

Approved _____

Date

Keith Roe
3/1/90

MINUTES OF THE House COMMITTEE ON Taxation

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

9:00 a.m. ~~pm~~ on February 27, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Representative Michael O'Neal

Representative Guldner requested Staff to prepare information on policy options on assessments of lodges and golf courses and whether or not a constitutional amendment would be required.

A motion was made by Representative Reardon, seconded by Representative Long, to introduce a resolution which would resolve conflicts between various earlier Reclassification Amendments and eliminate most of the objections raised about HCR 5039, HCR 5043 and HCR 5048. The motion carried.

Chairman Roe requested the Committee to turn to HB 2852.

Representative Michael O'Neal testified in support of HB 2852, stating that current taxation of motor vehicles is inequitable for those people whose last names are in the last half of the alphabet - those people end up paying more taxes. He also stated that this bill is to correct the so-called "glitch" in the motor vehicle tax, whereby depreciation is based on the model year of the vehicles and not on the year in which they are purchased. (Attachment 1)

Chairman Roe concluded the hearing on HB 2852.

The minutes of February 23, 1990, were approved.

The meeting adjourned at 9:30 a.m.

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N - Statehouse

Phone 296-3181

February 26, 1990

TO: Representative Michael O'Neal

Office No. 426-S

RE: H.B. 2852

This is in response to your request to demonstrate the impact of H.B. 2852 on the motor vehicle tax burden borne by hypothetical taxpayers "A" and "T," both created in my memo dated October 13, 1989 (Attachment 1).

As you know, the new methodology for calculating motor vehicle depreciation for motor vehicle tax purposes was created in H.B. 2852 to correct the perceived inequity based on surnames that exists under current law. The attached tables demonstrate that the inequities would by and large be eliminated for the hypothetical taxpayers under the provisions of H.B. 2852 (Attachments 2-4).

The other major policy objective of H.B. 2852 is to correct the so-called "glitch" in the motor vehicle tax, whereby depreciation is based on the model year of the vehicles and not on the year in which they are purchased. The bill provides that when a new vehicle is purchased in the year prior to its model year, then the year of purchase becomes its model year.

I hope this information is helpful to you. If you have further questions, please contact me.



Chris W. Courtwright
Research Analyst

CC/jar

Enclosures

*2/27/90
attachment 1*

MEMORANDUM

Kansas Legislative Research Department

Room 545-N -- Statehouse
Topeka, Kansas 66612-1586
(913) 296-3181

October 13, 1989

To:

From: Chris Courtwright

Re: Alphabetized Registration Schedule for Motor Vehicle Taxes

This memo is in response to your request for an example regarding the application of the motor vehicle tax for two hypothetical taxpayers in the same county who purchase the same new car at the same time, but have surnames at different extremes of the alphabet.

As you know, motor vehicles are registered according to a staggered registration schedule based on the first letter of the owners' surnames. I have attached a copy of that schedule provided by the Department of Revenue.

In our example, we will assume that two taxpayers with surnames beginning with "A" and "T", respectively, purchased identical motor vehicles valued at \$15,000 each with a model year of 1989 in June, 1989 and registered those vehicles on July 1, 1989. Further assume for the sake of simplicity that neither taxpayer previously had a vehicle, so no credit for prior taxes paid is due.

The countywide average mill levy would be applied to 30 percent of the trade-in value when new, or \$4,500 for both vehicles. Assuming that the countywide average mill levy is 120, the annual liability on each vehicle would be \$540. Since the expiration date for A's registration is the end of February, he would owe 8 months' liability, or \$360. When A renews in February of the next year, the tax would be based on the midpoint of the value class, depreciated 16 percent; thus, the taxable value of the vehicle would be \$12,600. Assuming the countywide average mill levy did not change, the 120 mills then would be applied to \$3,780 (\$12,600 x 30 percent), and he would owe \$453.60 to register the vehicle for the next full year.

Taxpayer T, on the other hand, would owe 5 months liability on the initial registration, since his registration normally expires at the end of November. So to register his vehicle from July 1 through November 31 T would incur a liability of \$225 (5/12ths of \$540). At time for T's renewal, however, the 16 percent depreciation would not have started, since the model year is the same as the registration year. T would therefore owe the full \$540 to renew his registration for the next full year, and would pay a total of \$765 in calendar year 1989.

Extending this analysis for another year, the renewal cost for both A and T would be \$453.60 in 1990, and \$381.02 in 1991.

Continuing the constant mill levy assumption and annual depreciation, the enclosed Table 1 shows that if both A and T disposed of the vehicles on December

31, 1994, collecting their respective amounts of refunds due, T would have paid \$236 more in motor vehicle taxes after owning the vehicles for five and one-half years.

If one assumes that the vehicles had a 1990 model year, an identical analysis reveals a difference of \$203 more in taxes paid by T (see Table 2).

Table 1

Model Year 1989 Vehicles Purchased in June 1989 and Sold in December 1994

Year	Depr Value	Tax Value	Tax @ 120 M	Initial Prorate	A's Tax	T's Tax	
1989	\$15,000	\$4,500	\$540	8 Mos.	\$360	\$765	(405)
1990	12,600	3,780	454		454	454	0
1991	10,584	3,175	381		381	381	0
1992	8,891	2,667	320	5 Mos.	320	320	0
1993	7,468	2,240	269	\$225	269	269	0
1994	6,273	1,882	226		226	226	0
Total					\$2,009	\$2,414	(405)
Value of Remaining Registration					38	207	(169)
Net Tax					<u>\$1,972</u>	<u>\$2,207</u>	(236)

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Table 2

Model Year 1990 Vehicles Purchased in June 1989 and Sold in December 1994

Year	Depr Value	Tax Value	Tax @ 120 M	Initial Prorate	A's Tax	T's Tax	
1989	\$15,000	\$4,500	\$540	8 Mos.	\$360	\$765	(405)
1990	\$15,000	4,500	540	\$360	540	540	0
1991	12,600	3,780	454		454	454	0
1992	10,584	3,175	381	5 Mos.	381	381	0
1993	8,891	2,667	320	\$225	320	320	0
1994	7,468	2,240	269		269	269	0
Total					\$2,324	\$2,729	(405)
Value of Remaining Registration					45	246	(202)
Net Tax					<u>\$2,279</u>	<u>\$2,482</u>	(203)

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Model Year 1989 Vehicles Purchased in June 1989 and Sold in December 1994

Year	Depr Value	A's Tax Value	T's Tax Value	Initial Prorate	A's Tax @ 120 M	T's Tax @ 120 M	T's Adv
1989	\$15,000	\$14,600	\$12,800	8 Mos.	\$350	\$686	(335)
1990	12,600	12,264	10,752		442	387	54
1991	10,584	10,302	9,032		371	325	46
1992	8,891	8,653	7,587	5 Mos.	312	273	38
1993	7,468	7,269	6,373	\$6,250	262	229	32
1994	6,273	6,106	5,353		220	193	27
Total					\$1,956	\$2,093	(137)
Value of Remaining Registration					37	177	(140)
Net Tax					\$1,919	\$1,917	\$2
Sell on 12/31/94							

Attachment 2

1-1

Model Year 1989 Vehicles Purchased in June 1989 and Sold in February 1995

Year	Depr Value	A's Tax Value	T's Tax Value	Initial Prorate	A's Tax @ 120 M	T's Tax @ 120 M	T's Adv
1989	\$15,000	\$14,600	\$12,800	8 Mos.	\$350	\$686	(335)
1990	12,600	12,264	10,752		442	387	54
1991	10,584	10,302	9,032		371	325	46
1992	8,891	8,653	7,587	5 Mos.	312	273	38
1993	7,468	7,269	6,373	\$6,250	262	229	32
1994	6,273	6,106	5,353		220	193	27
Total					\$1,956	\$2,093	(137)
Value of Remaining Registration					0	145	(145)
Net Tax					\$1,956	\$1,949	7
Cash in on 2/28/95							

Attachment 3

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Model Year 1989 Vehicles Purchased in June 1989 and Sold in June 1994

Year	Depr Value	A's Tax Value	T's Tax Value	Initial Prorate	A's Tax @ 120 M	T's Tax @ 120 M	T's Adv
1989	\$15,000	\$14,600	\$12,800	8 Mos.	\$350	\$686	(335)
1990	12,600	12,264	10,752		442	387	54
1991	10,584	10,302	9,032		371	325	46
1992	8,891	8,653	7,587	5 Mos.	312	273	38
1993	7,468	7,269	6,373	\$6,250	262	229	32
1994	6,273	6,106	5,353		220	0	220
Total					\$1,956	\$1,901	55
Value of Remaining Registration					147	96	51
Net Tax					\$1,809	\$1,805	4
Cash in on 6/30/94							

Attachment

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