

SESSION OF 2020

SUPPLEMENTAL NOTE ON SENATE BILL NO. 322

As Amended by Senate Committee of the Whole

Brief*

SB 322, as amended, 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.

Additionally, the bill would exclude discounts and coupons that are reimbursed by a third party from the definition of sales price for the purpose of Kansas retail sales tax.

Background

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

In the Senate Committee hearing on February 24, 2020, a representative of the Kansas Automobile Dealers' Association appeared as a proponent. No neutral or opponent testimony was provided.

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Department of Revenue (Department) indicates the bill would reduce overall receipts by \$4.53 million in FY 2022 (\$3.80 million to the

*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>

State General Fund [SGF] and \$0.73 million to the State Highway Fund [SHF]); and by \$4.60 million in FY 2023 (\$3.86 million to the SGF and \$740,000 to the SHF). Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2021 Governor's Budget Report*.

The Senate Committee of the Whole amended the bill to add the contents of SB 328, as recommended by the Senate Committee. The background for SB 328 is included below.

SB 328 Background

SB 328 was introduced by the Senate Committee at the request of Senator Tyson.

In the Senate Committee hearing, a representative of Concerned Women for America of Kansas provided proponent testimony, stating the bill resolves a hidden tax on coupons that most taxpayers do not realize they pay.

No neutral or opponent testimony was provided.

According to the fiscal note prepared by the Division of the Budget on SB 328, the Department estimates the bill would decrease receipts by \$2.0 million in FY 2021, \$2.3 million per year in FYs 2022 through 2024, and \$2.4 million in FY 2025. This decrease in revenue would be distributed across the SGF and the SHF. The Department estimates the bill would reduce the amount of local sales tax receipts by an indeterminate amount. The Department indicates the bill has the potential to place Kansas out of compliance with the Streamlined Sales and Use Tax Agreement, which could imperil at least \$28.9 million in annual state receipts. Any fiscal effect associated with the bill is not reflected in *The FY 2021 Governor's Budget Report*.