 would repeal the sunset on an exclusion of certain motor vehicle manufacturer rebates from the selling price for sales tax purposes. 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.

Background

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

House Committee on Taxation

In the House Committee hearing, a representative of the Kansas Auto 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.

*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>

Fiscal Information

According to the fiscal note prepared by the Division of the Budget, the Department of Revenue estimates that the bill, if enacted, would decrease revenues by \$4.5 million in FY 2022: \$3.8 million from the State General Fund and \$700,000 from the State Highway Fund. Local sales tax revenues are also estimated to decrease, although the Department did not provide an estimate. The Department indicates similar fiscal effects would be expected in subsequent years, with an additional decrease of \$100,000 from the State General Fund in FY 2024 and subsequent years, and an additional decrease of \$100,000 from the State Highway Fund in FY 2025 and subsequent years. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2022 Governor's Budget Report*.

Sales tax exemptions; motor vehicle cash rebates