

February 2, 2017

The Honorable Caryn Tyson, Chairperson
 Senate Committee on Assessment and Taxation
 Statehouse, Room 123-E
 Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 97 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 97 is respectfully submitted to your committee.

SB 97 would exclude cash rebates paid by a vehicle manufacturer to a purchaser or lessee of a new motor vehicle from the definition of “sales or selling price” as used for the calculation of sales tax on vehicles. The bill would take effect on July 1, 2017.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	(\$3,470,000)	(\$4,140,000)	(\$3,810,000)	(\$4,550,000)
Expenditure	--	\$600	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 97 would decrease state revenues by \$4,140,000 in FY 2018. Of that total, the State General Fund is estimated to decrease by \$3,470,000, while the State Highway Fund is estimated to decrease by \$670,000. This bill also is estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	(\$3,880,000)	(\$3,950,000)	(\$4,020,000)
State Highway Fund	<u>(750,000)</u>	<u>(760,000)</u>	<u>(770,000)</u>
	(\$4,630,000)	(\$4,710,000)	(\$4,790,000)

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To formulate these estimates, the Department of Revenue reviewed data from the National Auto Dealers Association on new and used vehicle sales. The estimate is based on a vehicle cash rebate average of \$1,250 with approximately 50.0 percent of all new car purchases receiving a rebate. It is estimated that there are approximately 111,000 new car purchases in Kansas each year. If 50.0 percent of these sales include a \$1,250 rebate, the loss in state sales tax would be \$4,510,000. However, only 11 months of sales would be affected in FY 2018, or \$4,140,000. It should be noted that the offering of rebates fluctuates from year to year. Sales tax collections are expected to increase by approximately 1.75 percent in each future fiscal year. According to the Department of Revenue, reissuing sales tax publications would cost \$600 from the State General Fund in FY 2018.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with SB 97 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Ben Cleeves, Transportation
Brock Ingmire, League of Municipalities
Melissa Wangemann, Association of Counties
Colleen Becker, Department of Administration