

Approved: March 22, 1999  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Vice-Chairperson Clay Aurand at 9:00 a.m. on February 11, 1999 in Room 519-S of the Capitol.

All members were present except: Rep. Edmonds - excused  
Rep. Ray - excused

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Shirley Sicilian, Department of Revenue  
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Representative Don Myers  
Representative Patricia Lightner  
Lyle Winfrey, Overland Park  
Representative Lisa Benlon  
Bruce Snead, City Commissioner, Manhattan  
Lee Eisenhower, Executive Vice President, Propane Marketers of Kansas  
Benjamin Watson, Kansas Regional Clean Cities Coalition Coordinator  
Robert Housh, Executive Director, Metropolitan Energy Center  
Otto Sitz, Alternative Fuels Energy Specialist for the KCC

Others attending: See attached list

The Vice Chairman, Representative Clay Aurand, called the meeting to order.

The Vice Chairman opened the public hearing on:

**HB 2199 - Sales tax refund authorized on certain isolated sales of motor vehicles**

The Fiscal Note was distributed for **HB 2199** (Attachment 1).

Proponents:

The Vice Chairman introduced Representative Don Myers, Proponent and co-sponsor of the bill (Attachment 2).

The Vice Chairman introduced Representative Patricia Lightner, Proponent, and co-sponsor of the bill, who introduced a constituent in District 29, Overland Park, Lyle Winfrey, Proponent, who gave testimony regarding **HB 2199** (Attachment 3).

The Vice Chairman introduced Representative Lisa Benlon, Proponent and co-sponsor of the bill (Attachment 4). Representative Benlon also distributed a copy of the Missouri Department of Revenue Refund Request Affidavit (Attachment 5).

Questions and discussion followed testimony.

The Vice Chairman closed the public hearing on **HB 2199**.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 11, 1999.

The Chairman opened the public hearing on:

**HB 2226 - Alternative-fueled vehicles, incentives**

Proponents:

The Chairman introduced Bruce Snead, City Commissioner of Manhattan, Kansas, Proponent (Attachment 6).

The Chairman introduced Lee Eisenhauer, Proponent, Executive Vice President, Propane Marketers Association of Kansas (Attachment 7).

The Chairman introduced Benjamin Watson, Proponent, Kansas City Regional Clean Cities Coalition Coordinator (Attachment 8).

The Chairman introduced Robert Housh, Proponent, Executive Director Metropolitan Energy Center, Kansas City, no written testimony was submitted. Mr. Housh indicated that he supports the testimony of Mr. Watson and emphasized that in the case of Kansans, alternative fueled vehicles are really an economic development tool also besides clean air and air quality. No written testimony was submitted.

The Chairman introduced Mr. Otto Sitz, Proponent, Alternative Fuels Energy Specialist for the Kansas Corporation Commission (Attachment 9).

The Chairman closed the public hearing on **HB 2226**.

The Chairman recognized Representative Kirk and he asked the committee to turn their attention to **HB 2176** given the fact that the committee was looking at some of the sales tax matters on motor vehicles. Representatives Kirk explained that it was the bill introduced last year by Dennis Wilson and Jack Wempe having to do with the exemption from sales tax, the first \$2,000 on an automobile, and the reason for recommending it was to target tax benefits to those people that really needed it. She noted that transportation is a major impediment and the impact is significant for those that buy a less costly vehicle.

The Chairman opened the meeting to bill introductions.

The Chairman recognized Representative Jenkins who made a motion, and was seconded by Representative Wilk, to request a committee bill for a sales tax exemption on tickets to high school activities and professional sports activities in Kansas. Motion carried.

Representative Adkins made a motion, and seconded by Representative Aurand, to request a committee bill that would deal with the rollback of state mill levies when valuations create windfalls that would allow for a margin for growth, but would require mill levies to be reduced by any increase in dollars received beyond growth. Motion carried.

The meeting adjourned at 10:20 a.m.

The next meeting is scheduled for February 16, 1999.

HOUSE TAXATION COMMITTEE

GUEST LIST

DATE: Feb. 11, 1999

Diane Stoddard City of Manhattan	
BRUCE SNEAD CITY OF MANHATTAN	
DENNIS BROWN KANSAS GAS SERVICE	
BENJAMIN WATSON KC Regional Clean Cities Coalition	
Lee Eisenhauer	Propane Marketers Assn of KS
Otto A. Sutz	KCC
Kelly Kuytala	City of Overland Park
Whitney Damron	KS Gas Service
Jason Finson	Intern: Rep. Clay Award
<del>Scott Schaeffer</del>	<del>MGA</del>
Larry Klemman	League of KS Municipalities
Dave Johnson	Western Reserve
Rich McKee	KLA
George Petersen	Ks Taxpayers Network
Lyle Winfrey	Resident 29th Dist
Patricia Gartner	Rep.
George Welch	Barbee + Assoc.

STATE OF KANSAS



DIVISION OF THE BUDGET  
 Room 152-E  
 State Capitol Building  
 Topeka, Kansas 66612-1575  
 (785) 296-2436  
 FAX (785) 296-0231

Bill Graves  
 Governor

Duane A. Goossen  
 Director

February 10, 1999

The Honorable David Adkins, Chairperson  
 House Committee on Taxation  
 Statehouse, Room 448-N  
 Topeka, Kansas 66612

Dear Representative Adkins:

SUBJECT: Fiscal Note for HB 2199 by Representative Myers, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2199 is respectfully submitted to your committee.

HB 2199 would provide a refund for sales tax paid when a motor vehicle is purchased as a replacement. To qualify for the replacement refund, the original vehicle would have to be sold either within 30 days prior to the purchase of the replacement vehicle or within 30 days after the purchase. This bill only includes sales between individuals. It does not include sales made by dealerships.

Estimated State Fiscal Impact				
	FY 1999 SGF	FY 1999 All Funds	FY 2000 SGF	FY 2000 All Funds
Revenue	--	--	(\$3,400,000)	(\$3,600,000)
Expenditure	--	--	\$182,277	\$182,277
FTE Pos.	--	--	--	5.0

HB 2199 would increase state expenditures, decrease state revenues, and increase the size of the state workforce. In FY 2000, the Department of Revenue estimates that this bill would decrease state revenues by \$3.6 million. The distribution of the decrease in revenues would be a \$3.4 million reduction to the State General Fund and a \$200,000 reduction to the State Highway

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Fund. In FY 2001, the revenue reduction would total \$3.7 million, including a \$3.5 million reduction to the State General Fund and a \$200,000 reduction to the State Highway Fund.

The Department of Revenue bases its estimate on data obtained from Missouri, which has this type of sales tax refund program. According to these data, Missouri receives 14,040 refund requests per year with an average refund request of \$425 for state sales tax only. The state sales tax rate in Missouri is 4.22 percent and the total dollar value on which the refunds are paid is \$141.2 million.

The Department combined the Missouri data with information specific to Kansas. First, the population of Kansas is approximately one-half of Missouri's population, so the total dollar value of \$141.2 million was reduced accordingly to \$70.6 million for Kansas. This amount is assumed to be the total dollar value on which Kansas refunds would be paid. Second, the state sales tax rate in Kansas is 4.9 percent, and third, a 4.0 percent growth rate was applied.

HB 2199 also would increase expenditures and the size of the state workforce. According to the Department of Revenue, passage of this bill would increase the number of sales tax refunds processed. The administrative costs are estimated to be \$182,277 in FY 2000. This includes 5.0 FTE positions (3.0 Tax Examiner II positions and 2.0 Office Assistant III positions), "image enabled" workstations, telephone hardware and lines, and information systems costs for developing reports. The Department indicates that normal audit controls and procedures would not be sufficient to check for fraudulent applications. It is contended that if enhanced auditing controls need to be implemented, expenditures would be even greater than estimated. Any fiscal impact associated with the passage of HB 2199 is not reflected in *The FY 2000 Governor's Budget Report*.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Lynn Robinson, Revenue



TOPEKA

HOUSE OF  
REPRESENTATIVES
 COMMITTEE ASSIGNMENTS  
 VICE CHAIR INSURANCE  
 MEMBER TOURISM  
 TRANSPORTATION  
 UTILITIES

DON MYERS

 REPRESENTATIVE, 82ND DISTRICT  
 SEDGWICK COUNTY  
 613 BRIARWOOD  
 DERBY, KANSAS 67037  
 (316) 788-0014 HOME

 STATE CAPITOL BUILDING, ROOM 182-W  
 TOPEKA, KANSAS 66612-1504  
 (785) 296-7696

 Testimony - HB 2199  
 House Taxation Committee  
 February 11, 1999

Present statutes direct that sales tax will be paid only on the difference between the value of the trade-in and the replacement vehicle in the case where the consumer trades their vehicle through a licensed dealer.

Present Kansas statutes do not allow for a sales tax refund to Kansas consumers in a motor vehicle transaction if the consumer chooses to sell their own vehicle and then purchase a replacement without a trade-in.

The result is that if you, the consumer, want to sell your car to Uncle John before buying another, then you will be penalized, because you will effectively be paying sales tax on the value of the car you sold to Uncle John.

This HB 2199 will allow the consumer to apply for a refund for the amount of sales tax unjustifiably taken from them when they chose to individually sell the car.

Example:

Car A = replaced vehicle (used car) valued at \$8,000

Car B = replacement vehicle (new car) valued at \$20,000

Present Statute

To calculate sales tax on transaction through dealer:

Car B (\$20,000) - Car A (\$8,000) X sales tax at 5.9% - \$708

To calculate sales tax on transaction if you sell your own vehicle first:

Car B (\$20,000) X 5.9% = \$1,180

The net result is that should you wish to sell your car to Uncle John, it will cost you \$472 more in sales tax.

Doesn't seem fair does it. I urge you to pass this bill favorable and be fair with our tax-poor constituents. Thank you for your consideration.

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February 11, 1999

Testimony for  
Repeal of Double-Tax on Car Sales  
HB 2199

Members of the Committee:

Thank you for the opportunity to speak to you on behalf of my State Representative and District 29.

When Representative Lightner was campaigning for her present position, I asked her to bring this matter before the legislature and to my delight she has followed through on her campaign promise to correct what I strongly believe is an unfair situation.

Presently, if someone buys a car from a dealership and trades in their present vehicle, they only pay sales tax on the amount minus the trade-in value. However, if you purchase a car from the dealership and sell your car yourself, you do not receive credit on the sale of your used vehicle.

This is not fair. Whether you trade your car to a dealer or sell it to an individual, you should receive credit for the sale of your vehicle. Otherwise, you are being overtaxed for exercising your option of selling the car directly. This creates unfair bargaining power for the dealerships and punishes those who choose to sell their car themselves.

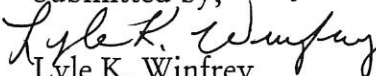
This happened to myself when I purchased a car from a dealership, and sold my old car. I paid sales tax on the full purchase price when I registered the vehicle but was not allowed any reduction in sales tax for the car I sold. If I had traded in my car to the dealer, I would have only been charged tax on the purchase price minus the trade-in value of my used car.

For example, if you buy a \$10,000 car from a dealership and trade in a car for \$1000, you pay sales tax on \$9000. But, if you buy that same \$10,000 car and sell your car outright for \$1000, you pay tax on \$10,000.

This is an unfair practice which will be fairly rectified with the passage of House Bill 2199.

Thank you for allowing me this opportunity to address this issue. I welcome any questions you have for me.

Submitted by,

  
Lyle K. Winfrey

9919 Grandview Avenue  
Overland Park, Kansas 66212  
(913)642-2048

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Attachment 2



Testimony before the House Taxation Committee

House Bill 2199

February 11, 1999

Chairman Adkins and Members of the House Taxation Committee,

Thank you for considering HB2199 concerning sales tax on vehicles. I added the provision of this bill to a sales tax bill on the floor of the House two years ago. It passed overwhelmingly at the time. However, as we all soon become familiar with the process, we find that conference committees often remove floor amendments. Such was the case with this amendment.

When an individual goes to a dealership to purchase a vehicle, the process is painful enough...one doesn't know whether he/she is getting a "good deal" on the price of the car. It further confuses the process when offering a vehicle for a trade-in. Obviously the dealership, theoretically, offers a 'wholesale' price for one's previously owned car or truck. After all, they are in the business of making a profit when they resale one's used car or truck to the subsequent owner.

This bill simply allows an individual who wishes to purchase a vehicle from a dealership and sell his/her used vehicle outright (rather than trading it in), the same consideration the individual who deals only with a dealership is offered.

For example, if one should purchase a new vehicle at the price of \$20,000 and trades in his/her used vehicle for a trade in value of \$4,000, he/she will only be required to pay sales tax on the difference, or \$16,000.

For the individual who purchases the same car for the price of \$20,000 and chooses to sell his/her used car to an individual, he/she ends up paying the sales tax on the total \$20,000 purchase.

HB2199 will simply allow an individual who sells his/her vehicle outright to ask for a refund of the difference if he/she should sell the used vehicle within a 30 day window either before or after the purchase of the new one.

I will be glad to answer questions.

Rep. Lisa Benlon

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Attachment 4





Testimony before House Taxation Committee on February 11, 1999  
On HB 2226 – Alternative Fuel Vehicle Incentives

by  
Bruce Snead  
City Commissioner  
Manhattan, KS

My name is Bruce Snead and I appear here today representing the City of Manhattan as a city commissioner. Thank you for this hearing and the opportunity to address the legislation introduced by Representative Jeff Peterson.

For several months, the City of Manhattan and representatives of the alternative fuels program at the Kansas Corporation Commission, Kansas Gas Service, the Propane Marketer's Association of Kansas, and Transportation Design and Manufacturing have worked together to propose these changes to the existing alternative fuel legislation in the State of Kansas. The proposed changes have been reviewed by the Kansas Department of Revenue.

What will these amendments accomplish ?

The proposed changes will clarify past confusion by updating the definitions of alternative fuel motor vehicle and alternative fuel fueling station and making them applicable to all the alternative fuel statutes. They also recognize the difference in investment costs between purchasing vehicles and installing fueling stations and increase the maximum amounts that can be loaned by the State to local government agencies;

- for incremental costs of purchasing of new alternative fueled motor vehicles, from \$2,000 to \$3,000.
- for conversion of new or existing motor vehicles to operate on alternative fuels, from \$2,000 to \$3,000
- for the construction of each alternative fuel fueling station, from \$100,000 to \$200,000.

The loan program is administered by the Secretary of Administration, has annual limits of \$100,00 per agency for vehicles, and \$200,000 per agency for fueling stations, has other positive compliance requirements, and all loans must be repaid within four years. The fund would be a vital resource for governmental entities, including school districts, to invest in alternative

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fuel vehicles and fueling infrastructure. These tax- exempt entities are unable to take advantage of the income tax credits available to the private sector. This fund was created in 1995, but has never received any funding allocation. Key to the success of this loan program is the allocation of funds.

Similar to the changes in the loan program for the public sector agencies are the expansion of the income tax credits for the private sector. It enables individuals and small fleet owners (less than 10 vehicles) to access income tax credits increased from \$2,500 to \$3,000 maximum per each new or conversion vehicle, and extends the credits through 2004, with a 10% reduction in the credit starting in 2005. Investments in alternative fuel fueling stations by individuals or small fleet owners could qualify for up to \$200,000 maximum credit through 2004, with a 10% reduction in the credit starting in 2005.

Why should you support this legislation?

Use of Kansas based alternative fuels such as propane and compressed natural gas benefits our environment by reducing air pollution, enhances our national energy security by reducing imported oil, and spurs economic development in our state.

The mobility and convenience of the automobile cannot be sustained without a change to fuel technology and infrastructure which is clean and environmentally sound. I believe both individual, local and state government action and example is essential in catalyzing a transition to clean fuels and non-polluting vehicles.

In partnership with the State and others, Manhattan has brought Transportation Design and Manufacturing's alternative fuel vehicle assembly plant to our community for economic development. Key to the adoption of new technologies is access, convenience and incentives. With our collaborative regional efforts to champion the use of alternative fuel vehicles, install public access fueling stations, and extend alternative fuel mobility along the I-70 corridor we are starting to address the challenge of access and convenience. This legislation expands the key ingredient of incentives to help spur action. I urge your support of it.

Thanks for your time and I look forward to any questions you may have.



*Propane Marketers Association of Kansas*

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Fax 785-354-1740

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Lee Eisenhauer  
Executive Vice-President

STATEMENT

By

Lee Eisenhauer

**Concerning House Bill 2226**

Presented Thursday, February 11, 1999

to the

House Committee on Taxation

Mr. Chairman and Members of the Committee:

My name is Lee Eisenhauer; I serve the propane marketers in Kansas as executive vice-president of their association.

We thank you for your consideration of House Bill 2226, and for the opportunity of being here today.

We support this bill as a means to encourage the use of clean-air motor fuels to help improve our environment, as well as strengthen our country's energy security by lessening dependency on foreign products, the purposes of the Environmental Protection and Clean Air acts.

One of the drawbacks to convincing Kansans to use alternative motor fuels - in our case, propane - is the lack of easily accessible refuelling stations. It is also a problem for travelers through our state who are accustomed to such accessibility. This tax incentive would help to encourage investing in the installation of such stations, using the modern equipment now available.

Also, as we all know, it usually takes some kind of incentive for most of us to invest in something new or different. The current tax incentive for purchase of, or conversion to, alternative fueled motor vehicles is limited to those with fleets of 10 or more vehicles. We believe that extending the credit to individuals and/or small fleets may provide the encouragement necessary for more clean air fuels usage.

We urge your passage of House Bill 2226, and thank you again for allowing us this time. I would be happy to try to answer any questions you may have.

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*Attachment 7*



HB 2226 Testimony To Kansas House Taxation Committee

February 11, 1999

My name is Benjamin Watson; I am the Kansas City Regional Clean Cities Coalition Coordinator for the Metropolitan Energy Center, administrator for the Coalition. The Coalition is a volunteer group of over 100 Kansas and Missouri businesses and organizations dedicated to increasing the use of domestically produced and clean-burning fuels in Kansas City regional fleets. The Coalition received the U.S. Department of Energy's Clean Cities designation on November 18, 1998.

I am here to testify in favor of the revision to the Kansas Alternative Fuel Incentives package. Since 1990 or earlier, Kansas has been very supportive of the introduction of Alternative Fuels and Vehicles in State, public and private fleets. In the early years, Kansas took the regional lead in promoting alternative fuel use through informational seminars, training, and public exhibits, such as the Alternative Fuels Roundup, and vehicle conversions.

This progressive leadership continues today through this legislative package that is being proposed. It is very timely to a growing interest to establish alternative fuel corridors linking Kansas with its neighbors, Oklahoma, Colorado, Missouri and Nebraska, along the interstate highway system.

This bill would improve the leveraging position that private sector funding sources, such as Ford Motor Company and other automakers are seeking when developing and funding alternative fuel infrastructure. The Coalition is expecting to be notified later this month of private sector funding of approximately \$200,000 for four to five compressed natural gas projects.

The Kansas City Clean Cities coalition is especially supportive of the Kansas alternative fuel government fleet loan fund portion of the bill. These types of programs have proven to be successful in accelerating the adoption of alternative fuel vehicles and infrastructure.

Good air quality is important to Kansas. This bill will help to improve air quality, especially in the metropolitan areas of Kansas City and Wichita. Both areas are expected to exceed the new federal air quality standard for ozone. Alternative fuel vehicles -- already part of the Kansas City regional ozone plan -- are a cost-effective strategy to comply with the standard.

You have the opportunity to advance the future of Kansas' changeover to cleaner-burning fuels that include fuels produced by Kansas businesses or grown by Kansas Agriculture. We no longer talk of these fuels as fuels of the future because they are here today. All that is needed is to strategically place the refueling infrastructure and make the cost competitive.

Thank you for the opportunity to make these comments.

**House Committee on Taxation**  
**Testimony of the Kansas Corporation Commission Staff**  
February 11, 1999

**House Bill 2226**

Chairman Atkins, members of the committee, I am Otto Sitz, Alternative Fuels Energy Specialist for the Corporation Commission. I appear today in support of HB 2226.

This bill makes three important changes to the existing alternative fuel legislation of the State of Kansas.

1. It extends and enhances the existing tax credits for the investment in alternative fuel vehicles and alternative fuel fueling infrastructure.
2. It allows small fleets and individuals to be eligible for the tax credits. This is extremely important in the case of an individual taxpayer willing to invest in an alternative fuel fill station.
3. It clarifies the definitions of "alternative fuel motor vehicle" and alternative fuel "fueling station" as proposed in K.S.A. 75-37,116, making them applicable in all sections of the alternative fuel statutes.

Kansas is in a favorable position to benefit greatly from any national growth in the use of any one of the alternative fuels because it produces and exports propane, natural gas and ethanol, and an ever-increasing number of alternative fuel vehicles and equipment.

Kansas already boasts three companies that produce alternative fuel buses, four plants producing ethanol, one producing alternative fuel airport tractors and one plant producing compressed natural gas (CNG) powered highway mowers. Pittsburgh University now has a \$30 million automotive & fuel emissions research center built mostly with federal funds. Troy Design and Manufacturing (TDM) operates in Manhattan producing propane-powered and CNG-powered F-150 and F-250 Ford pickup trucks plus CNG-powered Contour sedans.

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*Attachment 9*

A leader of the U.S. House of Representative once said "all politics are local." In Kansas, all the *benefits* of the national alternative fuels efforts are *local*.

Thank you. I would be happy to answer any questions.