

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m. ~~pm~~ on Tuesday, February 12, 1985 in room 526-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Senator Joe Warren
Senator Jim Francisco
Patrick Barnes, Kansas Motor Car Dealers Association
Merle Snider, Winfield
Johnny Tubbs, Arkansas City
Scott Lambers, City of Overland Park
Gerry Ray, Johnson County Board of Commissioners
Betty McBride, Cherokee County Treasurer
Jim Claussen, Topeka City Commissioner
Bill Edds, Department of Revenue

S.B. 117 - Collection of sales tax on motor vehicles by county treasurer

S.B. 133 - Local compensating use tax imposed upon motor vehicles

Chairman Kerr said that since the two bills are very similar, the hearings would be held simultaneously.

Senator Warren explained that his purpose for introducing S.B. 133 was to make the sales tax on cars a use compensating tax rather than a sales tax. The bill would provide that the situs would be the residence of the purchaser. He talked about the advantage car dealers located in areas without a local sales tax have over ones who are located where a local tax is in effect. Under the bill, the county treasurer would collect the sales tax at the time of registration of the vehicle. He recommended that the bill be amended to provide that the county treasurer would receive a 50¢ fee which would go into the general budget.

Senator Francisco said he introduced S.B. 117 at the request of motor car dealers in Sedgwick County who said "they would like to get out of the collection business".

Patrick Barnes read his written testimony in support of both bills (Attachment 1).

Merle Snider testified in support of S.B. 133.

Johnny Tubbs spoke in support of S.B. 133. He said most people shop for cars to a greater extent than most purchases and this bill would minimize the advantage car dealers in Wichita have over him because he must collect the local tax. In answer to a question from Chairman Kerr, he said he would estimate he loses 15-20% of his business to dealers who do not have local sales taxes.

Chairman Kerr advised Les Jacobs of Wellington had called and expressed his support for S.B. 133.

Scott Lambers testified in opposition to both bills. He pointed out these bills are a significant policy change and there is no information on the impact such a change would have. Mr. Lambers said it would be his opinion that such a change would have an adverse effect on his city.

CONTINUATION SHEET

Minutes of the Tax Committee on February 12, 1985

Gerry Ray opposes both bills. She expressed concern that once changes are started in the situs law, there will be no stopping. Ms. Ray said that a change in the situs law would cause disruption in established budget plans and procedures.

Betty McBride read her written testimony in opposition to S.B. 117 and S.B. 113 (Attachments 2 and 3, respectively).

Jim Claussen testified in opposition to both bills. He, too, said there is no information on what such a change might do, but he would expect it would have an adverse impact on Topeka. In answer to questions, he said Topeka city officials do recognize that a local tax for Topeka does bring in revenues from people living in other areas.

Bill Edds read his written testimony opposing the bills (Attachment 4). He said they estimate the fiscal impact of S.B. 117 to be approximately a negative 4.35 million dollars. He told Senator Burke he would obtain information regarding compensating use tax agreements with other states.

Senator Mulich moved that the minutes of the February 7, 1985 meeting be approved. Senator Parrish seconded the motion, and the motion carried.

Meeting adjourned.

(Note: A letter from Bill Dexter, City of Winfield, in support of S.B. 117 and 133 is Attachment 5).

(Note: The testimony of Gerry Ray was received subsequent to the meeting and is Attachment 6).

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
2/12/85	M. Hawer	Topexa	Capital Journal
	Jim McBride	Topexa	United Way
	E. Richardson	Topexa	Cap Journal
	Don Detweiler	Pratt	KS Legislative Bd.
	Rich Dame	Hoisington	Blc "
	Leroy Jones	Overland Park	B. L. E.
	Bill Anderson	Mission	Water Dist #11 So Co
	Sperry Ray	Olathe	So Co Comm.
	PHIL BRANDES	Topexa	KMCDIA
	JIM SUCCIOS	Topexa	Ks. Motor Car Dealer
	Merle Sander	Winfield	Car Dealer
	Lee VANGARSSIE	MISSION	COUNCIL MAN
	Scott Lamken	OP	OP
	Lynn L. House	Overland Park	Overland Park
	Max B. Gadsden	H.C.K.	Wichita County
	MIKE BILLINGER	HAYS	Kns Co TREAS ASSOC
	HARRY JONES III	SMITH CENTER	Ks Co. TREAS ASSOC
	Doris Larsen	Lincoln	Ks Co TREAS ASSOC
	Marge Roberts	Topexa	Ks Co Treas. Assoc
	Edith McBride	Columbus	Ks. Co. Treasurer
	Cliff Cunningham	Olathe	City of Olathe
	Josephine McCauley	Merriam	City of Merriam
	Tom Whitaker	Topexa	Ks Motor Car Dealer
	Loeth Cejka	Topexa	AAUP

BEFORE THE SENATE COMMITTEE ON ASSESSMENT
AND TAXATION REGARDING SENATE BILL 117
AND SENATE BILL 133

Mr. Chairman, Members of the Committee, I am Patrick Barnes, legislative counsel for the Kansas Motor Car Dealers Association. Today I appear before you to express the KMCDA's support for Senate Bills 117 and 133. One of these proposed bills is needed to preserve the spirit and performance of free market competition in the sale of automobiles in Kansas.

Both of these bills embrace the idea that the benefits of competition are best promoted without the interference of taxation which is unequal and destabilizing in its effect. Senate Bill 117 primarily provides that the state sales tax generated by the sale of new or used motor vehicles would be paid directly by the consumer to the county treasurer where the car is registered. Senate Bill 133 would require that the local or county sales tax (compensating taxes defined in the bill) generated by the sale of new and used motor vehicles also be collected by the county treasurer at the time the vehicle is registered.

Senate Bill 133 is especially needed. This bill exempts vehicle sales from county-wide and city retailer's sales taxes. In effect, these sales would still be subject to these local taxes since the bill would impose a compensating tax equivalent to the local sales tax rates presently in effect in the city and county where the vehicle is registered. The taxes in all

actuality which are currently in place would, in effect, still be paid. The only real difference between the system proposed by S.B. 133 and the present system is the point of collection for the tax.

This legislation would provide several distinct advantages to both the state and the automobile dealers. First, it would accelerate the collection and receipt of revenue to the State of Kansas, while at the same time eliminating the possible expense and loss of revenue through the failure or liquidation by bankruptcy of vehicle dealers, both new and used. Second, it would eliminate the overhead for the dealers collecting, reporting and accounting for sales tax revenue now collected by such dealers in connection with vehicle sales. Third, and of great concern to the dealer, is the fact the dealer now must pay the sales tax where the purchaser defaults on his loan.

For example, assume the purchase of an automobile is financed through General Motors Acceptance Corporation or a bank. Included in the finance purchase price is the sales tax. When the loan is approved, GMAC, or the bank providing the financing arrangement provides the customer with the funds to pay the dealer for the vehicle purchase. In turn, the dealer reports and accounts for the sales tax and eventually pays it to the state. Further assume the customer then defaults on his loan and the lending agency looks to the dealer to pay the entire amount of the loan because, as is common, it was "with recourse". In this

situation the dealer has not only paid the state, city and county sales tax owed, but now must also pay the original loan which included the sales taxes. The net result is that the dealer has had to absorb the sales tax and a repossession. The effect of this system on a dealer, especially a small dealer, can be devastating and expensive. In the end, the dealer has paid the sales taxes twice.

Finally, and most important, the inception of city and county-wide retail sales taxes has created inequalities in the free market system of competitive pricing for vehicle sales in this state. Previous to these local taxes all vehicle dealers offer their customers pricing basically unaffected by taxes. In many cities and counties across the state this is now impossible because local taxes are collected at the point of sale rather than the point of registration. A list of the cities and counties with local retail sales tax levies is provided in the attachment to my testimony. This list was obtained from the Department of Revenue. (Approximately 57 of our 105 counties have county-wide sales taxes.)

Local sales taxes, as they are currently administered, give the dealer in a neighboring city and county that does not have local taxes a price advantage. One can escape local taxes and save a great deal of tax money on the purchase of a car by simply driving to a city and county with lower or no local taxes.

The present system allows someone who may have voted for

a local tax and who surely uses city and county services and who drives on the streets of their home city and county to escape full payment of those taxes his neighbors pay on their purchases.

For example, Junction City and Geary County each have instituted 1% sales taxes. Topeka has a 1% city sales tax. This effectively means a buyer purchasing a car for \$10,000 in Junction City pays \$100 more for the same car his neighbor bought in Topeka. This is a price disparity which a dealer cannot avoid in many instances. In addition, it deprives the local economy of sales income while benefiting a neighboring locality.

People may not drive 60 or 70 miles to buy groceries, but they will to avoid paying the taxes generated on the sale of a \$15,000 car. Only by paying the tax generated by the sale of the vehicle directly at the point of registration can the loop hole presently in existence be eliminated. No further cost would be created for counties in doing this since S.B. 133 also allows the county treasurer to collect a 50¢ fee for his services.

We urge the adoption of this legislation, especially S.B. 133. By adopting this legislation, Kansas auto dealers will once again be placed on an equal competitive footing with their neighbors throughout the state.

Thank you.



Don [unclear]

Kansas
DEPARTMENT OF REVENUE

State Office Building
TOPEKA, KANSAS 66625

NOTICE

TO: KANSAS RETAILERS WITH MULTIPLE BUSINESS LOCATIONS
FROM: KANSAS SALES AND EXCISE TAX BUREAU
SUBJECT: LOCAL RETAILERS' SALES TAX

Effective November 1, 1984, the following cities and counties will either impose a local retailers' sales tax on all retail sales or increase the local retailers' sales tax rate currently in effect:

CITY OR COUNTY	LOCAL CODE	COUNTY	COUNTY NO.	TAX RATE	<i>effective</i>
CITIES					
<i>Emporia</i>	<i>T-194</i>	<i>Lyon</i>	<i>013</i>	<i>1/2%</i>	<i>9-1-84</i>
Anthony	T-195	Harper	051	1/2%	
*Clay Center	T-124	Clay	041	Increased 1/2 to 1%	
*Delphos	T-196	Ottawa	065	1%	
Elwood	T-197	Doniphan	045	1%	
Oxford	T-198	Sumner	012	1%	
St. Marys	T-172	Pottawatomie	039	Increased 1/2 to 1%	
Tonganoxie	T-199	Leavenworth	007	1/2%	
*Weir	T-200	Cherokee	010	1%	
Winfield	T-145	Cowley	008	Increased 1/2 to 1%	
<i>Plainville</i>	<i>T-201</i>	<i>Rock</i>	<i>076</i>	<i>1/2%</i>	<i>effective 2-1-85</i>
COUNTIES					
Decatur	C-074	Decatur	074	1%	
Gove	C-088	Gove	088	1%	
Meade	C-086	Meade	086	1%	
Stafford	C-059	Stafford	059	1%	
Stanton	C-104	Stanton	104	1%	

*City located within a county which also imposes a local sales tax.

All retail sales which are subject to the three percent (3%) Kansas retailers' sales tax will also be subject to the local retailers' sales tax with the following exceptions:

- (1) Sales of farm machinery and equipment, repair and replacement parts for farm machinery and equipment, and services performed in the repair and maintenance of farm machinery and equipment; and
- (2) Sales of machinery and equipment for use in manufacturing plants located in Kansas and used in the process of manufacturing personal property which will be subject to taxation under the Kansas Retailers' Sales Tax Act.

Therefore, as of November 1, 1984, the state tax and applicable local tax will be collected on all taxable sales except those listed above. Only the state tax (3%) will be collected on sales of new farm machinery and equipment, and new and used manufacturing machinery and equipment. Sales of used farm machinery and equipment, repair and replacement parts for farm machinery and equipment, and services performed in the repair and maintenance of farm machinery and equipment are exempt from both state and local retailers' sales tax.

To assist retailers in the collection of state and local sales taxes, schedules employing the combined state and local sales tax rates of three and one-half percent (3 1/2%), four percent (4%), four and one-half percent (4 1/2%), and five percent (5%) are available upon request.

Should you have any questions regarding the application of the local sales tax for your business, please write to the Sales and Excise Tax Bureau, Kansas Department of Revenue, State Office Building, Topeka, Kansas 66625, or call Area Code 913, 296-2461.

10/1/84

**KANSAS DEPARTMENT OF REVENUE
SALES AND EXCISE TAX BUREAU**

ALPHABETICAL LISTING OF COUNTY AND CITY LOCAL TAXING JURISDICTIONS

COUNTIES

<u>COUNTY</u>	<u>CO. NO.</u>	<u>LOCAL CODE</u>	<u>TAX RATE</u>	<u>EFFECTIVE</u>
ALLEN	024	C-024	0.5%	11/01/82
ANDERSON	052	C-052	1.0%	01/01/83
BARBER	067	C-067	1.0%	02/01/83
BARTON	033	C-033	1.0%	11/01/82
BROWN	025	C-025	1.0%	11/01/82
CHAUTAUQUA	063	C-063	1.0%	02/01/83
CHEROKEE	010	C-010	1.0%	11/01/82
CLAY	041	C-041	0.5%	11/01/82
CRAWFORD	004	C-004	1.0%	11/01/83
DICKINSON	018	C-018	1.0%	07/01/83
EDWARDS	079	C-079	1.0%	11/01/83
ELK	068	C-068	1.0%	11/01/82
FINNEY	071	C-071	0.5%	11/01/81
FORD	035	C-035	0.5%	01/01/83
FRANKLIN	021	C-021	1.0%	07/01/83
GEARY	047	C-047	1.0%	*10/01/78
GRAY	089	C-089	1.0%	02/01/83
GREELEY	105	C-105	1.0%	11/01/82
HASKELL	101	C-101	0.5%	01/01/83
JACKSON	042	C-042	1.0%	11/01/82
JEFFERSON	046	C-046	1.0%	05/01/83
JEWELL	043	C-043	1.0%	02/01/83
JOHNSON (a)	019	C-019	0.5%	10/01/75
KIOWA	085	C-085	1.0%	11/01/82
LABETTE	011	C-011	1.0%	09/01/81
LINCOLN	066	C-066	1.0%	02/01/83
LOGAN	095	C-095	1.0%	11/01/82
MCPHERSON	026	C-026	1.0%	07/01/82
MIAMI	031	C-031	1.0%	07/01/83
MITCHELL	055	C-055	1.0%	11/01/82
MORRIS	054	C-054	1.0%	11/01/82
NEMAHA	034	C-034	1.0%	11/01/82
NEOSHO	022	C-022	0.5%	11/01/82
OSAGE	029	C-029	1.0%	11/01/82
OSBORNE	056	C-056	0.5%	01/01/83
OTTAWA	065	C-065	1.0%	02/01/83
PAWNEE	069	C-069	1.0%	07/01/83
PRATT	053	C-053	1.0%	07/01/82
RAWLINS	077	C-077	1.0%	02/01/83
RENO	006	C-006	0.5%	11/01/77
REPUBLIC	040	C-040	1.0%	11/01/82
RICE	048	C-048	1.0%	11/01/82
RILEY	030	C-030	0.5%	02/01/83
SALINE	014	C-014	1.0%	11/01/82
SCOTT	096	C-096	1.0%	05/01/82
SEWARD (a)	084	C-084	1.0%	*11/01/80
SHERMAN	080	C-080	1.0%	02/01/83
THOMAS	078	C-078	1.0%	11/01/82
WABAUNSEE	062	C-062	1.0%	02/01/83
WASHINGTON	037	C-037	1.0%	02/01/83
WICHITA	102	C-102	1.0%	11/01/82
WYANDOTTE (a)	001	C-001	1.0%	*01/01/84

CITIES

<u>CITY</u>	<u>LOCAL CODE</u>	<u>COUNTY</u>	<u>CO. NO.</u>	<u>TAX RATE</u>	<u>EFFECTIVE</u>
**ABILENE	T-180	DICKINSON	018	0.5%	05/01/83
ARKANSAS CITY	T-108	COWLEY	008	0.5%	10/01/78
**ARMA	T-161	CRAWFORD	004	0.5%	11/01/82
ATCHISON	T-109	ATCHISON	015	1.0%	*08/01/83
AUBURN	T-192	SHAWNEE	003	1.0%	07/01/84
BALDWIN	T-136	DOUGLAS	016	0.5%	01/01/82
BASEHOR	T-158	LEAVENWORTH	007	0.5%	07/01/82
**BAXTER SPRINGS	T-150	CHEROKEE	010	0.5%	07/01/82
**BONNER SPRINGS	T-143	WYANDOTTE	001	0.5%	10/01/81
CALDWELL	T-122	SUMNER	012	1.0%	*11/01/82
CANEY	T-123	MONTGOMERY	005	1.0%	*11/01/82
**CHANUTE	T-117	NEOSHO	022	0.5%	10/01/79
CHERRYVALE	T-133	MONTGOMERY	005	1.0%	*11/01/82
**CLAY CENTER	T-124	CLAY	041	0.5%	11/01/80
COFFEYVILLE	T-125	MONTGOMERY	005	1.0%	*05/01/84
**COLUMBUS	T-151	CHEROKEE	010	0.5%	07/01/82
CONCORDIA	T-142	CLOUD	036	1.0%	*02/01/83
**DE SOTO	T-152	JOHNSON	019	0.5%	07/01/82
DIGHTON	T-181	LANE	097	1.0%	07/01/83
**DODGE CITY	T-148	FORD	035	0.5%	12/01/81
**EDGERTON	T-153	JOHNSON	019	0.5%	07/01/82
EFFINGHAM	T-190	ATCHISON	015	1.0%	11/01/83

(OVER)

CITY	LOCAL CODE	COUNTY	CO. NO.	TAX RATE	EFFECTIVE
ELKHART	T-147	MORTON	094	0.5%	11/01/81
ELLIS	T-187	ELLIS	038	1.0%	11/01/83
ELLSWORTH	T-182	ELLSWORTH	064	1.0%	07/01/83
**ERIE	T-162	NEOSHO	022	0.5%	11/01/82
EUDORA	T-163	DOUGLAS	016	0.5%	11/01/82
**FAIRWAY	T-183	JOHNSON	019	0.5%	09/01/83
FORT SCOTT	T-189	BOURBON	017	1.0%	01/01/84
**FRONTENAC	T-164	CRAWFORD	004	0.5%	11/01/82
**GALENA (a)	T-050	CHEROKEE	010	1.0%	*07/01/84
**GARDEN CITY	T-177	FINNEY	071	0.5%	02/01/83
**GARDNER	T-165	JOHNSON	019	0.5%	11/01/82
**GIRARD	T-166	CRAWFORD	004	0.5%	11/01/82
GLASCO	T-184	CLOUD	036	1.0%	07/01/83
HAYS	T-167	ELLIS	038	0.5%	11/01/82
**HERINGTON	T-119	DICKINSON	018	0.5%	07/01/80
**HIAWATHA	T-126	BROWN	025	0.5%	11/01/80
**HORTON	T-127	BROWN	025	0.5%	11/01/80
HUGOTON	T-128	STEVENS	092	0.5%	11/01/80
**HUMBOLDT	T-149	ALLEN	024	0.5%	01/01/82
INDEPENDENCE	T-134	MONTGOMERY	005	0.5%	02/01/81
**IOLA	T-144	ALLEN	024	0.5%	11/01/81
**JUNCTION CITY	T-168	GEARY	047	1.0%	11/01/82
**KANSAS CITY	T-129	WYANDOTTE	001	1.0%	*01/01/84
LAKIN	T-185	KEARNY	098	1.0%	07/01/83
LANSING	T-154	LEAVENWORTH	007	0.5%	07/01/82
LAWRENCE (a)	T-160	DOUGLAS	016	0.5%	07/01/71
LEAVENWORTH (a)	T-051	LEAVENWORTH	007	0.5%	07/01/71
**LEAWOOD	T-111	JOHNSON	019	1.0%	*01/01/84
**LENEXA	T-118	JOHNSON	019	1.0%	*02/01/84
**LOUISBURG	T-155	MIAMI	031	0.5%	07/01/82
**MANHATTAN (a)	T-300	RILEY	030	1.0%	*11/01/82
MAYFIELD	T-169	SUMNER	012	0.5%	11/01/82
**MERRIAM	T-116	JOHNSON	019	1.0%	*02/01/84
**MISSION	T-115	JOHNSON	019	0.5%	02/01/79
**MORAN	T-193	ALLEN	024	0.5%	07/01/84
NEODESHA	T-130	WILSON	027	1.0%	*02/01/83
**OGDEN (a)	T-107	RILEY	030	1.0%	*11/01/82
**OLATHE	T-120	JOHNSON	019	1.0%	*02/01/84
ONAGA	T-170	POTTAWATOMIE	039	1.0%	11/01/82
**OSAWATOMIE	T-137	MIAMI	031	0.5%	07/01/81
**OTTAWA	T-114	FRANKLIN	021	0.5%	02/01/79
**OVERLAND PARK (a)	T-106	JOHNSON	019	1.0%	*02/01/84
**PAOLA	T-138	MIAMI	031	0.5%	07/01/81
**PERRY	T-139	JEFFERSON	046	0.5%	07/01/81
**PITTSBURG	T-135	CRAWFORD	004	0.5%	02/01/81
**POMONA	T-140	FRANKLIN	021	0.5%	07/01/81
**PRAIRIE VILLAGE	T-110	JOHNSON	019	1.0%	*02/01/84
**ROELAND PARK	T-159	JOHNSON	019	1.0%	*03/01/84
ST. MARYS	T-172	POTTAWATOMIE	039	0.5%	11/01/82
**SEDAN	T-146	CHAUTAUQUA	063	0.5%	11/01/81
**SHAWNEE	T-131	JOHNSON	019	0.5%	11/01/80
SPIVEY	T-112	KINGMAN	057	0.5%	01/01/79
**SPRING HILL	T-156	JOHNSON	019	1.0%	*02/01/84
**SUBLETTE	T-173	HASKELL	101	0.5%	01/01/83
SYRACUSE	T-191	HAMILTON	100	1.0%	06/01/84
TOPEKA (a)	T-030	SHAWNEE	003	1.0%	*11/01/82
TORONTO	T-174	WOODSON	072	0.5%	11/01/82
ULYSSES	T-188	GRANT	103	1.0%	11/01/83
WAKEENEY	T-178	TREGO	083	1.0%	02/01/83
**WAKEFIELD	T-132	CLAY	041	1.0%	*11/01/82
WAMEGO	T-175	POTTAWATOMIE	039	1.0%	*09/01/83
WELLINGTON	T-113	SUMNER	012	1.0%	*07/01/83
WESTMORELAND	T-179	POTTAWATOMIE	039	0.5%	02/01/83
**WESTWOOD	T-141	JOHNSON	019	1.0%	*02/01/84
**WESTWOOD HILLS	T-121	JOHNSON	019	1.0%	*02/01/84
**WILLIAMSBURG	T-157	FRANKLIN	021	0.5%	07/01/82
WILSON	T-186	ELLSWORTH	064	1.0%	09/01/83
WINFIELD	T-145	COWLEY	008	0.5%	10/01/81
YATES CENTER	T-176	WOODSON	072	0.5%	11/01/82

*T. C. Neal
to 1%
2-1-85*

* Tax rate increased from 1/2% to 1% on this date.

** Also subject to county local tax.

(a) The provisions of K.S.A. 12-190, which exempts the sales of new farm machinery or equipment and new or used manufacturing machinery or equipment from the imposition of local sales tax, does not apply when such sale is made by a retailer located within these local taxing jurisdictions.

This listing includes all those counties and cities imposing a local retailers' sales tax, including those which become effective through July 1, 1984.

Should you have any questions regarding the application of local retailers' sales tax, please direct your inquiries to the Kansas Department of Revenue, Sales and Excise Tax Bureau, State Office Building, Topeka, Kansas 66625, or call Area Code 913, 296-2461.



COLUMBUS, KANSAS 66725

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

MY NAME IS BETTY MCBRIDE. I AM CHEROKEE COUNTY TREASURER AND CHAIRMAN OF THE COUNTY TREASURERS LEGISLATIVE COMMITTEE. I WANT TO EXPRESS MY APPRECIATION TO THIS COMMITTEE FOR ALLOWING ME THE OPPORTUNITY TO APPEAR BEFORE YOU TO EXPRESS THE COUNTY TREASURERS OPPOSITION TO SENATE BILL #117.

PASSAGE OF SENATE BILL #117 WOULD REQUIRE THAT ALL SALES TAX DUE ON MOTOR VEHICLE AND MOBILE HOME PURCHASES BE PAID AT THE OFFICE OF THE COUNTY TREASURER AT THE TIME OF REGISTRATION. PASSAGE OF THIS LEGISLATION COULD RESULT IN HIDDEN COSTS, AND IN SOME CASES HARDSHIPS ON THE CONSUMER WHO PURCHASES A VEHICLE FROM AN AUTHORIZED DEALER, OBTAINS A LOAN AND DOES NOT REALIZE THE AMOUNT QUOTED FROM THE DEALER DOES NOT INCLUDE THE SALES TAX DUE ON THE VEHICLE. THE MAJORITY OF LOANS FOR VEHICLE PURCHASES ARE FOR BOTH THE PRICE OF THE VEHICLE AND THE SALES TAX. WHEN A SITUATION AS DESCRIBED ABOVE OCCURS, THE END RESULT USUALLY LEADS TO AN INSUFFICIENT FUND CHECK BEING ISSUED TO THE COUNTY TREASURERS OFFICE. IT HAS BECOME INCREASINGLY DIFFICULT TO COLLECT INSUFFICIENT CHECKS AND THIS WOULD ONLY ADD TO THE COUNTY TREASURERS PROBLEMS IN THIS MATTER.

SENATE BILL #117 WOULD ALSO CREATE AN ADDITIONAL WORKLOAD AT THE COUNTY TREASURERS OFFICE. COLLECTIONS COULD DOUBLE IN SOME TREASURERS OFFICES. THIS WOULD RESULT IN MORE ADMINISTRATIVE BURDENS AS WELL AS ADDITIONAL COSTS BEING PLACED UPON THE COUNTY. WITH THE ENACTMENT OF THE CITY AND COUNTYWIDE LOCAL SALES TAX, COLLECTING, REPORTING AND REMITTING HAVE BECOME A MAJOR TIME CONSUMING PROJECT FOR THE TREASURERS OFFICE EACH MONTH.

I ASK YOUR SERIOUS CONSIDERATION OF WHAT I HAVE STATED ABOVE BEFORE
ACTING UPON SENATE BILL #117.

THANK YOU AGAIN FOR THE TIME YOU HAVE ALLOWED ME CONCERNING THIS MATTER.

RESPECTFULLY,

A handwritten signature in cursive script, appearing to read "Betty McBride".

BETTY MCBRIDE

CHEROKEE COUNTY TREASURER
CHAIRMAN, TREASURER'S LEGISLATIVE COMMITTEE

Betty McBride, Treasurer

CHEROKEE COUNTY, KANSAS

Attachment 3



COLUMBUS, KANSAS 66725

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I AM BETTY MCBRIDE CHEROKEE COUNTY TREASURER AND CHAIRMAN OF THE COUNTY TREASURERS LEGISLATIVE COMMITTEE. I WANT TO THANK THIS COMMITTEE FOR ALLOWING ME THE TIME TO EXPRESS THE SINCERE CONCERNS WHICH COUNTY TREASURERS HAVE WITH SENATE BILL #133.

IF PASSED SENATE BILL #133 WILL PROVIDE THAT DEALERS COLLECT THE STATES 3% COMPENSATING TAX AND COUNTY TREASURERS WOULD COLLECT LOCAL RETAILERS AND COMPENSATING USE TAX. THE RESULT WOULD BE SALES TAX COLLECTION IN TWO LOCATIONS ON THE SAME SALE. THIS WOULD CERTAINLY ADD GREATER CONFUSION FOR THE CONSUMER WHO ALREADY MUST DEAL WITH CONSTANTLY CHANGING RULES AND REGULATIONS. HIDDEN COSTS WOULD BE AN ADDED FACTOR, AS CONSUMERS WOULD NOT BE PREPARED TO PAY ADDITIONAL SALES TAX THEY THOUGHT WAS ALREADY PAID TO THE DEALER WHEN COMING TO THE TREASURERS OFFICE FOR VEHICLE REGISTRATION.

SHOULD THIS COMMITTEE RECOMMEND PASSAGE OF SENATE BILL #133 THERE ARE SOME ADMINISTRATIVE SUGGESTIONS WE WOULD ASK BE AMENDED INTO THE BILL. THE 50¢ COLLECTION FEE WHICH THE COUNTY RETAINS FOR EACH SALES TAX COLLECTED HAS BEEN OMITTED FROM SENATE BILL #133. FOR CONSISTENCY IN COLLECTION AND IN ORDER TO STANDARDIZE THE FEES COLLECTED AND TO AVOID CONFUSION IN THE THE TREASURERS OFFICE WE FEEL THIS FEE SHOULD BE IMPLEMENTED AS PART OF SENATE BILL #133. SINCE THE TAX COLLECTED BY THE COUNTY TREASURERS WILL BE A LOCALIZED TAX, COLLECTED FOR LOCAL TAX ENTITIES WITHIN THE COUNTY, THEIR WOULD BE NO NEED TO SEND THIS TAX TO THE STATE EACH MONTH SINCE IT WOULD HAVE TO BE REMITTED BACK TO THE COUNTY. WE WOULD SUGGEST THAT COUNTIES REMIT DIRECTLY TO TAX ENTITIES THE PORTION OF TAX DUE EACH OF THEM.

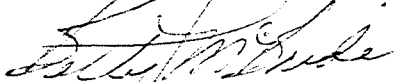
WORKLOADS IN COUNTY TREASURERS OFFICIES WOULD BECOME GREATER WITH

THE IMPLEMENTATION OF SENATE BILL #133. THIS COULD RESULT IN
ADDITIONAL EMPLOYEES AND ADDED COSTS TO THE COUNTY.

WE ASK YOUR SERIOUS CONSIDERATION BEFORE RECOMMENDING PASSAGE
OF SENATE BILL #133.

THANK YOU.

RESPECTFULLY,



BETTY MCBRIDE
CHEROKEE COUNTY TREASURER
CHAIRMAN, TREASURERS LEGISLATIVE COMMITTEE

M E M O R A N D U M

To: Senate Assessment &
Taxation Committee

Date: February 12, 1985

From: Kansas Department of Revenue

Re: S.B. 117 and 133

Senate Bill 117 would amend the law to require that sales tax on a motor vehicle be paid by the purchaser to the Director of Taxation or to the county treasurer upon application for certificate of ownership. The Kansas Department of Revenue opposes this proposal due to a number of concerns. First the Department would anticipate that there would be an opportunity created for increased underreporting of sales prices. There is no bill of sale requirement in the bill to document sales price. The amendment would be anticipated to result in a number of bad checks being issued to the county or the Department. In addition, there would be an opportunity created whereby the sales tax might be avoided for a considerable period, or perhaps totally, when the purchaser merely transfers a registration plate from a vehicle previously owned to a newly purchased vehicle.

Under the provisions of legislation passed in the 1984 session, a vehicle purchaser now has 30 days to make application for registration. Thus, this bill would result in some delay in receipt of taxes.

As the bill now stands the treasurers would encounter some problems with record keeping due to local sales tax situs considerations. They would be responsible for collecting and remitting all of the various local sales taxes of the jurisdictions in which the vehicle was purchased.

A further problem in the area of delayed receipts is that counties presently remit sales taxes only once monthly. There is no accelerated schedule that would be applicable to their remittances.

Finally, enforcement of the laws and regulations governing the imposition of the tax and the application of exemptions to motor vehicle transactions will become increasingly more difficult. This is more easily identifiable when it is recognized that under the provisions of Senate Bill No. 117, the Department will have no recourse against the county treasurers for errors in the computation of the tax or exemptions which have been improperly allowed. With the enactment of Senate Bill No. 117, the Department will be required to resolve such problems directly with individual vehicle purchasers rather than individual dealers as under the present law. Although there is no data on which to base an estimate as to the percentage of errors occurring on 500,000 annual motor vehicle transactions, it should be evident that the volume of contacts with individual consumers would be significantly greater than it would be with individual dealers.

S.B. 133 would exempt sales of vehicles from local retailers' sales taxes and places the same under a local compensating use tax to be collected at the situs of registration. The Kansas Department of Revenue opposes this bill for various of the reasons that it opposes S.B. 117. In addition, the Department

views the bill as increasing the complexity and administration of the retailers' sales tax laws. When the local sales tax law was passed, the philosophy was to maintain the base and exemption consistent to the state base and exemptions. Many members of this committee understand the problems involved in connection with the situs of the local taxes. The Department questions whether this departure from the general rule is justified.



ADMINISTRATION
Phone 316-221-2183
200 E. Ninth — P.O. Box 646
Winfield, Kansas 67156

OFFICE OF: Mayor

February 11, 1985

Honorable Fred A. Kerr, Chairman
Senate Assessment and Taxation Committee
State Senate
State Capitol
Topeka, Kansas 66612

Dear Senator Kerr:

The Winfield City Commission supports Senate Bills 117 and 133 which shift the situs of local sales taxes on automobiles from the location of the dealer to the residence of the purchaser.

We do not believe this proposed legislation will have an adverse effect on the amount of local sales tax received by the City of Winfield. These bills, if enacted, would remove a competitive disadvantage local car dealers have vis-a-vis dealers in jurisdictions without local sales taxes. For these reasons, we urge the Senate Committee on Assessment and Taxation to recommend passage.

Very truly yours,



Bill Dexter
Mayor

gm

JOHNSON COUNTY KANSAS

Office of the Board of County Commissioners

JOHNSON COUNTY COURTHOUSE
OLATHE, KANSAS 66061
782-5000

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILLS 117 AND 133

TUESDAY, FEBRUARY 12, 1985

TESTIMONY OF GERRY RAY, LEGISLATIVE LIAISON
JOHNSON COUNTY BOARD OF COMMISSIONERS.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE. MY NAME IS GERRY RAY, LEGISLATIVE LIAISON FOR THE JOHNSON COUNTY BOARD OF COMMISSIONERS. I APPEAR TODAY AS AN OPPONENT OF SENATE BILLS 117 AND 133.

SEVERAL YEARS AGO, AFTER NUMEROUS HOURS OF STUDY, DISCUSSION AND DELIBERATION, THE KANSAS LEGISLATURE AGREED ON AND ADOPTED A PHILOSOPHY RELATIVE TO THE APPROPRIATE SITUATION FOR THE COLLECTION OF SALES TAX.

WHEN CHANGES IN THAT PHILOSOPHY ARE PROPOSED IN EVEN ONE CATEGORY, THE QUESTION MUST FOLLOW, "WHERE DO THE CHANGES STOP?" AS AN EXAMPLE, YOU'LL RECALL THIS COMMITTEE HELD A HEARING TO ADDRESS THE SALES TAX ISSUE ON LEASED TELEPHONIC EQUIPMENT, BECAUSE OF A SITUATION BROUGHT ON BY A SET OF UNIQUE CIRCUMSTANCES. DURING THAT HEARING A PROPOSAL WAS OFFERED TO EXTEND THE BILL TO INCLUDE INFORMATION SYSTEMS AND DATA PROCESSING EQUIPMENT BEING LEASED. AGAIN THE QUESTION "WHERE DO THE CHANGES STOP?".

LOCAL GOVERNMENTS HAVE ESTABLISHED BUDGETARY PRACTICES AND LONG RANGE PLANS BASED ON A DECISION MADE BY THE LEGISLATURE. TO CHANGE THAT DECISION AND CAUSE A REDISTRIBUTION OF SALES TAX REVENUE WILL ONLY SERVE TO CREATE CONFUSION AND DIFFICULTY IN MANY COUNTIES AND CITIES.

THE JOHNSON COUNTY COMMISSIONERS ASKS YOUR HELP IN KEEPING SENATE BILLS 117 AND 133 FROM BECOMING LAW.