



KANSAS AUTOMOBILE DEALERS ASSOCIATION

April 5, 2018

To: The Honorable Steven Johnson, Chair
and Members of the House Taxation Committee

From: Don L. McNeely, KADA President

Re: SB 367 - AN ACT concerning sales taxation; relating to certain cash rebates on sales of motor vehicles

Good afternoon Chairman Johnson and Members of the House Taxation Committee. My name is Don McNeely, and I serve as the President of the Kansas Automobile Dealers Association, which represents the franchised new motor vehicle industry in Kansas.

On behalf of KADA, I am pleased to appear today in support of SB 367, which would reinstate the sales tax exemption associated with motor vehicle manufacturer rebates that was unfortunately allowed to sunset on June 30, 2009.

A sales tax exemption for motor vehicle manufacturer rebates was enacted during the 2006 Legislative Session after over a decade of discussing the issue. The original bill that session, HB 2640, passed the House of Representatives and the legislation eventually became part of SB 404, where the sunset provision of June 30, 2009 was added in Conference Committee.

This issue is extremely important to the consumers of Kansas, who are in the market for a new motor vehicle, as well as the retail new motor vehicle industry. After the enactment of the sales tax exemption in 2006, the sometimes-heated debate with consumers over the taxability of a manufacturer rebate ceased, which had become commonplace prior to the enactment of the sales tax exemption. Especially along the state-line, due to the fact Missouri, Oklahoma, and Nebraska had previously exempted manufacturer rebates from the taxable selling price or lease amount of a new motor vehicle, only to return once again.

Since the 2009 recession, which of course dramatically impacted our industry and forced many of the motor vehicle manufacturers to change their business model, the manufacturers had made a concerted effort to move away from rebate incentives and concentrate on incentive financing. However, manufacturers have returned to rebate incentives to move slower moving inventory.

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With the average selling price of a new vehicle now exceeding \$34,000 and the combined sales tax rate in Kansas getting close to 10 percent in some areas of the state, the imposition of sales tax on manufacturer rebates is increasingly detrimental to new vehicle sales.

It is extremely important that the State of Kansas have a healthy and viable retail motor vehicle industry and a tax structure which supports it. Sales of new and used cars, as well as parts and service, are one of the single largest source of sales tax revenue for our state and the majority of our city and county governments. The franchised new vehicle dealers generated \$6.3 billion in annual sales in 2016, which happens to be a decrease of \$1.6 billion from 2015.

On behalf of the Kansas Automobile Dealers Association, I thank the Members of the Committee for allowing me to appear before you this morning in support of SB 367.

Don McNeely
KADA President