

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 11:10 a.m. on May 2, 2002, in Room 519-S of the Capitol.

All members were present except: Senator Haley

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Don McNeely, Kansas Automobile Dealers Association  
John Schmid, Perl Chevrolet - Buick, Coffeyville  
Jim Clark, Jim Clark Chevrolet - Pontiac, Junction City  
Harold Johnson, Wichita Auto Dealers Association  
Mike Taylor, City of Wichita  
Erik Sartorius, City of Overland Park

Others attending: See attached list.

**HB 3032—Imposing a local compensating use tax upon the intrastate sale of motor vehicles**

Senator Corbin noted that **HB 3032** was referred to the Committee late in the session on Saturday, April 13, and that he had recently received several requests for a hearing. He reminded that Committee that the bill was passed by the House; therefore, it could be the subject of a conference committee should the Committee chose not to act on it.

Don McNeely, Kansas Automobile Dealers Association (KADA), testified in support of **HB 3032**. He noted that, over the years, KADA has introduced a variety of tax bills to level the playing field with regard to how local sales tax is imposed on the sale of motor vehicles in Kansas. He observed that some voters in a local taxing jurisdiction who approve a local option sales tax or an increase in the current local sales tax rate to fund a local project often chose to purchase a motor vehicle from a dealership in a nearby community which has a lower local sales tax. He pointed out that current tax law relating to the collection of local sales tax at the point of sale as opposed to where the vehicle will be registered has imposed a significant competitive disadvantage upon many retail motor vehicle dealers and the communities where the dealerships are located. He explained that **HB 3032**, as amended by the House Taxation Committee, would simply require that, when a vehicle is purchased in a lower sales tax jurisdiction than the city or county of the purchaser's registration, the purchaser must pay the difference in local sales tax upon registration, thus holding local units of government harmless and eliminating the incentive to leave the city or county to purchase a motor vehicle solely to avoid paying the local sales tax which the purchaser voted to enact. (Attachment 1)

John Schmid, Perl Chevrolet Buick in Coffeyville, testified in support of **HB 3032**, as amended by the House Taxation Committee. He echoed Mr. McNeely's concerns, noting that the bill does not involve a tax increase but simply closes a sales tax loophole which provides significant financial incentive for individuals to leave the city or county in which they vote and live to purchase a motor vehicle. (Attachment 2)

Jim Clark, dealer operator of Jim Clark Chevrolet-Pontiac-Cadillac-Jeep in Junction City, testified in support of **HB 3032** as a matter of fairness. To illustrate the need for the bill, he called attention to a copy of a recent advertisement in his local newspaper regarding an incentive to shop at a dealer outside his area in order to dodge the local tax. He went on to say that voters in one jurisdiction will decide on August 6 whether or not to rebate local sales tax to anyone who purchases a motor vehicle within their city limits, thus creating a government subsidized price advantage of up to 2.5 percent. In his opinion, it is wrong for a taxing jurisdiction to use its authority to manipulate pricing and, therefore, create an advantage for one retailer over another. (Attachment 3) Mr. Clark also informed the Committee that information he received from the state and Geary County in 1996 shows that 52 percent of the vehicles registered in Geary County were purchased outside Junction City.

## CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 11:10 a.m. on May 2, 2002, in Room 519-S of the Capitol.

Senator Pugh commented that the bill gives a tax relief to automobile dealers in areas where voters decided on a high sales tax, but areas in which the voters decided to tax low will receive no relief. Mr. Clark disagreed with Senator Pugh's view, noting that, in his opinion, the bill is a remedy for a government imposed price advantage.

Harold Johnson, Wichita Auto Dealers Association, testified in support of **HB 3032**. He informed the Committee that he is part owner of auto dealerships located in both Butler and Sedgwick Counties, and the local sales tax is lower in Butler County. He noted that he represents the dealership in Butler County that ran the advertisement to which Mr. Clark referred in his testimony. He emphasized that, even though the Butler County dealership currently has an advantage over other dealerships, he supports **HB 3032** simply because, in his opinion, a price advantage due to a community imposed sales tax is unfair. He called attention to copies of advertisements which reflect the unfair tax advantage some dealerships currently have. (Attachment 4) At the conclusion of his testimony, he informed the Committee that his Ford dealership in Butler County sells 60 to 70 percent of its vehicles to persons living in Sedgwick County.

Mike Taylor, representing the City of Wichita, stated that the City of Wichita is not opposed to **HB 3032** as amended by the House. He explained that the bill was introduced due to a referendum scheduled to be voted upon in Wichita on August 6. If approved, the local sales tax in Wichita will increase to 6.4 percent. Because Wichita auto dealers were concerned that the higher sales tax rate would drive customers away, the supporters of the referendum cut a deal with the auto dealers to rebate the 1.5 percent local sales tax paid on car sales. Auto dealers from across the state objected to the arrangement; therefore, the bill was introduced to eliminate the marketing advantage Wichita dealers would have over those dealerships with higher sales taxes. He explained that **HB 3032**, as amended, proposes a modified tax situs which levels the playing field for car dealers. He contended that the bill is a reasonable compromise to solve a long standing concern in a way which does not financially harm cities. (Attachment 5)

Senator Donovan commented, if the bill is passed, more local sales tax will be coming into the county because the incentive to purchase a car in another county will be eliminated. As a result, there will be no need to raise property taxes.

Senator Allen asked if there was a fiscal note on **HB 3032**. In response, Richard Cram, Kansas Department of Revenue, stated that there would be no fiscal impact to the state. However, the Department estimates there would be an estimated administrative cost of \$100,000, primarily for programming costs. He explained that the change in the payment of the tax would require changes in both the Department's sales tax processing system and the vehicle information system (VIPS) used by county treasurers.

Erik Sartorius, representing the City of Overland Park, testified in opposition to **HB 3032**. He agreed that the bill would keep local governments whole and would also satisfy the car dealers' desire to remove a competitive advantage of some of their fellow dealers. However, he objected to the bill because consumers, who chose to leave their home city to purchase a vehicle for a variety of reasons, face a surprise when they have to pay additional sales tax for exercising their freedom of choice. In addition, he objected to the passage of the bill without having enough time to gain full knowledge of how cities would be affected or to determine if the fiscal note has fully weighed the costs of implementing the change in tax policy. (Attachment 6)

Senator Corbin called attention to written testimony in opposition to **HB 3032** submitted by Quin Bennion for the City of Merriam (Attachment 7) and written testimony expressing concerns regarding **HB 3032** submitted by Ashley Sherard for the Office of the Johnson County Manager (Attachment 8).

Senator Corbin commented that those who testified in support of **HB 3032** discussed benefits for cities and car dealerships but none for the consumer. In response, Senator Donovan reiterated his opinion that there is a dramatic correlation between what is done with local sales tax and property taxation. Senator Praeger expressed her support for the bill's concept because she believes it will keep local sales taxes in the community to be used for the purpose the voters enacted it. She indicated that she would also support the pure situs concept.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 11:10 a.m. on May 2, 2002, in Room 519-S of the Capitol.

Senator Clark moved to recommend **HB 3032** favorably for passage, seconded by Senator Donovan.

Senator Taddiken commented that his constituents had expressed support for a true situs bill during the recent legislative break, and he agreed to support a true situs bill. However, he had not had time to fully study the bill as amended and to visit further with his constituents. Therefore, he was uncertain if he could support the amended version.

Senator Lee made a substitute motion that **HB 3032** be amended to be a true situs bill. There was no second to the motion.

Senator Praeger commented that the current language will have a positive effect on counties which have a competitive disadvantage. Senator Donovan added that the bill would prevent a flood of tax money from going from one county to another county which did nothing to get it. He went on to say that, currently, dealerships in a low tax county bring in more sales tax money to their county than needed, and counties which have enacted a higher sales tax due to need are "starving" as a result. In his opinion, the bill presents an opportunity to try to hold down the amount of taxes and prevent a flood of tax money from going from one county to another.

Senator Lee explained that she supports the true situs concept because counties which do not have a large enough population to support a car dealership will be treated unfairly if **HB 3032** is passed as amended by the House. In response, Senator Donovan noted that the true situs version received 34 votes in the House; however, **HB 3032**, as amended, received 88 votes. He reiterated that local sales taxes should be paid by local people, and there should not be a loophole to allow local people to escape paying them.

The Chairman chose not to call for a vote on Senator Clark's motion and adjourned the meeting at 12:20 p.m.

No future meeting date was announced.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
GUEST LIST

DATE: May 2, 2002

NAME	REPRESENTING
Fandy Allen	KS. Assoc. of Counties
<del>Barney</del> Sherard	Johnson County
<del>Bob</del> York	KS Assn of REALTORS
Andy Shaw	Kearney Law Office
Erik Sartorius	City of Overland Park
Mark Tomb	LKM
Quinn Bennion	City of Merriam
Jack Graves	Wichita PN & LKM
Martha Jean Smith	KMHA
Ann Dukes	DOB
Deann Williams	KmeA
Mike Stewen	Stewen Motors
Roger Scholfield	Scholfield Auto Dealerships
Harold Johnson	WETA Wichita Auto Dealers
Pam Somerville	WICHITA AUTO DEALERS
Sheila Walker	KPOR-DMV
Jim Clark	JIM CLARK AUTO CENTRE
Sheila J Clark	J Clark Auto Center
Unlabeled	KS AUTOMOBILE DEALERS ASSN.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
GUEST LIST

DATE: May 2, 2002

NAME	REPRESENTING
Whitney Damron	KS Automobile Dealers Assn.
John Schmitz	Peel Chevrolet Buick
Jeff Longbine	Longbine Auto Plaza
Mike Taylor	City of Wichita



## KANSAS AUTOMOBILE DEALERS ASSOCIATION

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May 2, 2002

To: The Honorable David Corbin, Chairman  
and the Members of the Senate Committee on Assessment & Taxation

From: Don McNeely, KADA President

Re: HB 3032, As Amended – Local Compensating Use Tax on Motor Vehicles

Good morning Chairman Corbin, and Members of the Senate Committee on Assessment and Taxation. My name is Don McNeely, President of the Kansas Automobile Dealers Association (KADA); a state trade association representing the retail franchised new car and truck industry in the state of Kansas. I am also joined this morning by several of our members, some of who will also be addressing the Committee.

On behalf of the franchised new car and truck dealers in Kansas, I would like to thank the Committee for the opportunity to offer a few comments in support of HB 3032. It is no secret that motor vehicles in Kansas carry a heavy taxation burden. They are the only pieces of tangible personal property that are subject to both state and local sales tax, personal property tax, not to mention motor vehicle registration fees, motor vehicle title fees, tire excise and motor fuel taxes. Over the years, KADA has introduced and provided testimony on a variety of tax bills, which have attempted to address the inequities and the unlevel playing field that has been established in how local sales tax is imposed on the sale of motor vehicles in Kansas.

Under current law, a resident in a local taxing jurisdiction can vote to approve a local option sales tax or an increase in their current local sales tax rate to fund a local city or county project, and then that same resident can turn around and drive a short distance and avoid paying it on a purchase of a motor vehicle. When you consider the fact the average selling price of a new vehicle is over \$25,000 and a used vehicle is over \$14,000, the savings can be quite significant in many cases. Current tax law, as it relates to collecting or imposing local sales tax at the point of sale, as opposed to where the vehicle will be garaged or registered, can and has imposed a significant competitive disadvantage upon many retail motor vehicle dealers and the communities where their dealerships are located.

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*Senate Assessment & Taxation  
5-2-02 Attachment 1*

In fact, in one area of the state, local sales tax has become so regressive in the sale of motor vehicles, residents within the local taxing jurisdiction will be voting on August 6, to decide whether or not to rebate a proposed .5% local city sales tax, as well as an allowance equal to the 1% county-wide sales tax to anyone who purchases a motor vehicle within the city limits of the taxing jurisdiction. Thus, buying down the local effective sales tax rate to 4.9%. It is KADA's belief that local units of government should not be allowed to impose a competitive disadvantage upon the retail motor vehicle dealers located within those cities and counties, nor should they be allowed to create a competitive advantage.

The Kansas franchised new car and truck dealers are responsible for 20.8% of the total retail sales in this state. In 2000, we generated over \$5.7 billion in total retail sales and we are a driving force in the amount of sales tax that is collected by the state of Kansas and the various local units of government. As a group, you will not find a group of business people that are more supportive of their community and work diligently on a daily basis to ensure the economic growth and vitality of their community and their state. Our members, do not like to oppose the enactment of local sales taxes or increases in the local sales tax base to fund needed local projects, but when our members are faced with an ever widening competitive disadvantage, they have no choice.

HB 3032, as amended by the House Committee on Taxation, with language first introduced by KADA in 1997, would address the unequalization of local sales tax rates and level the playing field statewide, as it would simply require a motor vehicle purchaser to pay the difference in local sales tax upon registration if they have purchased the motor vehicle in a lower sales tax jurisdiction than their city or county of registration. Thus, holding local units of government harmless, as they would still collect what they are currently collecting on the sale of a motor vehicle within their taxing jurisdictions, and eliminate the incentive to leave the city or county in which they live to purchase a motor vehicle, solely for the purpose of avoiding paying the local sales tax, which they voted to enact upon themselves.

On behalf of the Kansas Automobile Dealers Association, I thank the Members of the Committee for allowing me to appear before you today and we respectfully request your support in leveling the playing field and eliminating the inequities as they relate to the purchase of motor vehicles and local sales tax.

## CITIES WITH FRANCHISED NEW CAR DEALERSHIPS

### TOTAL TAX RATE - DECENDING

CITY	TAX RATE	EFFECTIVE DATE
ATCHISON	7.40	7/1/98
COFFEYVILLE	7.40	1/1/99
INDEPENDENCE	7.40	4/1/01
JUNCTION CITY	7.15	4/1/93
LOUISBURG	7.15	1/1/01
PAOLA	7.15	1/1/01
PARSONS	7.15	10/1/01
MERRIAM	7.0	4/1/02
OTTAWA	7.0	7/1/01
CHANUTE	6.90	10/1/00
CLAY CENTER	6.90	1/1/01
COLUMBUS	6.90	7/1/97
CONCORDIA	6.90	1/1/01
DODGE CITY	6.90	10/1/97
ERIE	6.90	10/1/00
FORT SCOTT	6.90	7/1/01
GIRARD	6.90	7/1/01
HIAWATHA	6.90	1/1/97
IOLA	6.90	10/1/94
KANSAS CITY	6.90	6/1/92
LANSING	6.90	1/1/97
LAWRENCE	6.90	1/1/95
LEAVENWORTH	6.90	1/1/97
LIBERAL	6.90	11/1/01
ST. FRANCIS	6.90	7/1/96
TONGONAXIE	6.90	1/1/97
OLATHE	6.875	4/1/02
OVERLAND PARK	6.875	4/1/02
SHAWNEE MISSION	6.875	4/1/02
TOPEKA	6.80	7/1/99
BONNER SPRINGS	6.75	4/1/02
MISSION	6.75	4/1/02
ABILENE	6.65	10/1/00
ELLSWORTH	6.65	7/1/00
GARDEN CITY	6.65	7/1/95
HUTCHINSON	6.65	4/1/94
SALINA	6.65	1/1/99
WAMEGO	6.65	1/1/93
BELOIT	6.40	7/1/01



EMPORIA	6.40	7/1/99
GARNETT	6.40	1/1/99
GREAT BEND	6.40	4/1/00
HAYS	6.40	10/1/98
HILLSBORO	6.40	6/1/92
LUCAS	6.40	1/1/00
LYONS	6.4	10/1/01
MEDICINE LODGE	6.40	6/1/92
MINNEAPOLIS	6.40	7/1/01
PITTSBURG	6.4	7/1/01
SABETHA	6.40	6/1/92
SYRACUSE	6.40	1/1/93
GOODLAND	6.15	4/1/02
HOLTON	6.15	1/1/95
PRATT	6.15	1/1/01
WELLINGTON	6.15	1/1/94
ARKANSAS CITY	5.90	6/1/92
ATWOOD	5.90	6/1/92
BELLEVILLE	5.90	6/1/92
CHENEY	5.90	6/1/92
CLYDE	5.90	1/1/01
COLBY	5.90	1/1/99
COUNCIL GROVE	5.90	6/1/92
EL DORADO	5.90	6/1/92
ELKHART	5.90	1/1/95
EUREKA	5.90	7/1/95
FLORENCE	5.90	6/1/92
GRAINFIELD	5.90	6/1/92
GREENSBURG	5.90	6/1/92
HARPER	5.90	1/1/01
HAVEN	5.90	6/1/92
HILL CITY	5.90	6/1/92
HOISINGTON	5.90	6/1/92
HUGOTON	5.90	1/1/94
LARNED	5.90	6/1/92
LINCOLN	5.90	6/1/92
MANHATTAN	5.90	1/1/99
MARYSVILLE	5.90	10/1/99
MCPHERSON	5.90	6/1/92
MEADE	5.90	6/1/92
MULVANE	5.90	6/1/92
NEWTON	5.90	6/1/92
OAKLEY	5.90	6/1/92
OSAGE CITY	5.90	6/1/92

PHILLIPSBURG	5.90	7/1/01
PLEASANTON	5.90	10/1/95
QUINTER	5.90	6/1/92
SCOTT CITY	5.90	6/1/92
SENECA	5.90	6/1/92
ULYSSES	5.90	6/1/92
WICHITA	5.90	6/1/92
WINFIELD	5.90	6/1/92
AUGUSTA	5.40	6/1/92
NORTON	5.40	4/1/93
OSBORNE	5.40	6/1/92
SMITH CENTER	5.40	1/1/01
BURLINGTON	4.90	6/1/92
FRANKFORT	4.90	6/1/92
GRIDLEY	4.90	6/1/92
KINGMAN	4.90	6/1/92
SHARON SPRINGS	4.90	6/1/92

## CITIES WITH FRANCHISED NEW CAR DEALERSHIPS

### TOTAL TAX RATES BY CITY

CITY	TAX RATE	EFFECTIVE DATE
ABILENE	6.65	10/1/00
ARKANSAS CITY	5.90	6/1/92
ATCHISON	7.40	7/1/98
ATWOOD	5.90	6/1/92
AUGUSTA	5.40	6/1/92
BELLEVILLE	5.90	6/1/92
BELOIT	6.40	7/1/01
BONNER SPRINGS	6.75	4/1/02
BURLINGTON	4.90	6/1/92
CHANUTE	6.90	10/1/00
CHENEY	5.90	6/1/92
CLAY CENTER	6.90	1/1/01
CLYDE	5.90	1/1/01
COFFEYVILLE	7.40	1/1/99
COLBY	5.90	1/1/99
COLUMBUS	6.90	7/1/97
CONCORDIA	6.90	1/1/01
COUNCIL GROVE	5.90	6/1/92
DODGE CITY	6.90	10/1/97
EL DORADO	5.90	6/1/92
ELKHART	5.90	1/1/95
ELLSWORTH	6.65	7/1/00
EMPORIA	6.40	7/1/99
ERIE	6.90	10/1/00
EUREKA	5.90	7/1/95
FLORENCE	5.90	6/1/92
FORT SCOTT	6.90	7/1/01
FRANKFORT	4.90	6/1/92
GARDEN CITY	6.65	7/1/95
GARNETT	6.40	1/1/99
GIRARD	6.90	7/1/01
GOODLAND	6.15	4/1/02
GRAINFIELD	5.90	6/1/92
GREAT BEND	6.40	4/1/00
GREENSBURG	5.90	6/1/92
GRIDLEY	4.90	6/1/92
HARPER	5.90	1/1/01
HAVEN	5.90	6/1/92
HAYS	6.40	10/1/98

HLAWATHA	6.90	1/1/97
HILL CITY	5.90	6/1/92
HILLSBORO	6.40	6/1/92
HOISINGTON	5.90	6/1/92
HOLTON	6.15	1/1/95
HUGOTON	5.90	1/1/94
HUTCHINSON	6.65	4/1/94
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IOLA	6.90	10/1/94
JUNCTION CITY	7.15	4/1/93
KANSAS CITY	6.90	6/1/92
KINGMAN	4.90	6/1/92
LANSING	6.90	1/1/97
LARNED	5.90	6/1/92
LAWRENCE	6.90	1/1/95
LEAVENWORTH	6.90	1/1/97
LIBERAL	6.90	11/1/01
LINCOLN	5.90	6/1/92
LOUISBURG	7.15	1/1/01
LUCAS	6.40	1/1/00
LYONS	6.4	10/1/01
MANHATTAN	5.90	1/1/99
MARYSVILLE	5.90	10/1/99
MCPHERSON	5.90	6/1/92
MEADE	5.90	6/1/92
MEDICINE LODGE	6.40	6/1/92
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MINNEAPOLIS	6.40	7/1/01
MISSION	6.75	4/1/02
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NEWTON	5.90	6/1/92
NORTON	5.40	4/1/93
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OLATHE	6.875	4/1/02
OSAGE CITY	5.90	6/1/92
OSBORNE	5.40	6/1/92
OTTAWA	7.0	7/1/01
OVERLAND PARK	6.875	4/1/02
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PARSONS	7.15	10/1/01
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PITTSBURG	6.4	7/1/01
PLEASANTON	5.90	10/1/95
PRATT	6.15	1/1/01

QUINTER	5.90	6/1/92
SABETHA	6.40	6/1/92
SALINA	6.65	1/1/99
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ST. FRANCIS	6.90	7/1/96
SYRACUSE	6.40	1/1/93
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TOPEKA	6.80	7/1/99
ULYSSES	5.90	6/1/92
WAMEGO	6.65	1/1/93
WELLINGTON	6.15	1/1/94
WICHITA	5.90	6/1/92
WINFIELD	5.90	6/1/92

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May 2, 2002

To: The Honorable David Corbin, Chairman  
and the Members of the Senate Committee on Assessment & Taxation

From: John Schmid, Perl Chevrolet Buick, Coffeyville  
KADA Legislative Chairman

Re: HB 3032, As Amended – Local Compensating Use Tax on Motor Vehicles

Good morning Chairman Corbin, and Members of the Senate Committee on Assessment and Taxation. My name is John Schmid, and I am the owner of Perl Chevrolet Buick in Coffeyville, KS. I have had the privilege of serving the Kansas Automobile Dealers Association as the Chairman of its Legislative Committee for the past 10 years.

I would like to thank the Committee for the opportunity to provide some comments in support of HB 3032, as amended by the House Committee on Taxation. The issue of local sales tax collection inequities is not a new issue to the franchised motor vehicle dealers in Kansas, nor is it for the Kansas Legislature. In Kansas you can vote for a local sales tax increase and skip paying it. That's not right. For over 20 years we have sought to put an end to this. Most people don't think much of an additional one or two percent sales tax on a tube of toothpaste. But, that works out to \$500 in local sales tax on the typical new pickup truck. People have been known to cheat to save the additional \$500 in local sales taxes they voted to enact upon themselves. Especially, if it is legal under the current system. Worse yet that local hospital or sewer plant project the sales tax was levied to fund, loses that \$500 forever because the sales tax loophole allows it to never come home.

HB 3032, as amended by the House Committee on Taxation is not a tax increase; it simply closes the sales tax loophole. The loophole that provides significant financial incentive for individuals or entities to leave the city or county in which they live and vote

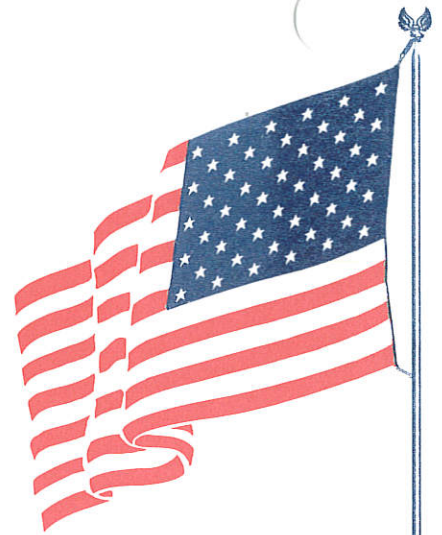
*Senate Assessment & Taxation  
5-2-02  
Attachment 2*

to purchase a motor vehicle in a location with a lower local tax rate for the purpose of avoiding paying their home sales tax rate. A tax that they and their fellow citizens voted to enact upon themselves to fund needed local projects or services. This proposed change in tax policy should be very easy to implement. Local units of government are already collecting local sales tax on casual and out-of-state sales in the manner indicated by this bill and have been for years.

HB 3032 is about competitive fairness. It is about closing the tax loophole that has led to the absurdity of Representation without Taxation. It is about leveling the playing field for licensed motor vehicle dealers statewide and their citizen customers who have for too long been made to feel like a chump for shopping at home and paying the taxes they themselves voted for.

I again thank you for the opportunity to appear today and respectfully request your support for HB 3032.

# Jim CLARK CHEVROLET-PONTIAC CADILLAC-JEEP



May 2, 2002

To: The Honorable David Corbin, Chairman  
And the Members of the Senate Committee on Assessment and Taxation

From: Jim Clark, President JCMC, Inc

Re: HB 3032 as amended – Local Compensating Use Tax on Motor Vehicles

Good morning Chairman Corbin and Members of the Committee. My name is Jim Clark, Dealer Operator of Jim Clark Chevrolet - Pontiac - Cadillac - Jeep in Junction City, Kansas.

I would like to thank the Committee for the opportunity to speak to you today in support of HB 3032. This bill is about fairness. A bill that once and for all will level a playing field that, through local government action, stands to be torn from the free competitive marketplace and thrust into the realm of Government subsidized advantage for a select few.

As a former Mayor and City Commissioner of Junction City it has always seemed terribly unfair that a resident in a local taxing jurisdiction can vote for a local option sales tax then drive a short distance to purchase a motor vehicle and dodge paying the tax they voted for. I saw this first hand when in 1993 the voters in Junction City passed a .5% increase to fund a hospital project and those same voters fled the area for car and truck purchases. My competition was quick to embrace this voter-imposed advantage and to this day still advertise the incentive of shopping outside the area to dodge the local tax. I have attached a copy of an ad that ran in our local paper to show you that this continues to be a problem.

For any taxing jurisdiction to use their authority to manipulate pricing and therefore create an advantage for one retailer over another is wrong. The mere discussion of manipulating pricing and controlling competition in the private sector will land you in jail. But voters in one jurisdiction will decide on August 6<sup>th</sup> whether or not to rebate local sales tax to anyone who purchases a motor vehicle within their city limits. This will create a government subsidized price advantage of up to 2.5%, a government funded kickback of \$625.00 on the average new car if you buy it in their town.

834 Grant Ave • P.O. Box 1727 • Junction City, KS 66441-1727  
Phone: 785-238-3141 • **800-238-3141** • Fax: 785-238-1609 • [www.clarkcars.com](http://www.clarkcars.com)

*Watch for our new location - currently under construction!*  
911 Goldenbelt Blvd • Exits 295 & 296 off I-70

*Senate Assessment & Taxation*

*5-2-02*

*Attachment 3*



I am a good businessman. I have supported my community for over 20 years. At last count I have sponsored participation of over 15,000 children in activities through our local YMCA. I have 48 full time employees that work hard so we can compete with anyone. I cannot, however, compete against local units of government and I don't feel I should have to. I ask that you protect the free market system that is responsible for all the benefits we enjoy today by supporting HB 3032 as amended. Local governments must not be allowed to impose competitive advantages or disadvantages upon retail motor vehicle dealers.

I thank the Members of the Committee for allowing me to appear before you today and respectfully request your support in giving every car and truck retailer an equal opportunity regarding locally imposed sales tax.

"Companies are not going to increase their capital expenditures until they increase their profits," Forelli said. "And, com-

ers Harriman & Co. "That would be key to saying we are on a trajectory to having some year-over-year growth in the second

at \$10.904 trillion, up \$14.02 billion from the previous week. A year ago the index was \$10.559 trillion.

# Yellow Corp. plans spin off of SCS

OVERLAND PARK (AP) — Yellow Corp. announced Thursday that it has received permission from its board to begin work to spin off SCS Transportation.

The Overland Park-based transportation company is one of the nation's largest shippers of freight. It plans to distribute all the stock of SCS Transportation to shareholders.

SCS Transportation is the holding company for

Yellow Corp.'s regional operating companies, Saia Motor Freight Inc. and Jevic Transportation Inc.

The deal must still win approval from regulators. It's also subject to market conditions and confirmation from the board that the move remains in the best interest of the company's shareholders.

The spinoff is expected to be completed by the end of the year.

- 8 Trips
- 15 Not too many
- 16 Settle
- 17 Cliché
- 18 Figures to analyze
- 19 CD follower
- 20 Bit of a draft?
- 21 Some sports cars
- 22 Thrice, in prescriptions
- 23 "\_\_\_ Baby": song from "Hair"
- 25 Like "The X-Files"
- 27 N.Y.C. commuter line
- 28 Far East weights
- 30 Cartoon chihuahua
- 31 Baron Munchausen's chronicler
- 32 Additional conditions
- 35 "The \_\_\_ File": Deighton spy novel
- 36 They may follow book reviews
- 44 Starting gaits
- 45 Where it's at
- 46 Piece of music
- 47 Instrument with 10 keys
- 48 Retro photo
- 50 CBer's word
- 51 Seeing red
- 52 Quarter-mile, maybe
- 53 Extra effort of a kind
- 55 "\_\_\_ Carousel": Hollies hit
- 56 Struggling
- 58 First coed college in the United States
- 60 Orange liqueur cocktail
- 61 Had vivid memories of
- 62 Some ads

- DOWN
- 1 Much-studied critters
- 2 Swinger?
- 3 More spacious
- 4 Bubble source
- 5 Certain Prot.
- 6 Doo-wop favorite, e.g.
- 7 Louis Armstrong classic
- 8 Area of untapped resources
- 9 Declaim
- 10 Cries of pain
- 11 "Your point being...?"
- 12 Lecherous
- 13 Music muse
- 14 Had the biggest part
- 24 Certain Ivy League
- 26 Erupts, as in anger
- 27 Resinous stuff
- 29 Tizzies
- 31 Scraping tools
- 33 Local mail ctr.

- monogram
- 36 Democritus, philosophically
- 37 Pope of 1261-1264
- 38 Thingies
- 39 Social finale?
- 40 "Now I get it!"
- 41 Turn

## ANSWER TO PR

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xwordeditor@aol.com

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By Bob Peoples  
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## Save Hundreds on New FORDS!

Only at **Steven Ford** in Augusta, Butler County, Kansas



Plus a \$2,500 Rebate  
**List Price \$27,605**  
**Invoice 24,461**  
**Mark Up 100**  


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**\$24,561**

**Junction City**  
**\$24,561**  
**Sales Tax 7.15%**  


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**\$1,756**

**Butler County**  
**\$24,561**  
**Sales Tax 4.9%**  


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**\$1,203**

**SAVE \$553 on Sales Tax Alone.**

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**Call 800-851-5518 for a Price Quote.**

May 1, 2002

To: The Honorable David Corbin, Chairman  
And the Members of the Senate Taxation Committee

From: Harold D. Johnson, President  
Wichita Auto Dealers Association and Butler County Auto Dealer

Re: HB 3032- Local Compensating Use Tax on Motor Vehicles

Good Morning Chairman Corbin and Members of the Senate Taxation Committee. My name is Harold Johnson, President of the Wichita Auto Dealers Association and part owner of Auto Dealerships located in both Butler and Sedgwick counties, which have different local sales taxes.

On behalf of the Wichita Auto Dealers and our over 2000 employees I would like to thank the committee for the opportunity to offer a few comments in support of HB 3032.

I represent the dealership in Butler County that ran the advertisement that Mr. Jim Clark has included in his testimony. How fair is it that our dealership essentially has a 2.25% price advantage over a competitor simply because his community has imposed a local sales tax. It is very unfair and that is what this bill is about- fairness- and that is why we support it even though we currently have an advantage over other dealerships.

If the voters in Wichita pass a local referendum that will be on the August 6, 2002 ballot, the Wichita car buyers will effectively see the sales tax they pay on vehicles purchased from Wichita dealers rolled back to 4.9%. This will give all Wichita dealers a tremendous price

Senate Assessment & Taxation  
5-2-02  
Attachment 4

advantage over dealers located in other areas with higher local sales taxes, and yet we still support HB 3032 in the interest of fairness.

Furthermore, if residents vote to impose a local tax for the benefit of their local infrastructure, it is only fair that any local tax in excess of what was paid on the purchase of an automobile be paid at the time of registration, so the community receives the benefit from the actual user of the infrastructure.

As part of this testimony I have attached actual Dealership Advertisements, which reflect this unfair tax advantage some dealerships now have.

Thank you for the opportunity to speak in support of HB 3032.

H-3

# New Car Demo Blowout!

Only at **Steven Ford** in Augusta, Butler County, Kansas

*New* 2002 Excursion



Limited, 4WD, Loaded!

List	\$ 43,050
Discount	8,051
<b>Steven Price</b>	<b>\$34,999</b>

Plus Tax. All Rebates & Incentives To Dealer.

**Coffeyville**

\$ 34,999

Sales Tax 7.40%

**\$ 2,590**

**Butler County**

\$ 34,999

Sales Tax 4.9%

**\$1714**

## SAVE an Additional \$876 on Sales Tax Alone!

Similar Savings on All New Fords, Mercurys, Program Cars & Used Cars.

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[lsewell@southwind.net](mailto:lsewell@southwind.net)

4-4

# New Car Demo Blowout!

Only at **Steven Ford** in Augusta, Butler County, Kansas

*New* 2002 Excursion



Limited, 4WD, Loaded!

List        \$ 43,050

Discount    8,051

**Steven Price \$34,999**

Plus Tax. All Rebates & Incentives To Dealer.

**Junction City**

\$ 34,999

Sales Tax    7.15%

**\$ 2,502**

**Butler County**

\$ 34,999

Sales Tax    4.9%

**\$1714**

**SAVE an Additional \$788 on Sales Tax Alone!**

Similar Savings on All New Fords, Mercurys, Program Cars & Used Cars.

**Call 800-851-5518 for a Price Quote.**

[lsewell@southwind.net](mailto:lsewell@southwind.net)

4-5

# New Car Demo Blowout!

Only at **Steven Ford** in Augusta, Butler County, Kansas

02 F250 4WD Super Cab



Power Stroke Desiel, Auto, SOF, CD Changer,  
Off Road Pkg, Power Seat, Loaded!

List **\$ 39,910**

Discount **6,911**

**Steven Price \$32,999**

Plus Tax & Freight. All Rebates & Inctives To Dealer.

**Atchison**

**\$ 32,999**

Sales Tax **7.40%**

**\$ 2,441**

**Butler County**

**\$ 32,999**

Sales Tax **4.9%**

**\$1616**

**SAVE an Additional \$825 on Sales Tax Alone!**

Similar Savings on All New Fords, Mercurys, Program Cars & Used Cars.

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# TESTIMONY

City of Wichita  
Mike Taylor, Government Relations Director  
455 N Main, Wichita, KS. 67202  
Phone: 316.268.4351 Fax: 316.268.4519  
Taylor\_m@ci.wichita.ks.us

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## House Bill 3032 Automobile Sales Tax Situs

Delivered to  
Senate Assessment and Taxation Committee  
May 2, 2002

The City of Wichita is not opposed to House Bill 3032, as amended and passed by the House.

House Bill 3032 came into play in the final hours of the regular session because of a situation in Wichita. On August 6, Wichita voters will be asked to vote on the Wichita Regional Sports and Entertainment Complex. The referendum would impose a half-cent City sales tax to pay for construction of a downtown arena. If approved, the local sales tax in Wichita would increase to 6.4%.

Wichita auto dealers were concerned that the higher sales tax rate would drive customers away. So, The Greater Wichita Sports Commission, a citizen group which is spearheading the arena effort, cut a deal with Wichita auto dealers to rebate the 1.5% local sales tax paid on cars sales. In exchange, the auto dealers agreed not to oppose the arena proposal. Auto dealers from across the state objected to this arrangement, because, if voters approve the deal, it would give Wichita auto dealers a marketing advantage over those with higher local sales taxes. House Bill 3032 was introduced to stop this from happening.

House Bill 3032, as amended and approved by the House, proposes a hybrid, or modified tax situs. Here's an example of how it would work: if a Wichita resident (where sales tax is now 5.9%), buys a car in rural Butler County (where sales tax is 4.9%), the car buyer would pay the 1% difference when they come back to Wichita and register the car.

This does several things: It levels the playing field for car dealers. A dealer in a city with lower sales tax can no longer use that as a marketing pitch; it ends the on going disagreement with car dealers statewide over local sales taxes; it means a tax situs bill on cars will be in place which at a minimum does not hurt cities financially and probably generates new revenue; it means residents who have been escaping local taxes by leaving their home city to buy a car, will still be supporting streets and other services paid for with the local sales tax; and it let's the Wichita City Council repeal the controversial rebate part of the arena referendum.

The City of Wichita believes House Bill 3032 as passed by the House, is a reasonable compromise to solve a longstanding concern of Kansas automobile dealers in a way which does not financially harm cities. In addition, it resolves a controversial issue surrounding the Wichita downtown arena referendum.

Senate Assessment & Taxation  
5-2-02  
Attachment 5



8500 Santa Fe Drive  
Overland Park, Kansas 66212  
913-895-6100 • Fax: 913-895-5003  
www.opkansas.org

Testimony Before The  
Senate Assessment & Taxation Committee  
Regarding House Bill 3032

May 2, 2002

Mr. Chairman and members of the committee, the City of Overland Park appreciates the opportunity to appear before you in opposition to House Bill 3032.

House Bill 3032 originally would have changed the "situs" at which sales tax was paid on the purchase of vehicles. Owners would have needed to pay sales tax in the city in which they garaged the vehicle, rather than at the point of purchase.

The bill now before you is a "hybrid" situs bill. This bill requires vehicle purchases to still be taxed at the point of sale. Additionally, owners will be forced to pay additional tax on the vehicle if the city in which they reside has a higher sales tax rate than the location where the vehicle was purchased.

Proponents are correct that HB 3032 would keep local governments "whole." The bill also satisfies the car dealers' desire to remove what they see as a competitive advantage of some of their fellow dealers – being located in an area with a lower sales tax rate.

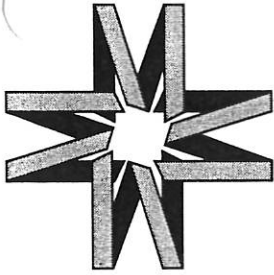
So, what is the problem, if everyone wins under this legislation? For one, "everyone" does not necessarily include the taxpayer who is purchasing a vehicle. Consumers choose to leave their home city to purchase vehicles for a variety of reasons: selection, price, service, or even sales tax rate. These consumers stand to face a surprise when they go to tag their vehicles and have to pay additional sales tax for exercising their freedom of choice.

Despite this difficult budget year, cities did not bring this proposal to the legislature. The City of Overland Park does not wish to penalize consumers for exercising their power to choose where they purchase products.

Finally, the City of Overland Park questions the late hour at which this legislation has been brought forth. Significant changes to tax policy should not occur in such a limited timeframe. We would also question whether the Department of Revenue's fiscal note, if one has been calculated, fully weighs the costs of implementing such drastic changes to tax policy. Further, no one has had time to ascertain exactly how this legislation would affect cities, or the automobile industry, for that matter.

Given the questions surrounding the costs of implementing this legislation and the effect it will have on consumers, we respectfully ask that the committee not recommend HB 3032 favorably for passage.

*Senate Assessment + Taxation  
5-2-02  
Attachment 6*



# THE CITY OF MERRIAM

9000 West 62nd Terrace  
Merriam, Kansas 66202-2815

FAX (913) 722-0238  
Email Address - [cityofmerriam@merriam.org](mailto:cityofmerriam@merriam.org)  
Internet Address - <http://www.merriam.org/>

## Senate Committee on Taxation Testimony Opposing HB 3032 – Motor Vehicle Sales Tax Situs

Written by: Quinn Bennion, City Administrator, City of Merriam --- May 2, 2002

I urge you to vote against HB 3032 establishing a special compensating use tax for in-state vehicle sales. After the original version of HB 3032 was defeated in the House Taxation Committee, the 'hybrid' version of the bill was passed. The bill alters the existing process of collecting sales tax on auto sales by introducing a double situs measure or "double taxation" on auto purchases.

Under the double situs bill HB 3032, the consumer continues to pay the local sales tax in which the dealership is located, then in addition, pays a "compensating use tax" at the time of registration if the local sales tax of the resident city and county are higher than the dealership situs. The bill has a limited benefit in attempting to equalize local tax rates but hurts consumers.

Although the hybrid bill is favorable to cities and counties with high local tax rates, there are concerns about the bill. I urge you to oppose HB 3032 for the following reasons:

- HB 3032 is a tax increase and is anti-consumer! The bill pits car dealers against consumer and awards dealers the advantage. Car-buying customers will always pay the highest tax rate, and may have to pay taxes twice.
- This bill is proceeding without proper and sufficient research. The fiscal note prepared for HB 3032 mentions "significant administrative costs". The amendment does not have a prepared fiscal note. The fiscal note prepared for HB3032 indicates the cost to the state to implement the 2002 bill will be *significantly* more than \$168,000 (1999 estimate), due to required modifications to a new sales tax processing system. The additional procedures will also cause an increase in cost to county treasurers' offices.
- HB 3032 is contrary to the movement toward tax simplification and streamlining. Interstate, catalogue, and Internet sales in the future will require simplified and streamlined tax structures. HB 3032 moves Kansas in the exact opposite direction.
- The 'hybrid' bill paves the way for a pure situs bill. Under the pure situs bill (original HB 3032), 46 cities and 22 counties will lose over \$60,000 each in anticipated and programmed local sales tax revenue annually.
- Both the original and the hybrid bill disregard local control and the established retail tax rates. Local tax rates are established by local units of government. If a voter, consumer, or retailer desires a lower/higher tax rate, the local unit of government should be petitioned and influenced for a change. In most instances, local sales tax variations are less than 1%.
- HB 3032 alters the uniform application of sales tax on retail goods. The bill introduces selective taxation that treats auto sales differently than any other retail activity. Vehicles are a high ticket item, but so are pianos, furniture, art, home improvements, antiques, machinery, and computers.

I encourage you to oppose HB 3032. Do not increase taxes! Keep equity among retail industries. Demand a full fiscal study to be completed to assess the impact to the Department of Revenue, Department of Motor Vehicles, cities, and counties prior to making such a dramatic shift in tax policy.

Administrative Offices  
722-7700

Police Department  
722-7760

Public Works Department  
722-7770

Community Development  
722-7720

Municipal Court  
722-7740

Fire Department  
722-7730

Senate Assessment & Taxation  
Community Center  
722-7750  
2-5-02 Attachment 7



Johnson County, Kansas

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## OFFICE OF THE COUNTY MANAGER

To: The Honorable David Corbin, Chair  
Members, Senate Assessment & Taxation Committee

From: Ashley Sherard, Government Relations Manager

Date: May 2, 2002

Subject: **HB 3032 – Local compensating use tax on motor vehicles**

---

On behalf of the Johnson County Commission, I would like to express our concerns regarding HB 3032. In its original form, HB 3032 would have fully changed the situs of sales tax collection on motor vehicles from the point of purchase to the point of registration. Jurisdictions in which dealerships are located, however, utilize substantial public funds to provide infrastructure, improvements, services, and ongoing maintenance necessary to attract and support these important businesses. We believe it is therefore appropriate that jurisdictions retain the local sales tax generated by motor vehicle dealerships, and we strongly oppose the full change in sales tax situs proposed in the original bill.

As amended by the House, the bill would still require buyers to pay sales tax on motor vehicles at the point of purchase. If the sales tax rate in the buyer's home county is higher, however, HB 3032 would now require the buyer to pay that incremental difference in sales tax to his/her home county at the time of registration. Although it is possible Johnson County may receive additional revenues under HB 3032's "hybrid" proposal, we have serious concerns about any measure that could facilitate or encourage the legislature's enacting a full change in sales tax situs on motor vehicles in the future.

In addition, the proposal contained in HB 3032 represents a significant change in tax policy – one that warrants adequate time for public input and legislative consideration. Given the lateness of the 2002 session, we do not believe that the opportunity for legislators, legislative staff, the Department of Revenue, local governments, and the public to appropriately research the bill's potential fiscal and administrative impacts should be rushed in the final days of the legislative session.

For these reasons, the Johnson County Commission would urge the committee to proceed cautiously in its deliberation of HB 3032. Thank you for your time and consideration.

*Senate Assessment & Taxation  
5-2-02  
Attachment 8*