

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman at 9:00 a.m. February 14, 2001 in Room 519-S of the Capitol.

All members were present except: Representative Mays, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferees appearing before the committee: Don L. McNeely, Kansas Automobile Dealers Assn.

Others attending: See attached list.

The Chairman opened the meeting for bill introductions.

By unanimous consent bill will be introduced to amend the statute requiring early payment of sales tax collections to raise the threshold to \$75,000 as requested by Hal Hudson on behalf of the National Federation of Independent Business. [HB 2512 - Sales tax payment timing]

By unanimous consent bill will be introduced to allow water customers to borrow from reserve account in water marketing fund to make repairs to reservoirs without having to be authorized each year as requested by Representative Flora. [HB 2506 - Use of reserve account in water marketing fund; authorizing the Kansas Water Office to borrow funds for certain purposes]

Hearing was opened on:

HB 2089 - Sales tax treatment of automobile manufacturer rebates.

Representative Gatewood presented testimony in support of HB 2089 (Attachment #1) and responded to questions from members of the Committee.

Don L. McNeely presented testimony in support of HB 2089 on behalf of the Kansas Automobile Dealers Association (Attachment #2). He responded to questions from members of the Committee.

Hearing on HB 2089 was closed.

Chairman Edmonds announced that he has been advised that the Rules require that bills introduced by exempt committees are in the general subject matter of the committee. To bring the Committee in line with the Rules of the House the Chairman will insist that bills to be introduced by the committee have some tax implications.

The meeting adjourned at 9:17 a.m. The next scheduled meeting is February 15.

GUEST LIST

DATE Feb 14, 2001

NAME	REPRESENTING
Kelly Kuitala	City of Overland Park
Don McNEELY	KS Automobile Dealers Assn.
Hal Iderson	NFIB / KS
George Peterson	KS Taxpayers Network
Charles Reesp	Midwest Energy
Ann O'Art	Federico Consulting
John A. ...	Pitt State University
Sandy Braden	Alliance for Auto Manufacturers
Dance Brewen	Beaumont, Ms.

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 REPRESENTATIVE, 1ST DISTRICT
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TOPEKA

HOUSE OF
 REPRESENTATIVES

TAX COMMITTEE
HB 2089

COMMITTEE ASSIGNMENT
 RANKING MINORITY MEMBER: e-GOVERNMENT
 MEMBER: FINANCIAL INSTITUTIONS
 TAXATION
 PUBLIC SAFETY BUDGET

HOTLINE NUMBER: 1-800-432-3924
 SPEECH/HEARING IMPAIRED: (785) 296-8430

Thank you Mr. Chairman and fellow committee members. The bill we have before us today, HB 2089 dealt with an issue I am sure each of you has had calls about. It is an issue about defining what is fair taxation regarding rebates for motor vehicles.

I am not talking about rebates returned to the consumer either. I am talking about a rebate that is returned to the dealership, which in my opinion now qualifies as a discount, since the consumer never comes in physical contact with the money.

Current Kansas statutes regards rebates as coupons. Coupons are deducted from the total sales price after tax has been added. This bill, which is restricted to motor vehicles, will re-define these rebates assigned to dealers as a factory discount which is deducted from the front end of the sale, therefore, non-taxable.

When you go to a furniture store and buy a couch that is on sale, you are taxed on the sales price, not the manufacturers' suggested retail or the regular price. That is the way it should be.

That is what I am asking in this bill. Why should anyone have to pay tax on a \$2000 rebate. If we want this revenue, I would ask we look at a luxury tax and then at least the consumer will see it for what it is instead of being taxed for something they never had.

HOUSE TAXATION

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KANSAS AUTOMOBILE DEALERS ASSOCIATION

February 14, 2001

To: Chairman John Edmonds and the Members of the House Committee on Taxation

From: Don L. McNeely, KADA President

Re: HB 2089 - Support

Good morning, my name is Don McNeely and I serve as President of the Kansas Automobile Dealers Association. I appear before you this morning in support of HB 2089, which would exclude manufacturer cash rebates from the taxable selling price of a new motor vehicle if the rebate is paid directly to the licensed new vehicle dealer.

It is no secret that motor vehicle manufacturers' rebates and incentives are an integral part of the pricing of many new vehicles, especially as inventories of a particular model increases or as the economy slows. Under current law, only dealer-sponsored discounts and incentives are allowed to reduce the taxable selling price of motor vehicles in Kansas. Thus, our members are placed in the difficult position of explaining why the "\$1000 Manufacturer Cash Rebate" the consumer receives from the automobile manufacturer is subject to Kansas Sales Tax, when the dealer's own discount or incentive is not.

This explanation and discussion with the consumer has increased considerably over the last 5 years, due to the fact the Missouri Legislature exempted manufacturers' rebates and incentives from Missouri Sales Tax. Yes, it is true if a Kansas consumer purchases a motor vehicle in Missouri, the Kansas County Treasurer in which the vehicle is to be domiciled should collect the sales tax on any manufacturer rebate or incentive. But, I would suggest this is not always occurring, as the Missouri dealer's bill of sale will in all likelihood have the manufacturer's rebate or incentive subtracted from the taxable selling price of the vehicle.

On behalf of the Kansas Automobile Dealers Association, I thank the Members of the Committee for allowing me to appear before you this morning, and I would be happy to answer any questions you may have.

Attachment

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HOUSE TAXATION

Date 2/14/01

Attachment No. 2

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Incentives in this table are national unless otherwise noted. Regional incentives may also be available and may vary from national incentives.

DAIMLERCHRYSLER CORP.

Expiration dates listed below. In lieu of rebates, 0.9 to 7.9 percent financing is available. Some models have both a rebate and cut-rate financing.

**2001 models
(Expires April 3)**

Dodge trucks

Ram 1500 pickup	\$2,000 or \$1,000 plus 0.9 to 7.9 percent financing
Ram 2500/3500 pickup	\$1,000

Minivans

Short wheelbase: Dodge Caravan, Chrysler Voyager	\$750
Long wheelbase: Dodge Grand Caravan	
Chrysler Town & Country	\$1,000

**2000 models
(Expires April 3)**

Dodges

Ram Conversion Van (selected models)	\$3,000
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Jeep

Wrangler (6-cyl. automatic)	\$625
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FORD MOTOR CO.

Expires April 2. In lieu of cash rebates, 0.9 to 8.9 percent financing is available on 2001 models. Some models have both a cash rebate and cut-rate financing. Some incentives may vary by region.

2001 models

Ford cars

Crown Victoria	\$1,500
Taurus	\$1,000 or \$1,000 plus 4.9 to 7.9 percent financing
Mustang V-6	\$500
Focus	No rebate, but 4.9 to 7.9 percent financing

Ford pickups

Ranger	\$1,000 or \$500 plus 4.9 to 7.9 percent financing
F-150 regular cab	\$500

Ford vans

Windstar	\$1,500 or \$1,000 plus 2.9 to 6.9 percent financing
Econoline E-150	\$1,000 or \$500 plus 4.9 to 7.9 percent financing

Ford sport wagon

Escape	No rebate, but 7.9 to 8.9 percent financing
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Ford suv

Expedition, Excursion	\$1,500
Explorer 4-door	\$1,500 or \$750 plus 0.9 to 2.9 percent financing
Explorer Sport 2-door	\$1,000 or \$1000 plus 2.9 to 6.9 percent financing
Explorer Sport Trac	No rebate, but 4.9 to 7.9 percent financing

Lincoln

Continental	\$2,500 or \$1,000 plus 3.9 to 7.9 percent financing
Town Car	\$1,500 or \$1,000 plus 3.9 to 7.9 percent financing
LS, Navigator	No rebate, but 8.9 percent financing is available

2000 models

Ford
No incentives on 2000 models

Lincoln
No rebates, but 7.9 percent financing on all models

Mercury
No rebates, but 7.9 percent financing on all models

GENERAL MOTORS

Expires April 2. Incentives are for all five regions, but programs may vary among regions. In lieu of rebates, the following finance rates are available on various models: 0.9 to 3.9 percent on all Oldsmobiles; other cars, 2.9 to 7.9 percent; Chevrolet Venture and Pontiac Montana, 0.9 to 4.9 percent; other trucks, 4.9 to 7.9 percent.

2001 models

Buick

Park Avenue Ultra	\$2,000
Other Park Avenue	\$1,500
Century, Regal	\$1,000
LeSabre	\$750

Chevrolet cars

Cavalier	\$1,500
Prizm, Malibu	\$1,000
Camaro V-6	\$1,000
Impala, Monte Carlo	No rebate, but 5.9 to 7.9 percent financing

Chevrolet pickups

S10/T10 Extended cab, 4-cyl.	\$1,500
Other S10/T10 (except Crew cab)	\$1,000
S10/T10 Crew cab	No rebate, but 5.9 to 7.9 percent financing
Silverado	No rebate, but 4.9 to 6.9 percent financing on half-ton regular cab and half-ton extended cab models

Chevrolet minivans, vans

Venture	\$1,000
Astro	\$500
Express cargo and conversion	\$500
Express passenger, and cutaway	No rebate, but 3.9 to 5.9 percent financing

Chevrolet SUV

Tracker	\$1,500
Blazer 4-door	\$1,000

GMC pickups

Sonoma Extended cab, 4-cyl.	\$1,500
Other Sonoma (except Crew cab)	\$1,000
Sonoma Crew cab	No rebate, but 5.9 to 7.9 percent financing

GMC minivans, vans

Safari	\$500
Express cargo and conversion	\$500
Express passenger and cutaway	No rebate, but 3.9 to 5.9 percent financing

GMC SUV

Jimmy 4-door	\$1,000
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Oldsmobile

Bravada	\$3,000
Alero, Intrigue	
Aurora, Silhouette	\$2,000

Olds owner loyalty

A loyalty bonus is offered to owners/lessees of 1996-2001 Oldsmobiles. It is \$1,500 toward a 2000-01-02 Olds or \$1,000 toward any other 2000-01-02 GM product.

Pontiac

Sunfire	\$1,500
Firebird V-6, Montana	\$1,000
Grand Am, Grand Prix	\$1,000
Bonneville SE	\$750
Bonneville SLE and SSEI	\$500
Aztek	No rebate, but 5.9 to 7.9 percent financing

KIA

Expires Feb. 28.

2001 models

Sportage	\$1,000
Sephia	\$750

2000 models

Sportage (base)	\$2,300
Sportage EX	\$1,900
Sportage convertible	\$1,900
Sephia	\$750-1,250
Spectra	\$1,000

SUBARU

Expires Feb. 28. Cash incentives are for customer or dealer and vary by model and region. See also Dealer Incentives table.

2001 models

Legacy, Impreza, Forester	No rebate, but 3.9 to 6.9 percent percent financing
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2000 models

Legacy	0-\$500 and 3.9 to 6.9 percent financing
Impreza	0-\$500

DEALER INCENTIVES

Incentives in this table are national unless otherwise noted. Regional incentives may also be available and may vary from national incentives.

SUBARU

Expires Feb. 28. Rebates are for dealer or customer and vary by model and regions. See also Customer Incentives table.

2000 models

Legacy, Impreza	0-\$500
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Automotive News 2/5/01

HOUSE TAXATION

Date 2/14/01

Attachment No. 2

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