



Kansas Motor Carriers Association

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Legislative Testimony

by the

Kansas Motor Carriers Association

before the

Assessment and Taxation Committee

Senator Caryn Tyson, Chairman

Wednesday, May 17, 2017

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In opposition to inclusion of North American Industry Classification Code No. 488410 – Motor Vehicle Towing – in the services subjected to sales tax contained in House Bill No. 2380

MADAM CHAIRMAN AND MEMBERS OF THE ASSESSMENT AND TAXATION COMMITTEE:

I am Tom Whitaker, Executive Director of the Kansas Motor Carriers Association. I'm joined today by Melissa Kershner, KMCA's Director of Governmental Relations and Safety. We appear before you today representing seventy-six members of the KMCA Towing and Recovery Division in opposition to the inclusion of motor vehicle towing (North American Industry Classification Code No. 488410) in the services to be subject to sales tax contained in House Bill 2380.

The motor vehicle towing provisions of HB 2380 bring several questions to mind:

- Will vehicle storage be taxable?
- How will towing companies address interstate moves?
- How will the sales tax situs be determined with the destination-based sales tax? Will the tax situs be where the vehicle is delivered or where the tower is based?
- Imposition of the sales tax on towing services will create a competitive disadvantage for towing companies with those that pay dues to AAA or other Road Service organizations.
- What will happen to full-coverage auto insurance policies that cover towing service? Will the rates go up?
- Will lending agencies pay sales tax for towing of repossessed vehicle?
- Currently, transportation charges are included in the final sales prices of tangible personal property and taxed accordingly. If the vehicle is towed to a vehicle service facility for repairs, the towing charges are included in the repair cost and sales tax is charged on the entire transaction in most circumstances. Would the vehicle owner pay tax twice?

The effective date for the sales tax provisions in House Bill No. 2380 is July 1, 2017. With towing services currently not taxed, do you expect companies to be ready to collect and remit sales tax in less than 45 days from today? We would hope not.

Madam Chairman, the Kansas Motor Carriers Association strongly opposes the inclusion of North American Industry Classification Code No. 488410 in House Bill No. 2380. We thank you for the opportunity to appear before you today and would be pleased to respond to any questions you may have.

