

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 11, 1986 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Patterson

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Discussion was all about HB-2641, an act relating to the situs of the sales of motor vehicles.

Jim Sullins, Executive Vice President of the Kansas Motor Carriers which represents the franchised new cars and new trucks in Kansas, testified as a proponent of HB-2641. He explained why he thinks the present laws are unfair to many dealers. (Attachment 1)

Bill Fuller, Assistant Director of the Public Affairs Division of Kansas Farm Bureau, spoke on behalf of the farmers and ranchers who are members of Kansas Farm Bureau. He said that members of his organization support HB-2641 and encourage its passage. (Attachment 2)

Everett Fettis, representing Wichita Auto Dealers, spoke as an opponent of HB-2641.

Harley Duncan, Department of Revenue, did not have written testimony and received unanimous consent from committee to waive the rules requiring said written testimony. Secretary Duncan testified as an opponent to the bill.

Sylvester Powell, Mayor of Mission, Kansas, testified as a proponent.

Ann Gottberg, County Administrator for McPherson County, explained her reasons for being opposed to this bill, and asked that the committee not recommend approval for HB-2641. (Attachment 3).

Mayor Irene French, Merriam, Kansas, spoke as an opponent of this bill. She said that the hardest hit by a change in the sales tax situs on automobiles will be local government, consumers, and small business men. She asked the committee to recommend against any change. (Attachment 4)

E. A. Mosher, Executive Director of the League of Kansas Municipals, appeared in opposition to this bill. He believes that all motor vehicles are not properly attributed to the appropriate taxing districts for vehicle tax purposes. (Attachment 5)

Representative Gary Blumenthal asked the committee to reject HB-2641, as he believes it would unfairly deny revenue to local units of government which have worked hard to build a strong and competitive business environment. (Attachment 6)

Beth Schafer, representing the City Attorney's office in the City of Topeka, spoke as an opponent of the bill.

Mary Ladesic, Wyandotte County Treasurer, speaking on behalf of the Kansas Treasurers Association, testified in opposition HB-2641. She believes that collection of local sales tax by the County Treasurer's Motor Vehicle Department would cause a great deal of confusion. (Attachment 7)

There being no further business, the chairman adjourned the meeting.



Ed C. Rolfs, Chairman

Testimony before the
HOUSE COMMITTEE ON ASSESSMENT & TAXATION

Tuesday, February 11, 1986

by the
KANSAS MOTOR CAR DEALERS ASSOCIATION

RE: HOUSE BILL 2641

Mr. Chairman and members of the Committee. I am Jim Sullins, Executive Vice President of the 392 member Kansas Motor Car Dealers Association which represents the franchised new car and new truck dealers of Kansas. We appreciate the opportunity to appear before you today to express our views and support of House Bill 2641.

As many of you are aware, KMCDA and the franchised dealers of Kansas have been concerned about local sales tax situs for several years. During the 1983 session, we requested introduction of House Bills 2338 and 2339. Those bills would not only have changed the situs of local sales tax on the sale of motor vehicles, but would have changed the situs of state sales tax, as well as provided for the collection of all sales tax relative to motor vehicles by the county treasurers. Hearings were held on both bills by the House Assessment and Taxation Committee, but no action was taken in either 1983 or 1984, and the bills subsequently died in Committee.

At the beginning of the recent 1985 session, we approached Representative Ed Rolfs concerning this issue and our desire to have legislation which would only change the situs of the local sales tax. Representative Rolfs agreed to sponsor such legislation, and House Bill 2210 was introduced and heard by the House Committee. Additionally, Senator Joe Warren introduced Senate Bills 117 and 133 addressing this same subject. Senate Bill 133 was almost identical to House Bill 2210,

while Senate Bill 117 addressed the situs of the state tax and its collection by the county. Hearings on these bills were held by the Senate Assessment and Taxation Committee.

House Bill 2210 was recommended favorably by this Committee and sent to the full House. Unfortunately, HB 2210 was never debated by the House. However, rather than let the bill die on the calendar, the Speaker re-referred the bill to the House Ways and Means Committee where it remains at this time. With the House action taking place, the Senate Committee, after hearings, did not take further action on SB 133 or SB 117 and both remain alive in Committee.

Following the failure of the bill being debated by the full House, an interim committee study was requested and approved. During this past summer, the Special Committee on Assessment and Taxation studied sales tax situs in general, and the sales tax situs on motor vehicles specifically. Quite a bit of time was spent on this issue by the Committee, and at the end of the interim, the Committee recommended this bill be introduced and be enacted by the legislature. In the Committee report, it was concluded that "different local sales tax rates inject an unequal and inequitable element into the competition among the state's motor vehicle dealers, and (the Committee) recommends that motor vehicles be subject to a local compensating use tax based upon the place where they are registered rather than where they are purchased."

I would point out that the preceding bills are not the first bills addressed by KMCDA as a local tax situs problem. During the 1982 session, KMCDA strongly supported HB 2731 introduced by Representative Bob Vancrum, among others, which dealt with compensating tax on motor vehicles. Up until the passage of HB 2731, the state collected a compensating tax on vehicles purchased outside the state, but local units did not have the authority to collect a compensating tax equal to

their local sales tax. The legislature saw this as being unfair to the local units who were losing tax revenues, as well as being unfair to dealers who had to compete with border state dealers from an unfair tax disadvantage. Out-of-state dealers could sell vehicles to Kansas residents cheaper strictly due to the fact that the Kansas resident would not have to pay local sales/compensating tax, and border dealers advertised that fact and encouraged Kansas residents to drive a few miles to save on sales taxes.

The passage of HB 2731 in 1982 brought to the surface, not only the problem Kansas dealers had with unfair competition due to taxes from outside Kansas, but more importantly, the unfair competition which is created within the state solely because of sales taxes.

The situation was created years ago when the Legislature allowed local cities and counties to enact local option sales taxes. The problem has escalated over the years, as more cities and counties have exercised their option, and is multiplied due to the unequal tax rates which have been adopted. Local tax rates vary from .5% to a full 2.0% depending on the city and county tax mix.

Dealers welcome good competition. We are in possibly the most competitive of all retail businesses, and the competition is heightened by the sheer cost of the product being sold. What dealers do not like is unfair competition, especially when it is in a form over which they have no control and which is unable to be controlled, such as sales tax.

Dealers in Junction City do not like the competition they face from dealers in Manhattan, Clay Center, and Council Grove created by the 5% sales tax the Junction City customers must pay compared to lower taxes in those other cities.

They don't like the fact that a Junction City resident can drive a few miles to Manhattan, purchase the exact vehicle, for the same price, yet pay over \$100 less in sales tax, thereby making the difference in where the vehicle was purchased.

Dealers in Coffeyville don't like the competition they encounter from other dealers in what is considered Coffeyville, but is outside the Coffeyville city limits. In this instance, we are not talking a few miles, but only a few blocks. A customer can shop dealerships within a few blocks of each other, find comparably priced and equipped vehicles, yet purchase one for possibly over \$100 less, simply because one dealership is outside the corporate city limits of Coffeyville and can charge 1% less sales tax.

Dealers also do not like the fact that the very residents of cities and counties who vote and enact upon themselves a local sales tax, are the same residents who will drive a few miles or a few blocks to avoid paying the sales tax. They may also be the same people who will ask the dealer to pay the tax for them in order to make the deal, which is illegal for the dealer to do since the statutes forbid a retailer from assuming a consumer's sales tax liability.

For the most part, local sales taxes are enacted by voters as a way to assist in providing services by government to the residents of the city or county and/or to help reduce the government's dependency on other forms of taxation such as property tax. The voters go to the polls and make a decision as to whether they want to pay additional sales tax or not. We feel voters see this as a tax which they are going to pay and are voting it on themselves, not as a tax that someone else is going to pay. We don't believe that any voter votes for a sales tax with the thought in mind that he or she is voting the tax on someone who does not live in their city or county.

We also believe that those who vote the tax on themselves should be the ones to pay the tax, not intentionally avoid the tax by purchasing somewhere else.

Sales tax, both state and local, impacts automobile dealers more than other retailers. The enactment of a local sales tax does not have the same effect on a grocer, clothier, or retail chain store as it does on an automobile dealership. A 1% tax on \$10.00 worth of groceries is \$.10; a \$100 sportcoat has only \$1.00 additional tax; even the purchase of a \$750 television set carries only \$7.50 tax at 1%; but the 1% tax on an \$11,000 automobile (the most recent average selling price of a new vehicle) adds \$110 to the cost of the customer's purchase. While we feel that very few people would drive a few miles to save \$1.00-\$2.00 on the purchase of groceries, we think that you would agree that many people will drive 50 miles with the thought of saving \$110 on their purchase of a new car or truck.

Why should a city or county lose that tax revenue by virtue of someone driving a few miles? Why should a local dealer lose the sale of a vehicle solely due to his location in a higher taxing jurisdiction than his competitor? Why should the local taxing jurisdiction be able to collect a compensating tax from a resident who purchases a vehicle out of the state, but not be able to collect that same tax from the resident who purchases a vehicle within the state, but outside the jurisdiction? Why should a resident of that jurisdiction be able to avoid a tax which helps maintain the standard of living in his own city or county?

We do not feel that a local sales tax should interfere with the normal course of business, and that change is necessary, not only for the spirit of free market competition, but for the well being of those cities and counties with local sales taxes. You have a solution to what we see as the problem, and we need your assistance as legislative action is necessary.

HB 2641 simply proposes to exempt sales of vehicles from countywide and city retailer's sales taxes. In lieu of that, the bill effectively imposes a compensating tax equal to the local retailer's sales tax. The tax would be collected by the county treasurer in the county where the vehicle is registered, hence the change in the situs from the point of purchase to the point of registration. With this change, the resident of a taxing jurisdiction would not be able to avoid his local sales tax on motor vehicles simply by purchasing outside his jurisdiction.

While the bill requires the county treasurers to collect the tax, we do not believe that this will place an undue burden on the county treasurers. The county treasurers already collect sales tax, both state and local. Any time there is an occasional or isolated sale of a vehicle; i.e., a sale made by someone other than a licensed dealer, the purchaser must pay all state and local sales taxes at the county treasurer's office. A system is already in place for the tax to be collected.

In the past, concern has been expressed by other parties that a change in local sales tax situs would create complications in the administration of the collections and decrease compliance with the sales tax law. Specifically, there was concern that there would be an increase in the number of insufficient fund checks, opportunities for evasion of tax, and a loss of audit potential. While we can see that these questions should be raised, we feel a closer look shows these concerns are unfounded.

Regarding the question of insufficient funds checks, we feel that a look at the system whereby personal property tax is collected at the time of registration of a motor vehicle is an applicable barometer. Several years ago this Legislature passed legislation requiring motor vehicle owners to pay their personal property

tax on their motor vehicles when they first register the vehicle and when that vehicle is subsequently re-registered. In the five or so years that the system has been in place, we do not remember either the Department of Revenue or county officials coming before the Legislature to indicate there was any problem with insufficient funds checks. We are certain that if a problem existed, these groups would have sought legislation to assist in curtailing the problem. We would assume that since there has been no move in this area, insufficient funds checks are no problem--at least no more of a problem than prior to the enactment of the law. Based on that assumption, we don't believe that the addition of the local sales tax, which is lower than property tax liability, will cause an increase in the number of insufficient funds checks.

While the question of possible opportunities to evade the tax is a major concern to all, we don't feel this change will create any such opportunity. To reiterate, this change affects only the local sales tax. Vehicle dealers will still collect the state's portion of the sales tax and would have no reason to understate, under-collect and/or under-report the state's portion of the tax.

With this change, as is the case today, dealers would complete a sales tax receipt showing the amount of the purchase and the amount of the state tax collected. The dealer gives the purchaser a copy of this receipt which accompanies the vehicle title to the county treasurer's office. With that, the county treasurer has all necessary information to calculate the amount of local tax due, if any.

The Department of Revenue would still have audit control over the selling dealer and would be able to cross-check to see that the county collected the proper amount if that were necessary.

Given this, it would be next to impossible for someone to evade the tax,

or for the proper amount of either the state or local tax not to be collected.

Invariably, the statement is made that if this type of change is granted for motor vehicles, then other groups of retailers will want the same type of system. While others might wish they were able to effect this change, there is one overriding factor which would prevent other retailers from doing this. The motor vehicle is the only piece of retail merchandise in this state which must be titled and registered at the county treasurer's office in which county the vehicle is domiciled. Groceries, clothes, TV sets, etc., are not registered; therefore, there is absolutely no way this type of situs change would work for any other retail commodity.

Finally to help offset expenses, county treasurers are currently authorized to collect a \$.50 service charge each time they collect a sales tax. If this change were enacted as we suggest, and if the county workload did increase, the county would have an additional \$.50 per tax collected with which to work. Of course, if that is not felt to be enough, the legislature could certainly increase that service fee to an amount desired at will.

Mr. Chairman and Members of the Committee, what we feel this all boils down to is a question of fairness. Is it fair for an individual who lives in a city with a local sales tax to avoid that tax by making a major purchase of an automobile in another tax jurisdiction? Is it fair for the city and/or county where that resident lives to have to provide services while their residents intentionally avoid their local sales tax? Is it fair for a businessman to suffer the consequences of unequal and inequitable competition within the industry based solely on a locally imposed tax?

We feel that our proposal, incorporated in HB 2641, is a simple solution to a major problem which the franchised dealers face. The overall effect would be

to put equality back in the competition among dealers and to assure the cities and counties of Kansas that the residents whom they serve are sharing in the fair share of the cost of operating those cities and counties.

We sincerely ask that you give every consideration to HB 2641, and that when the Committee acts, that HB 2641 be recommended for passage by the full House of Representatives.

Thank you for your time and consideration this morning, and I would be happy to respond to questions.

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PUBLIC POLICY STATEMENT

HOUSE ASSESSMENT AND TAXATION COMMITTEE
Representative Ed Rolfs, Chairman
February 11, 1986

RE: H.B. 2641 - Establishes sales tax situs on motor vehicles as the place they are registered, rather than where they are purchased.

Presented by:
Bill R. Fuller, Assistant Director
Public Affairs Division
KANSAS FARM BUREAU

* * * * *

Mr. Chairman and Members of the Committee:

I am Bill Fuller, Assistant Director of the Public Affairs Division of Kansas Farm Bureau. I am speaking on behalf of the farmers and ranchers who are members of Kansas Farm Bureau. We are PROPONENTS of H.B. 2641 ... Establishing sales tax situs on motor vehicles as the place they are registered, rather than where they are purchased.

The Delegates representing the 105 County Farm Bureaus at the 67th Annual Meeting of Kansas Farm Bureau adopted this Resolution:

Local Sales Tax Situs

We will support an amendment to the local retailer's sales tax statute as it relates to motor vehicles. The local sales tax on motor vehicles should be collected by the county treasurer at the time of registration of the vehicle, and situs for the local sales tax should be the residence or business location of the registrant.

We believe the tax situs should be at the residence or business location since most long-term expenses ... road and

street construction and maintenance, police protection, etc. . . . resulting from the use of that vehicle occur where the vehicle is operated - not where purchased. Additionally, we consider the effect any local sales tax has on the price of the vehicle to be unfair. We believe H.B. 2641 will treat taxpayers and dealers more equitably.

We support H.B. 2641 and encourage its passage. I will attempt to respond to any questions from the Committee. Thank You!

Mr. Chairman, Members of the Committee

I appreciate this opportunity to present the position of the McPherson County Board of County Commissioners on House Bill No. 2641.

First, let me describe the environment in which the McPherson County Tag Department processes vehicle registrations on an average of 28 titles per day. This meant in 1985 7,305 titles were filed by the public with our office. If I may, let me make just one additional observation. Most taxpayers entering the courthouse with vehicles to title and tag find the process to be confusing and frustrating, despite our many efforts to facilitate their understanding of the requirements.

The McPherson County Board of County Commissioners believe that this proposal will place an additional and unnecessary burden on county personnel. According to our records, a significant majority of vehicles titled and tagged in McPherson County were bought in the county. Currently, sales of vehicles through dealers results in the sales tax being paid and processed by the dealer at the time of purchase. If this proposal were approved, the taxpayer would also be expected to pay the proposed compensating tax to the County Treasurer, at the time that the vehicle is registered. Thus, we could expect to process, at a minimum, an additional 7,305 compensating tax returns for the vehicles titled within the county. This is in striking contrast to the approximately 120 vehicles in a year, on which we must report sales tax figures for other counties. Obviously, this additional process is not welcomed by our tag department staff and appears to create an unnecessary and costly burden for the county and its taxpayers.

I would also like to address an issue that is of equal importance to the McPherson Board of County Commissioners. They have been diligently working to stream line county procedures, particularly where it affects their constituents. The Commissioners believe that this proposal will result in even greater confusion for those individuals required to register their vehicles. They would, under this proposal, have to differentiate between a sales tax and a compensating tax, figured at the same rate as the city or county retailers sales tax. Additionally, this proposal creates a burden for individuals wishing to wrap these taxes into the total financing package. In our opinion, the level of confusion and loss of credibility, which will result from the implementation of House Bill Number 2641, marks it as a unnecessary and unfortunate proposal.

Finally according to the latest statistics, 58 Kansas counties have and 84% of the Kansas population currently reside in a locality where a local city and/or county sales tax has been implemented. Given this environment, it would appear that the existance of a local sales tax would not have that significant of an affect on the sale of vehicles in any one county. Additionally, most car sales are based not only on price, but on the service capability of the dealer. These selection factors would also seem to mitigate against the arguement that a local tax would drive away sales from a dealer. However, it is fair to say that the consumer's choice in the purchase of vehicle is affected by more than just price. Additionally, given the increasing number of counties and cities which levy a local sales tax, it would appear that the desired impact of House Bill 2641 would be limited, while seriously affecting all Kansas counties.

We would respectfully request that this Committee not recommend for approval House Bill 2641.

BEFORE THE HOUSE COMMITTEE
ON ASSESSMENT AND TAXATION
REGARDING HOUSE BILL 2641

Mr. Chairman, Members of the Committee, I am Irene B. French, Mayor of the City of Merriam and Chairman of the Johnson County Council of Mayors. The City is most concerned about the bill being debated at this time by the Committee, House Bill 2641. The City has carefully estimated the impact of such a policy change on its citizens and on city operations, and I would like to briefly comment on those impacts in my testimony today.

The most significant impact to the City directly is in terms of lost revenue generating capability. The City of Merriam has been active in attracting automobile dealerships and we have been successful in our efforts. The largest Chevrolet dealership in the Midwest has its home in Merriam, and the City has been active in helping Van Chevrolet achieve this status through Industrial Revenue Bond financing of a recent expansion. In addition to Van Chevrolet, Merriam is the home of four other large automobile dealerships, who together will produce approximately \$350,000 in retail sales tax to the City in 1986. This figure represents close to 20% of our anticipated sales tax revenue. Loss of this revenue would be devastating to our capital improvement program, which is used each year to fund badly needed street and drainage improvements.

The City also believes that there are other very serious problems with attempts to change the sales tax situs of automobile purchases. By changing the tax situs to the place of residence of the purchaser, the State will have to

establish the point of collection of the tax. If the tax is collected by the County Treasurer at the time the vehicle is registered, consumers will be unable to use loan proceeds to pay the local sales tax liability, which is now a common practice in Kansas. If the point of collection is with the automobile dealer under a situs change, a terrible burden will be placed on the dealer to determine the taxing jurisdictions involved. Record keeping requirements for the Department of Revenue to audit the propriety of sales tax collections by the dealer will be difficult and expensive for most dealers who are small businessmen and, as such, are a part of the backbone of the Kansas economy. Under either collection scenario, a tremendous impact will be felt by either consumers or small businessmen.

In short, those hardest hit by a change in the sales tax situs on automobiles will be local governments, consumers, small businessmen, and the State of Kansas. We join with the financial community, the League of Kansas Municipalities, the County Treasurers Association, several other cities across the length and breadth of Kansas, and the State Department of Revenue in opposing House Bill 2641 or any legislation to change the situs of the automobile sales tax, and urge the Committee to recommend against such a change. Thank you.



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

TO: House Committee on Assessment and Taxation
FROM: E.A. Mosher, Executive Director
DATE: February 11, 1986
SUBJECT: HB 2641--Local Sales Tax on Motor Vehicles

My name is E.A. Mosher, Executive Director of the League of Kansas Municipalities, appearing in opposition to HB 2641. This position was established by the Governing Body of the League, as a matter of principle. This decision was less than unanimous, since some cities will win financially while others will lose. It is consistent, however, with our convention-adopted Statement of Municipal Policy which provides that "The general rule of taxability at the situs of sale for the local option retailer's sales tax should be continued."

I call to your attention that the very name of this local option tax, from the beginning, is that it is a retailer's sales tax. It is a tax on retailers, notwithstanding the amount is usually itemized and is deductible for income tax purposes. The tax is fundamentally on the business of retailing, and therefore is based on the situs of the retailer and not on the residence of the purchaser.

As you know, there are now only three special exceptions to this fundamental rule, including utility and CATV service, contractual services exceeding \$10,000, and out-of-state vehicle purchases.

There have been concerns about the situs of retailer versus resident of purchaser since the beginning. It was a consideration

of proposed local option sales tax legislation even prior to its eventual enactment in 1970. Throughout this whole period, an important ingredient has been the simplicity, ease and efficiency of administration of this local option, add-on sales tax. The need for simplicity, we think, applies to the consumer and the retailer, as well as to the department of administration which administers and collects the tax. I would observe that even the non-retailer situs rule variation for utility services was done primarily for administrative reasons.

There are now 106 cities and 58 counties which have a local option sales tax. These units contain a net population equal to about 84 percent of the entire population of the state. The number will grow. Voter approval records have been high. One can suspect that local efforts will begin in the near future to find local revenue sources to at least replace the predicted demise of federal general revenue sharing. The point I would make is that most motor vehicle dealers in the state will likely be subject to a local retailer's sales tax in the future.

Finally, we are not convinced that all motor vehicles are now properly attributed to the appropriate taxing district for vehicle tax purposes. There is reason to believe that there are some individuals maintaining a county of residence for vehicle registration and taxation purposes different than their other residence. We are not confident that the city and township residence is consistently and accurately reported. We suggest to you that applying a local sales tax based on residence, which could vary from a minimum of a half percent to a maximum of two percent, gives an added incentive to the inaccurate reporting of addresses.

CARY H. BLUMENTHAL
 REPRESENTATIVE, TWENTY-THIRD DISTRICT
 JOHNSON COUNTY
 10125 EDELWEISS CIRCLE
 MERRIAM, KANSAS 66203-4608



TOPEKA

HOUSE OF
 REPRESENTATIVES

February 11, 1986

COMMITTEE ASSIGNMENTS
 MEMBER: ELECTIONS
 INSURANCE
 PUBLIC HEALTH AND WELFARE
 KANSAS PLANNING COUNCIL ON
 DEVELOPMENTAL DISABILITIES

Mr. Chairman and Members of the Assessment and Taxation Committee, I appreciate the opportunity to speak with you today regarding HB 2641. I ask you to reject this bill based upon several important points of consideration:

1. HB 2641 unfairly denies revenue to local units of government which have worked hard to build a strong and competitive business environment.

The city that I am proud to represent, Merriam, has worked aggressively to attract car dealerships to locate within our borders. The citizens of Merriam have assisted dealers through a variety of means including a safe and well maintained road system, increased police protection and in limited areas the issuance of industrial revenue bonds for construction and expansion. The provisions of HB 2641, which exempt car dealers from local county and city sales tax at the site of the dealership, would serve as a significant dis-incentive for local communities who have taken risks to encourage business development.

Merriam in particular would suffer significant harm from the implementation of this bill. The city is the home of four large dealerships. In 1986, the city anticipates approximately \$350,000 in retail sales tax. This would constitute close to 20% of the city's total sales tax revenue. The elimination of this revenue

could result in a significant disruption of city services, particularly services which are repairing and maintaining roads and drainage projects that service these dealerships. Our city manager estimates that this loss could result in a 50% property tax increase.

2. HB 2641 would create a significant burden upon the purchaser of an automobile. Under the provisions of this bill a car purchaser would be required to pay a portion of his/her sales tax at the point of registration. This would create a hardship for many consumers who have already had to stretch their pocketbooks to come up with a down payment. Car buyers would be disturbed and stretched to the limit when they had to come up with extra cash to pay the sales tax, when previously they had generally included all sales tax within their monthly payments. Many people of moderate financial means already encounter difficulty in coming up with the dollars to pay their personal property tax, license and insurance. This bill would cause them even greater hardship.

3. HB 2641 is simply bad tax policy. Where should we draw the line on tax situs? Will other large ticket items such as refrigerators, washing machines, home improvement items, etc. be next? This bill simply establishes a bad precedent that may cause local communities to shy away from cooperation with local businesses. In a year when everyone seems to be stressing economic development this concept sets the stage for moving in reverse.

Additionally this bill would create significant problems for our county treasurers who will be asked to accept an additional burden upon their offices.

4. HB 2641 truly represents a special interest bill. The main proponents of this legislation, the Kansas Motor Car Dealers Association, support it for a variety of reasons. One car dealer expressed to me his concern that this bill be passed in order to assist the dealers in conveying the illusion to car purchasers that they are getting a "better deal." He and other dealers expressed concern that they need assistance to demonstrate a low bottom line price to a car purchaser to enable car salesman to close the deal. Exempting local sales tax from what appears to be the bottom line in the showroom may temporarily impress a purchaser, but that great deal may turn to a raw deal when the consumer realizes he/she is still liable when the car is registered.

Additionally car dealers suggest that all of their dealers need to be placed on a level playing field so that city dealers will still be able to compete with rural dealers who have no local option sales tax. This ploy may very well work to the advantage of some city dealers, but is this the function of the legislature to assist a special interest group?

It is also significant to note that many car dealers are now reversing their previously enthusiastic support of this legislation to strong opposition. Many dealers have come to the same conclusion as Tom Sight, owner of Sight Lincoln-Mercury and vice president of the Kansas Motor Car Dealers Association who stated clearly in a local newspaper: "I don't agree with this bill because it would rob cities of needed revenue."

Cecil Van Tuyl owner of several dealerships across the state helped illustrate the point against this bill by stressing that this bill may very well backfire and cause many consumers to avoid

or delay purchase of their cars. I have attached Mr. Van Tuyl's letter for your review but I would like to highlight his concern that: "consumers who purchase our automobiles will have to come up with a larger "down payment"... to also pay the sales taxes which they now finance. As difficult as the automobile sales business is now, we don't need any other excuse for people not to buy cars."

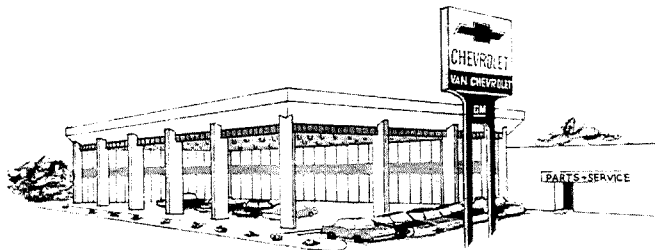
5. I also would like to address the hardship for local units of government regarding the proposed implementation dates of this bill. Lines 94-95 mandate implementation upon publication in the statute book. Cities that would lose a significant source of revenue should be given at a minimum until January of 1987 for implementation of this act in order to enable them to achieve some orderly transition.

Again I appreciate the opportunity to share my concerns with the committee and hope you will reject this bill.

Van

Chevrolet Company

8300 W. 63 RD. STREET MERRIAM, KANSAS 66201
PHONE (913)384-1550



January 30, 1986

The Honorable Gary Blumenthal
State Representative
281-W State Capitol
Topeka, Kansas 66612

Dear Representative Blumenthal:


As an automobile dealer in Kansas, I am most concerned about the recently introduced House Bill 2641 making changes to the local sales tax situs of automobiles. I am opposed to the bill. If passed, this bill would abolish the local option sales tax on vehicles, and impose a compensating tax which would be collected at the point of registration.

This bill would take away from our city and county hundreds of thousands of tax dollars which directly benefit us in providing excellent services such as streets and police protection which are very important to us. Without this revenue, our local governments will have to either cut services or dramatically increase our property taxes. In addition, consumers who purchase our automobiles will have to come up with a larger "down payment" if you will to also pay the sales taxes which they now finance. As difficult as the automobile sales business is now, we don't need any other excuse for people not to buy cars.

Finally, even though the Motor Car Dealers Association is lobbying hard for this bill, we still oppose it because of the tremendous negative effects it would have on our city and county governments. I urge you to do everything in your power to defeat HB 2641 or any other measure which might make such a change.

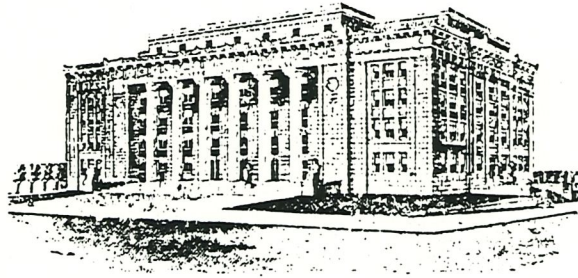
Sincerely,

VAN CHEVROLET CO., INC.



CECIL VAN TUYL
President

CVT/fb



573-2823

OFFICE OF
MARY P. LADESIC
COUNTY TREASURER
WYANDOTTE COUNTY COURT HOUSE
KANSAS CITY, KANSAS 66101



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To: HOUSE ASSESSMENT AND TAXATION
Re: HOUSE BILL 2641

GOOD MORNING. I WANT TO EXPRESS MY APPRECIATION FOR THE OPPORTUNITY TO APPEAR BEFORE YOU THIS MORNING.

MY NAME IS MARY LADESIC, I AM THE WYANDOTTE COUNTY TREASURER. I AM HERE ON BEHALF OF THE KANSAS TREASURER'S ASSOCIATION IN OPPOSITION TO H.B. 2641.

IT IS OUR CONTENTION THAT THE COLLECTION OF LOCAL SALES TAX BY THE COUNTY TREASURER'S MOTOR VEHICLE DEPARTMENT WILL CREATE A GREAT DEAL OF CONFUSION TO THE TAXPAYER. THE TAXPAYER HAS ALREADY MET THE STATE TAX LIABILITY THROUGH THE DEALERSHIP AT THE TIME OF PURCHASE, AND WILL BE TOTALLY UNAWARE AND ILL-PREPARED TO PAY THE ADDITIONAL LOCAL PORTION DUE AT THE TIME OF TITLING. THE TAXPAYER MAY FIND THAT THEY ARE SHORT THE NECESSARY FUNDS FOR LOCAL SALES TAX WHICH WOULD DELAY COMPLETION OF THE TITLING PROCESS IN THE TIME ALLOWED BY STATUTE.

AT THE PRESENT TIME MANY CAR DEALERS PROVIDE FINANCING WHICH INCLUDES

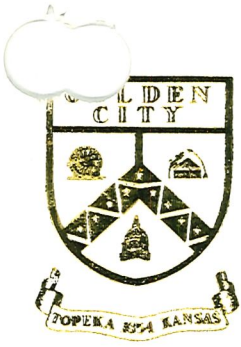
THE TOTAL SALES TAX AS A BENEFIT TO THE CONSUMER. THIS BENEFIT REDUCES THE AMOUNT OF CASH NEEDED BY THE CONSUMER AT THE TIME OF PURCHASE.

DUE TO THE UNEXPECTED LOCAL SALES TAX RESULTING FROM THE SEPARATION OF COLLECTION OF STATE AND LOCAL TAX, THE INCIDENCE OF BAD CHECKS WILL INCREASE. AN INCREASE IN THE NUMBER OF BAD CHECKS WOULD DEFINITELY INCREASE THE WORK LOAD OF THE STATE.

THE COLLECTION OF STATE AND LOCAL SALES TAX SHOULD BE UNIFORM IN ALL ASPECTS. ALLOWING ANY SPECIAL CONCESSIONS TO SELECT RETAILERS AS PROVIDED IN H.B. 2641, WOULD BE AN UNFAIR ADVANTAGE NOT EXTENDED TO OTHER RETAILERS.

ON BEHALF OF THE COUNTY TREASURERS WHO COME IN CONTACT WITH THE CONSUMERS ON A DAILY BASIS, WE ASK FOR A NEGATIVE VOTE ON H.B. 2641.

AGAIN I WISH TO THANK YOU FOR YOUR TIME AND ATTENTION.



CITY OF TOPEKA

City Attorney
215 E. 7th Street Room 353
Topeka, Kansas 66603
Phone 913-295-3883

House Assessment & Taxation Committee
Hearing on House Bill No. 2641
Tuesday, February 11, 1986

Testimony by Beth Schafer, Assistant City Attorney, City of Topeka

Mr. Chairman, Members of the Committee:

My name is Beth Schafer and I am appearing today on behalf of the City of Topeka.


The City of Topeka is opposed to House Bill 2641. This bill alters a long standing concept of retail tax by moving the situs of the tax from the retailer, where the sale is transacted, to the residence or place of business of the applicant for car registration. Certainly, there are noted exceptions to this concept, however. Those exceptions are based upon rational distinctions. There appears to be no rational basis for moving the situs of tax for motor vehicles other than a strong interest by car dealerships.

The bill, as proposed will have a detrimental impact on revenue. Further, the bill may have an adverse impact on the eventual consumer, who having gone through the rigors of buying a new car, is faced with paying additional money at the time of registration.

In short, the bill which seeks to cure suspected inequities is in actuality creating new ones.

The City of Topeka respectfully requests this Committee to report House Bill 2641 unfavorably.

Respectfully submitted,


Beth Schafer
Assistant City Attorney

*Did not testify
written
testimony only*