

Approved 2/23/89
Date

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Keith Roe at
Chairperson

9:00 a.m./~~p.m.~~ on February 21, 1989 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Patrick Barnes - KS Motor Car Dealers Association
Mike Steven - Steven Toyota, Wichita
John Schmid - Perl Chevrolet-Buick, Coffeyville
Dale Willey - Willey Pontiac-Cadillac, Lawrence
John Hoffer - Hoffer Chrysler-Plymouth, Topeka
Don Seifert - City of Olathe
Representative Gary Blumenthal
Mark Parkinson - Olathe Chamber of Commerce
Alan Sims - City of Overland Park
Gerry Ray - Johnson County Commissioners
Eric Wade - City of Merriam

A motion was made by Representative Aylward and seconded by Representative Smith to introduce a bill regarding parts stocked by farm equipment dealers. The motion carried.

A motion was made by Representative Wagnon and seconded by Representative Aylward to introduce a bill on a lid on property tax on commercial real estate owners. The motion carried.

Patrick Barnes testified in support of HB 2097, stating that collection of this tax has essentially created a gross inequity in competition among auto retailers which is based solely upon the tax imposed by local jurisdictions. (Attachment 1)

John Hoffer testified in support of HB 2097, stating that he feels these taxes are unfair.

Mike Steven testified in support of HB 2097, stating that as it stands now a consumer has a very large incentive to travel outside of the community he resides in to purchase a new or used vehicle. (Attachment 2)

John Schmid testified in support of HB 2097, stating that this tax should be collected based on the residence of the purchaser. (Attachment 3)

Dale Willey testified in support of HB 2097, stating that price is not always the major decision in auto purchases, and most states do not require auto dealerships to collect sales taxes.

Representative Blumenthal testified in opposition to HB 2097, stating that passage of this bill would be of significant negative consequence to many of the cities and counties who have worked aggressively and cooperatively with car dealers to create a favorable business climate in which to host many car dealerships. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 21, 1989

Eric Wade testified in opposition to HB 2097, stating that 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. (Attachment 5)

Gerry Ray testified in opposition to HB 2097, stating that this bill will have an adverse effect on the revenue sources of their area which is especially concerning when they are facing the impact of reappraisal with the accompanying levy freeze. (Attachment 6)

Alan Sims testified in opposition to HB 2097, stating that this bill would have a negative impact on cities and counties which have strong motor vehicle activity. (Attachment 7)

Mark Parkinson testified in opposition to HB 2097, stating that the legislation is detrimental to Olathe and other commerce centers and that it could create a burden on the consumer. (Attachment 8)

Don Seifert testified in opposition to HB 2097, stating that they believe this bill will complicate administrative collection of the sales tax on motor vehicles. (Attachment 9)

Ernie Mosher distributed testimony in opposition to HB 2097, but was unable to testify due to time limitations. The testimony stated that a switch from a situs base to a place of use basis for local sales taxes could result in severe administrative and collection problems. (Attachment 10)

The minutes of February 16, 1989, were approved.

The meeting adjourned.

Barnes

Statement Before The
HOUSE TAXATION COMMITTEE

By The
KANSAS MOTOR CAR DEALERS ASSOCIATION

Tuesday, February 21, 1989

Re: Allowing Local Option Sales Tax To Be Paid At
The Point Of Registration Of A Motor Vehicle,
Rather Than At The Point Of Sale, House Bill No.
2097

Mr. Chairman and Members of the Committee, I am Pat Barnes, legislative counsel for the Kansas Motor Car Dealers Association. As you may know, our state trade Association represents franchised new car and truck dealers in Kansas. We appreciate the opportunity to come before you today and speak with you regarding House Bill 2097.

This is not a new subject to the Legislature, but is one which has met with favorable treatment by this Committee in past years. In a nutshell, this bill would require local option sales taxes generated on the sale of a motor vehicle to be paid at the time of registration of that vehicle to the county treasurer in the locality where the vehicle is registered.

For several years the matter of collection of this tax has essentially created a gross inequity in competition among auto retailers which is based solely upon the tax imposed by local jurisdictions. The topic has been extensively studied in the past with the conclusion that "different local sales tax

*2/21/89
Attachment 1*

rates inject an unequal and inequitable element into the competition among the state's motor vehicle dealers, and [it is recommended] that motor vehicles be subject to local compensating use tax based upon the place where they are registered rather than where they are purchased." [1985 Interim Committee on Assessment and Taxation, report on proposal #7.]

The only reason we are asking for this change is fairness. Currently there are over 150 different different taxing jurisdictions in Kansas. The tax rates imposed vary from 1/2 of 1% to a full 2% depending on the city/county mix of tax rates. Automobile dealers are forced to compete with one another not based on their cost and overhead, but based upon the difference in tax rates between neighboring cities and counties. In fact, there are even situations where the disparity is created based upon where the city limits of the city taxing authority end, rather than distances involved between counties containing dealerships.

For example, dealers selling the exact same car for the exact same price find that one has an advantage over another by as much as \$200 simply because one dealer has no local sales tax, or a lower sales tax, while the other dealer has to charge his customers up to 2% of the sale price in sales tax. Dealers welcome good, clean competition. However, when the competition comes from a locally imposed tax authorized by state statute, which essentially guarantees one dealer can always beat the price of another dealer by the amount of the tax, something is

drastically wrong. The inequities created by this tax have even gotten to the point where sales tax differences are advertised and dealers refer sales to outlying facilities they own in counties which don't have high local taxes.

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. People generally will not undertake a trip of that nature to buy a washing machine or a microwave oven, but we can assure you they will do it, and do do it, in searching out a vehicle, particularly when the common prices for new vehicles are in excess of \$10,000, and even \$15,000.

This is a fairness issue. However, it transcends the simple fact that the present system of taxation has altered the market place. The present system encourages one to purchase a vehicle outside his own hometown, which is particularly damaging in rural areas where these dealerships are important businesses, both from the standpoint of what they sell and the services offered. When that automobile is purchased outside the buyer's city or county of residence, it is still registered where the buyer lives and that city and/or county receives absolutely no sales tax revenue. Is it really fair for that city or county to have to provide all of the services, such as fire and police protection, good roads and other services, yet not be entitled to a share of the local sales tax generated by the sale of the vehicle using those services?

It is true that these same buyers have available these same services in the cities where they buy these cars. However, the amount of time spent in those localities is small in comparison to the time spent at home. These people use the parks and necessary fire and police protection and other services in the localities where they live. As full time residents they make much greater use of those services than those of the local taxing jurisdiction benefiting from the disparity created by the present system of collection. It should also be noted that these are the people that voted the tax upon themselves.

Aside from all of this, it should also be noted large and small cities and counties are effected, although it may be different. Larger jurisdictions are injured by lost sales just as smaller counties are so injured. However, it is even more important to smaller counties and cities. They do not have as broad a tax base, especially from a sales tax standpoint, as that enjoyed by some of the more developed counties. Furthermore, they do not have the population to generate additional revenues.

There are still more reasons why this bill should be passed. This legislation would provide several other advantages. First, it would accelerate the collection and receipt of revenue while at the same time eliminating possible expense and loss of revenue through the failure or liquidation by bankruptcy, or otherwise, of vehicle dealers, both new and used. Secondly, it would match this system up with that which is presently in existence for purchases of cars bought outside Kansas and

occasional sales which take place between individuals in Kansas.

Attached to this testimony is a recent listing of all of the jurisdictions in this state with local option taxes. Several examples exist to underscore the problem this bill will correct. First, 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. No matter how low the sale price is set, this price disparity will remain. These are price disparities which a dealer cannot avoid in many instances.

We have even heard unverified examples where dealerships exist within blocks of one another, but separated by the city limits of a city with a local sales tax. Certainly in such an instance a customer would be inclined to drive a short distance to save on comparable models of automobiles.

We see little justification for maintaining the present system on automobiles. Automobiles are a unique and large consumer item which justifies adjusting the present system. Some of our members are being hurt badly by this system. You may not believe it, but it is not easy to keep a new car franchise in business these days. Those of you from rural areas could attest to this fact. We urge the adoption of this legislation. By adopting this legislation, Kansas auto dealers will once again be placed on an equal competitive footing with their neighbors throughout the state.

I would be more than happy to answer any questions you may have. If I do not have the answer, I will certainly be happy to seek it out and provide it to you. Thank you.

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KANSAS DEPARTMENT OF REVENUE
BUSINESS 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
CHAUTAQUA	063	C-063	1.0%	02/01/83
CHEROKEE	010	C-010	1.0%	11/01/82
CHEYENNE	082	C-082	1.0%	07/01/86
CLAY	041	C-041	0.5%	11/01/82
CRAWFORD	004	C-004	1.0%	11/01/83
DECATUR	074	C-074	1.0%	11/01/84
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
GOVE	088	C-088	1.0%	11/01/84
GRAY	089	C-089	1.0%	02/01/83
GREELEY	105	C-105	1.0%	11/01/82
HARVEY	028	C-028	1.0%	07/01/86
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
MARION	023	C-023	1.0%	07/01/87
MCPHERSON	026	C-026	1.0%	07/01/82
MEADE	086	C-086	1.0%	11/01/84
MHAMI	031	C-031	1.0%	07/01/83
MITCHELL	055	C-055	1.0%	11/01/82
MONTGOMERY	005	C-005	1.0%	01/01/88
MORRIS	054	C-054	1.0%	11/01/82
NEMAHIA	034	C-034	1.0%	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	1.0%	*07/01/86
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
RUSSELL	060	C-060	1.0%	04/01/88
SALINE	014	C-014	1.0%	11/01/82
SCOTT	096	C-096	1.0%	05/01/82
SEDGWICK	002	C-002	1.0%	10/01/85
SEWARD (a)	084	C-084	1.0%	*11/01/80
SHERMAN	080	C-080	1.0%	02/01/83
STAFFORD	059	C-059	1.0%	11/01/84
STANTON	104	C-104	1.0%	11/01/84
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
AMERICUS	T-213	LYON	013	0.5%	04/01/87
ANTHONY	T-195	HARPER	051	0.5%	11/01/84
ARKANSAS CITY	T-108	COWLEY	008	1.0%	*04/01/85
**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	1.0%	*07/01/85
**BONNER SPRINGS	T-143	WYANDOTTE	001	1.0%	*01/01/86
CALDWELL	T-122	SUMNER	012	1.0%	*11/01/82
**CANBY	T-123	MONTGOMERY	005	1.0%	*11/01/82
CHANUTE	T-117	NEOSHO	022	1.0%	*11/01/87
**CHERRYVALE	T-133	MONTGOMERY	005	1.0%	*11/01/82
**CHETOPA	T-203	LABETTE	011	1.0%	07/01/85
**CLAY CENTER	T-124	CLAY	041	1.0%	*11/01/84
**COFFEYVILLE	T-125	MONTGOMERY	005	1.0%	*05/01/84
**COLUMBUS	T-151	CHEROKEE	010	1.0%	*04/01/87
CONCORDIA	T-142	CLOUD	036	1.0%	*02/01/83
**DELPHOS	T-196	OTTAWA	065	1.0%	11/01/84
**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
EASTON	T-204	LEAVENWORTH	007	1.0%	07/01/85
**EDGERTON	T-153	JOHNSON	019	1.0%	*07/01/85
**EDNA	T-217	LABETTE	011	1.0%	01/01/89
**EDWARDSVILLE	T-207	WYANDOTTE	001	1.0%	01/01/86
FRINGHAM	T-190	ATCHISON	015	1.0%	11/01/83

(OVER)

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CITY	LOCAL CODE	COUNTY	CO. NO.	TAX RATE	EFFECTIVE
EL KHART	T-147	MORISON	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
EL WOOD	T-197	DONIPHAN	045	1.0%	11/01/84
EMPORIA	T-194	LYON	013	0.5%	09/01/84
ERIE	T-162	NEOSHO	022	1.0%	*01/01/88
EUDORA	T-163	DOUGLAS	016	0.5%	11/01/82
**FAIRWAY	T-183	JOHNSON	019	1.0%	*07/01/86
FORT SCOTT	T-189	BOURBON	017	1.0%	01/01/84
FREDONIA	T-208	WILSON	027	1.0%	01/01/86
**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	1.0%	*01/01/89
**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
**HAWATHA	T-126	BROWN	025	0.5%	11/01/80
HILL CITY	T-205	GRAHAM	076	1.0%	07/01/85
**HILLSBORO	T-202	MARION	023	0.5%	05/01/85
**HORTON	T-127	BROWN	025	1.0%	*07/01/87
HUGOTON	T-128	STEVENS	092	0.5%	11/01/80
**HUMBOLDT	T-149	ALLEN	024	0.5%	01/01/82
**HUTCHINSON	T-209	RENO	006	0.5%	07/01/86
**INDEPENDENCE	T-134	MONTGOMERY	005	1.0%	*04/01/86
**IOLA	T-144	ALLEN	024	0.5%	11/01/81
**JUNCTION CITY	T-168	GEARY	047	1.0%	11/01/82
**KANOPOLIS	T-206	ELLSWORTH	064	1.0%	07/01/85
**KANSAS CITY	T-129	WYANDOTTE	001	1.0%	*01/01/84
LACYGNE	T-216	LINN	049	1.0%	10/01/88
LAKIN	T-185	KEARNY	098	1.0%	07/01/83
LANSING	T-154	LEAVENWORTH	007	1.0%	*01/01/89
LAWRENCE (a)	T-160	DOUGLAS	016	0.5%	07/01/71
LEAVENWORTH (a)	T-051	LEAVENWORTH	007	1.0%	*03/01/85
**LEAWOOD	T-111	JOHNSON	019	1.0%	*01/01/84
**LENEXA	T-118	JOHNSON	019	1.0%	*02/01/84
**LONGFORD	T-218	CLAY	041	1.0%	01/01/89
**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
MH IONVALE	T-214	CLOUD	036	1.0%	07/01/87
**MISSION	T-115	JOHNSON	019	1.0%	*07/01/85
**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
**OLATHIE	T-120	JOHNSON	019	1.0%	*02/01/84
ONAGA	T-170	POTAWATOMIE	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
OXFORD	T-198	SUMNER	012	1.0%	11/01/84
**PAOLA	T-138	MIAMI	031	0.5%	07/01/81
**PARSONS	T-210	LABETTE	011	0.5%	10/01/86
**PERRY	T-139	JEFFERSON	046	0.5%	07/01/81
**PITTSBURG	T-135	CRAWFORD	004	0.5%	02/01/81
PLAINVILLE	T-201	ROOKS	070	0.5%	02/01/85
**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
ROSSVILLE	T-211	SHAWNEE	003	1.0%	10/01/86
ST. MARYS	T-172	POTAWATOMIE	039	1.0%	*11/01/84
**SATANTA	T-212	HASKELL	101	0.5%	01/01/87
**SCAMMON	T-215	CHEROKEE	010	1.0%	04/01/88
**SEDAN	T-146	CHAUTAUQUA	063	0.5%	11/01/81
**SHAWNEE	T-131	JOHNSON	019	1.0%	*07/01/85
SPIVY	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
TONGANOXIE	T-199	LEAVENWORTH	007	0.5%	11/01/84
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	TRIGO	083	1.0%	02/01/83
**WAKEFIELD	T-132	CLAY	041	1.0%	*11/01/82
WANEGO	T-175	POTAWATOMIE	039	1.0%	*09/01/83
**WEIR	T-200	CHEROKEE	010	1.0%	11/01/84
WELLINGTON	T-113	SUMNER	012	1.0%	*07/01/83
WESTMORELAND	T-179	POTAWATOMIE	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	1.0%	*11/01/84
YATES CENTER	T-176	WOODSON	072	1.0%	*01/01/86

* 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 January 1, 1989.

Should you have any questions regarding the application of local retailers' sales tax, please direct your inquiries to the Kansas Department of Revenue, Business Tax Bureau, Robert B. Docking State Office Building, Topeka, Kansas 66625-0001, or call (913) 296-2461.

House Taxation and Assessment Committee
Tuesday February 21, 1989

My name is Mike Steven, my father Eddy and I own several car dealerships in Wichita. I am president of the Wichita Auto Dealers Association and I am here speaking on behalf of all of our members.

We urge you to support HB 2097 which will make the sales tax on automobiles the same for the purchaser regardless of what county/city in Kansas he happens to buy his car.

As it stands now a consumer has a very large incentive to travel to travel outside of the community he resides in to purchase a new or used vehicle.

Today, most new cars sell for between \$10,000 and \$20,000, a 1% tax savings is \$200 and some counties have as much as a 2% difference making a \$400 difference on a \$20,000 car.

A case in point - Wichita has a 1% local tax while Augusta, only 12 miles away, does not. My dad and I won Steven Ford-Mercury in Augusta and so we have first hand knowledge of the effect the current system has.

I have spoken to Dick Hatfield, the Chevy dealer in Augusta (also a member of the WADA) and he is in favor of "Tax Situs" even though he currently has a price advantage over those in Wichita.

It might seem strange to you that dealers in the lower tax areas would be in favor of this bill, but the fact is we recognize that this is an unfair situation and we have to ask you to make the playing field fair again for everyone.

It might interest you to know that a couple of years ago when city leaders in Wichita were looking for support to get the local tax of 1% raised the WADA supported the issue. We were told the extra money would go for road repairs and improvements. We were also assured that the surrounding counties were going to also adopt a local tax. Well, the local tax didn't happen in Butler County and here we are today - at a **competitive disadvantage!**

Something must be done to make things fair again. We've heard stories of major businesses in Sedgwick County starting to buy cars in other counties because they can save significantly on the sales tax. As more people catch on, there is bound to be more people going to the lower tax counties to buy their cars. We feel that competition is good and the consumer benefits from healthy competition. However, giving some counties a "sales tax advantage" over others is not fair.

Thank you for your attention and I'll try to answer any questions if you have any.

2/21/89
Attachment 2

House Taxation and Assessment Committee
Tuesday February 21, 1989

My name is John Schmid. I am an automobile dealer from Coffeyville, Kansas. I am here to speak to you about a fairness issue. An issue that is not for or against taxes, neither for or against business, government or auto dealers, that's as basic as taxation without representation.

Unlike Oklahoma and Missouri, current Kansas law requires auto dealers to collect sales tax on autos sold to Kansas residents determined by the rate in effect at the point of purchase. Residents of jurisdictions with local and county taxes who go to low tax sights to purchase their vehicles skirt the levy they voted into effect. Residents who go to high tax areas to purchase, deprive their home jurisdiction of revenue and leave it with the other person. And we are not talking small change here, either.

If a person goes out of state, purchases a vehicle and brings it to Kansas, the county and the city lose money and the neighbor who left his dollars in Kansas must pay an even higher burden to make up for this loss of revenue. People 1,400 miles along the border of Kansas are encouraged to register out of state to save hundreds of dollars.

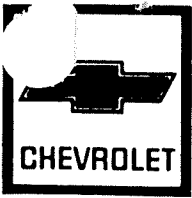
Fairness and reason would seem to compel any fair minded person to reach the same conclusion other states have. To collect tax based on the RESIDENCE of the purchaser. Collect it by the tag and title issuing jurisdiction and collect it at the time of registration.

This is a win-win situation for everyone with NO additional burden to government.

Benefits:

- 1) Money in the hands of the county treasurers and thereby the Department of Revenue immediately.
- 2) Fair to everyone. Those who vote for local options-pay for it; those who don't-don't.
- 3) Conforms to surrounding states practices.
- 4) Reduces incentive to run out of state tag to reduce tax burden along Kansas 1,400 miles of border counties.
- 5) Cost neutral--the personnel to collect and administer the taxes are already in place and currently collecting sales tax every day anyway.
- 6) Revenue neutral for local jurisdiction. Sales to out-of-towners will seldom exceed pump-ins from local people who go out of town and bring her back home.

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Attachment 3



PERL CHEVROLET-BUICK

806 W. 8th Street

COFFEYVILLE, KANSAS 67337

Telephone (316) 251-4050



KANSAS VS OKLAHOMA TAX LOAD ON NEW PICKUP TRUCK

	Oklahoma	Kansas
List Price	Base \$12754	
	Freight 550.	
Options	3257.	Same
option discount	1657.	
Transaction price \$13775.		
oklahoma		Sales Tax State \$551.00
Title	11.00	City Tax 137.75
Tag (1.25% of list)	177.00	County Tax 137.75
Excise (3.25% of list)	524.00	Property Tax (Montg. Co.) 539.77
Inspection	5.00	Title 9.00
Total cost	718.00	Tag 26.00
		Total Cost \$1402.27



STATE OF KANSAS

GARY H. BLUMENTHAL
REPRESENTATIVE, TWENTY-THIRD DISTRICT
JOHNSON COUNTY
10125 EDELWEISS CIRCLE
MERRIAM, KANSAS 66203-4608
HOME (913) 262-4635
CAPITOL OFFICE (913) 296-7693



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: EDUCATION
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JOINT COMMITTEE ON ADMINISTRATIVE RULES
AND REGULATIONS

House Tax Committee

Feb. 21, 1989

Mr. Chairman and Members of the Taxation Committee, I appreciate this opportunity to testify in opposition to HB 2097. The issues addressed in this bill are not new to this committee. This bill is very similar to a bill introduced, considered, and rejected in the 1986 legislative session.

On a variety of occasions, in the last several years, the Kansas Motor Car Dealers Association have asked this committee to pass similar legislation, which they perceive would be of favorable consequence to some of their members, but it would be of significant negative consequence to many of the cities and counties who have worked aggressively and cooperatively with car dealers to create a favorable business climate in which to host many car dealerships.

HB 2097 would exempt local car dealers from the responsibility of collecting county and city sales tax. This would represent a tremendous loss of dollars for many

*2/21/89
Attachment 4*

municipalities and counties, who while faced with a significant loss of revenue, would still be expected to provide a safe and well maintained road system, adequate police protection, and a variety of other costly city services to car dealerships who would not be providing their fair share of city revenue to pay for these services.

Merriam, one of the cities I represent in the Kansas Legislature, would suffer significant harm from the implementation of this bill. Our city is the home of five large car dealerships. Revenue generated from auto sales tax constitutes close to 20% of our city's total sales tax revenue. The loss of this revenue could result in a significant disruption of city services, an ironic twist of fate in view of the need for road repair and maintenance required by the presence of our car dealerships. This possible loss of revenue would come at a particularly difficult time for all cities who are attempting to deal with the impact of reappraisal and classification. As you well know, these cities would be severely limited in their ability to generate new revenue to replace lost sales tax revenue.

The provisions of HB 2097 would instead award local sales tax revenue to the local jurisdiction of the car purchaser. This change of situs regarding local sales tax revenue would represent a dramatic shift in tax policy; many communities

that have not worked hard to develop a business climate would be the recipients of aggressive work and expansion occurring in other communities. If such a change were to occur, I greatly fear that we would soon see the erosion of the sales tax as a possible source of revenue for the state in future funding considerations. Local municipalities with a limited business climate would soon rush to enact their own local sales tax to cash in on this new source of local revenue. In a session in which we are considering the possibility of a sales tax increase to help fund a highway program, it is safe to predict that with local municipalities and counties rushing to enact their own local sales tax; this source would significantly diminish for the state.

In a time when we would like to encourage economic development throughout the state, this bill would also serve as a significant disincentive to local communities who work hard to attract businesses within their borders. This bill would set a bad precedent that may cause local communities to avoid wanting to cooperate with local businesses.

Additionally, HB 2097 would create another burden upon the purchaser of an automobile. If this bill is enacted the purchaser would be required to pay a portion of his/her sales

tax to the county treasurer at the time of registration. Currently most car purchasers will include their state and local sales tax in the loan amount that they often seek to enable them to make their purchase. This bill would require the purchaser to come up with the extra cash to now make this payment in one lump sum, in cash, at the time of registration. For individuals of moderate and limited income, this would represent a significant hardship in addition to the dollars that they must come up with to pay their personal property tax, license, and insurance.

Looking further down the line, HB 2097 is simply bad tax policy. Where shall we draw the line in determining future situs questions? Should we next consider other large ticket items, such as washing machines, refrigerators, computers, etc, that also represent large expenditures of money? I greatly fear that the enactment of HB 2097 would open a Pandora's box regarding a whole variety of additional items that would make our State's sales tax policy resemble Swiss Cheese.

Finally I believe that this bill truly represents a special interest bill. The primary proponents of this legislation, The Kansas Motor Car Dealers Association, support it for one primary reason: the desire to assist individual car dealers

in conveying the illusion to the purchaser that they are getting "a better deal". A car dealer told me that his motivation was simply to be able to show his purchaser in the showroom a low bottomline price. The dealers assume that the illusion of exempting the local sales tax from appearing on the sales slip will make any purchaser think he has found a lower overall price. However this "better deal" will be viewed by the consumer as a "raw deal", when he/she has to come up with the extra cash when registering the vehicle at the county treasurer's office.

Additionally some urban dealers contend that this bill is needed to place all car dealers on an even playing field so that city car dealers will be in a better spot to compete with rural car dealers who may have no local option city or county sales tax. This expression of self-interest make work to the advantage of the city dealer, but I must ask is the function of the legislature to assist a special interest group in resolving its internal tug of war?

This morning I have with me representatives from the City of Merriam, who would also like to share their objections. I sincerely appreciate this opportunity to appear before the committee and would sincerely appreciate your rejection of HB 2097.

Tax Committee

Feb. 21, 1989

Eric Wade

City Administrator

City of Merriam, Kansas

Mr. Chairman, Members of the Committee, I am Eric Wade, City Administrator of the City of Merriam. We are most concerned about the issue being discussed at this time by this committee, the issue known as automobile sales tax situs. 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 auto 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 past expansions. In addition to Van Chevrolet, Merriam is the home ;of three other large auto dealerships, who together will produce approximately \$299,000 in retail sales tax to the city in the past calendar year. This figure represents

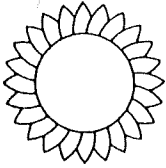
*2/21/89
Attachment 5*

close to 20% of our anticipated sales tax revenue. Loss of this revenue would be devastating to our capital improvement program, which is used every year to fund badly needed street and drainage improvements.

We also believe that there are other very serious problems with attempts to change the sales tax situs of auto 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 sales tax liability, which is now a common practice in Kansas. If the point of collection is with the auto dealer under a situs change, a terrible burden will be placed on the dealer to determine the taxing jurisdiction involved.

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 others in opposing legislation to change the situs of auto sales tax and urge the Committee to study closely not only the statewide impact of this change, but also the city by city and county by county impact of this change.

Thank you.



Johnson County
Kansas

February 21, 1989

HOUSE TAXATION COMMITTEE

HEARING ON HOUSE BILL NO. 2097

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the committee, I am Gerry Ray, representing the Johnson County Board of Commissioners and appearing today to express the Board's opposition to House Bill 2097.

In Johnson County vehicle sales are an important facet of the local economy. Several of the cities within the county have worked diligently to attract and retain the dealerships. The compensating use tax collected on vehicle sales assist the cities and county to offset the cost of maintaining the streets and providing other support services to these dealerships. Local governments have sought to develop the industry based on the existing law, to change that law now is not a justifiable action.

The Johnson County Commission believes the bill will have an adverse effect on the revenue sources of our area which is especially concerning when we are facing the impact of reappraisal with the accompanying levy freeze. The Committee is urged to find that the House Bill 2097 is not in the best interest of local communities and recommend against its passage.

*2/21/89
Attachment 6*



Overland Park

February 20, 1989

by Alan Sims

The Honorable Keith Roe, Chairman
and Members of the House Ways and Means Committee
State Capitol
Topeka, Kansas 66612

Dear Chairman Roe and Members of the Committee:

On behalf of the Governing Body of Overland Park, I would like to express our strong opposition to House Bill 2097, which would exempt the sale of all registered motor vehicles from countywide and city retailers' sales tax and impose a compensating use tax based upon the residence or place of business of the purchaser of the vehicle.

One severe problem with House Bill 2097 is that the exact financial impact is unknown. Given the significance of the policy change being considered, it would seem imperative that the Committee's decision be made with the knowledge of the fiscal result on the cities and counties statewide.

Despite the absence of empirical evidence, it would appear that this bill would have a negative impact on cities and counties which have strong motor vehicle retail activity. Any loss of revenue would have to be replaced; and the most likely, if not only, recourse would be through increased property taxes. In effect, then, this bill would penalize those cities and counties which have undertaken local economic development efforts to broaden their tax base and decrease their reliance on property taxes. It would also decrease the amount of revenue available for future local economic development efforts.

Another problem with this bill is that it would create a visible inducement for abuse by making it profitable for persons to register their vehicles in counties and cities without local sales taxes instead of where they legally reside.

Finally, if this bill were to become law, one practical result would be to discourage cities from allowing new motor vehicle retail centers from being developed because there would be no financial benefit to be derived to offset the additional costs of providing municipal services to such retail centers. While the existing retailers may find this to be to their advantage, I would submit to you that this would curtail the further economic development potential in this area; and consequently, cities, counties and the state as a whole would suffer.

*2/21/89
Attachment 7*

The Honorable Keith Roe, Chairman
and Members of the House Ways and Means Committee
February 20, 1989
Page 2

Therefore, I would urge the Committee to recommend this bill as not favorable for passage, and I thank you for your consideration in this regard.

Sincerely,



Ed Eilert
Mayor

EE:jm

cc: Governor Mike Hayden
Johnson County Delegation

Mark Parkinson's Testimony
On Behalf of Olathe Area Chamber of Commerce
In Opposition to House Bill 2097

My name is Mark Parkinson. I am a practicing attorney and serve as Chairman of the Legislative Committee for the Olathe Area Chamber of Commerce.

For several years our Chamber has considered changes in situs legislation that resembles House Bill 2097. Every year we have chosen to oppose changes in the existing system. We have reached a similar conclusion this year and oppose this legislation. I would like to take a few moments to explain the reasons we oppose this bill.

First, the legislation is detrimental to Olathe and other commerce centers. For over 125 years Olathe has served as a center of commerce for outlying towns and counties to our south. Retail and service businesses have long depended on and generated a large volume of customers outside our city limits. It has been a great boon to our community, but it is not without costs. Communities like Olathe have paid for this commerce through heavier street usage, extra public access parking, more restrictive zoning, increased public safety needs, and other development costs.

This legislation is detrimental because it deprives Olathe and similar communities of the ability to pay for these additional public services. Sales tax revenues have become the primary source of revenue to pay for these extra costs. House Bill 2097 would cut this revenue and the result would be a cut in the services we provide.

The second reason we oppose this legislation is that it could create a burden on the consumer. Currently consumers frequently finance the entire sales tax cost of vehicles.

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Attachment 8
~~8~~

House Bill 2097 would eliminate that financing method and require up front money to pay for county and local sales tax. This is not always a small consideration. For example if both a city and county have a one percent sales tax, House Bill 2097 will require a purchaser of a \$15,000 vehicle to have an additional \$300 up front. Obviously, this could create hardships. To the extent that it would result in decreased car sales or the purchase of cheaper vehicles, House Bill 2097 would actually result in less sales tax revenue.

Finally, we are not persuaded that the legislation would save the car dealers many paperwork headaches. Under the bill the dealers would still be required to track, file, and pay state sales tax. It is only the city and county paperwork that the bill spares them, so the dealers will still have to keep their sales tax collection methods in place.

In summary, House Bill 2097 would cause an adverse economic impact on Olathe and similar cities by depriving a source of revenue needed to pay for services required by a large volume of shoppers. In addition, it could prove difficult to consumers and inhibit their buying decisions. Finally, it is not an answer to the car dealers paperwork load.

For these reasons, the Olathe Area Chamber of Commerce, representing over 800 members, opposes House Bill 2097.

8.2



CITY OF OLATHE

MEMORANDUM

TO: Members of the House Taxation Committee
FROM: Donald R. Seifert, Development Services Director
SUBJECT: House Bill 2097 - Sales Tax; Situs of Motor Vehicles
DATE: February 21, 1989

Thank you for the opportunity to appear today before the Committee on this matter of great importance to our community. The City of Olathe strongly opposes HB 2097, which would have the effect of changing the collection of local sales tax on motor vehicles from the point of sale to the point of registration. Our opposition to this bill is both philosophical and practical.

Philosophically, taxation at the point of sale has always been a fundamental principle of the retailers sales tax. We are aware of no reason why the sale of motor vehicles should now be treated differently. Local sales taxes help cities provide basic services to local retailers and their customers, no matter where they live.

On the practical side, the City is greatly concerned about the potential revenue loss from this bill. Although we have no precise figures, our auto dealers in the past have indicated that a majority of new car sales are made to non-Olathe residents. Situated in a border county, we recognize that some of these sales are made to Missouri consumers, and thus not subject to our sales tax. We also recognize that HB 2097 would recapture some sales tax from Olathe residents who purchase their cars elsewhere. We do know that our local 1% sales

*2/21/89
attachment 9*

tax contributes nearly \$6 million toward the Olathe City budget and that about one-third of the retail sales in the community relate to motor vehicle sales. On balance, we greatly fear a net revenue loss from this bill. This would be in addition to our revenue loss effective January 1, 1989 from the elimination of the motor vehicle stamp tax.

Due to demographics and accessibility, Olathe has long been an attractive location for automobile dealers. The City has consciously invested in public improvements, particularly roads and interchanges, to maintain this position. Providing services to auto dealers and all retailers costs money. Loss of sales tax revenue would have to be made up elsewhere, most likely from the property tax. As major owners of commercial real estate, we doubt if this alternative would be acceptable to auto dealers.

Finally, we believe this bill will complicate administrative collection of the sales tax on motor vehicles. The dealer still has to collect the state share, as well as provide a notice to the purchaser that he may have to pay more. The county treasurer then collects the local share when the vehicle is registered. Our county treasurer is having difficulty now keeping up with the workload associated with just registration and collection of property tax. What about the further revenue loss from the bad checks written to the treasurer?

From the language in line 115, it appears that bad checks are expected when the local sales tax is paid separately by the customer.

For these reasons, we urge you to leave this bill in your Committee. Thank you for your consideration.

q-2



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of its Member Kansas Cities. 112 West Seventh Street, Topeka, Kansas 66603 Area 913-354-9565

TO: House Committee on Taxation
FROM: E.A. Mosher, Executive Director
RE: HB 2097 -- Local Taxation of Motor Vehicle Sales
DATE: February 21, 1989

By action of our Finance and Taxation Committee, the League opposes HB 2097. This position is consistent with a League convention-adopted policy statement which provides: "The general rule of taxability at the situs of sale for the local option retailer's sales tax should be continued."

Our position in opposition to a change in the local sales taxation of motor vehicles from the situs of sale to the situs of registration is not unanimously shared by all local officials; the existence and rate of local sales taxes are not uniform throughout the state, nor are the location of vehicle dealers. However, there is a widely shared belief in the basic situs of sale concept, which this legislature has reaffirmed on several occasions in the past.

A switch from a situs base to a place of use basis for local sales taxes could result in severe administrative and collection problems -- where do you draw the line on either prices or products? For example, what about boats, or boat motors? Should a new car engine be subject to a local sales tax at situs of sale or situs of use? How about computer equipment or other (still-taxable) machinery and equipment, or even a suit of clothes? If the situs rule is used for "big ticket" items, at what sales price level do you establish?

It is probable that perceived inequities may occur no matter what taxability rule is used. We suggest the situs of sales rule we have had in the past should be continued.

*2/21/89
Attachment 10*

*President: Douglas S. Wright, Mayor, Topeka * Vice President: Irene B. French, Mayor, Merriam * Past President: Carl Dean Holmes, Mayor, Plains
* Directors: Margo Boulanger, Mayor, Sedan * Nancy R. Denning, Commissioner, Manhattan * Ed Eilert, Mayor, Overland Park * Greg Ferris,
Councilmember, Wichita * Frances J. Garcia, Commissioner, Hutchinson * William J. Goering, City Clerk/Administrator, McPherson * Jesse Jackson,
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Russell * Joseph E. Steineger, Mayor, Kansas City * Bonnie Talley, Commissioner, Garden City * Executive Director: E.A. Mosher*