



KANSAS AUTOMOBILE DEALERS ASSOCIATION

March 18, 2015

To: The Honorable Les Donovan, Chairman
and Members of the Senate Committee on Assessment & Taxation

From: Don L. McNeely, KADA President

Re: SB 259 – An act concerning personal property taxation; relating to motor vehicles; computation of amount of tax; state school district ad valorem tax levy

Good morning, Chairman Donovan and Members of the Senate Committee on Assessment & Taxation. My name is Don McNeely, and I am the President of the Kansas Automobile Dealers Association, which represents the retail franchised motor vehicle industry in Kansas.

On behalf of KADA, I am pleased to appear this morning in support of SB 259 and provide some comments in regard to personal property tax on vehicles. This is an issue which was one of the centerpieces of the gubernatorial election of 1994 and the legislative session of 1995, when the assessed value for the calculation of motor vehicle property tax was gradually reduced from 30 to 20 percent and school property tax was removed from the formula. Prior to this reform, Kansas had the oldest fleet of vehicles in the country and a study commissioned by Wichita State University's Hugo Wall School of Urban and Public Affairs at that time found that Kansas had the highest motor vehicle tax burden in the nation.

After the enactment of the phased-in reduction of motor vehicle property tax in 1995, Kansas experienced a dramatic increase in newer vehicles being purchased and registered, and thus an increase in state and local sales tax revenue associated with the purchase of newer vehicles collected by the State of Kansas and the various local units of government. However, since that time, Kansas consumers have experienced a gradual increase in local mill levies, which has erased much of the motor vehicle property tax relief that was enacted in the mid-90's, not to mention the increases in local sales tax, which has detrimentally impacted and influenced the purchase of newer vehicles.

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SB 259 revises the personal property schedule on motor vehicles to more accurately reflect the actual depreciation of a vehicle. The current formula depreciates vehicles very slowly on the front-end of the life of the vehicle and accelerates it on the back-end, when in the real world, just the opposite occurs. Thus, we believe the current system is extremely regressive and the proposal deserves serious discussion and consideration.

On behalf of the Kansas Automobile Dealers Association, I thank you for the opportunity to appear this morning and provide some comments in support of SB 259.