

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on February 12, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator David Haley
Senator Edward Pugh

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Joan Wagon, Secretary, Kansas Department of Revenue

Others attending:

See Attached List.

Senator Corbin called the Committee's attention to the minutes of the February 9 meeting.

Senator Buhler moved that the minutes of the February 9, 2004, meeting be approved, seconded by Senator Goodwin. The motion carried.

SB 372—Sales tax computation for isolated or occasional sales of motor vehicles

Joan Wagon, Secretary, Kansas Department of Revenue, noted that an April 2003 Legislative Post Audit report indicated that the state may be losing several million dollars in sales tax on motor vehicles sold at private sales due to under-reporting of the sale price to the County Treasurer by the parties involved in private car sale transactions. The Special Committee on Assessment and Taxation studied the report last summer and recommended legislation to address the problem. The bill provides that the price for sales tax computation purposes will be either the stated selling price or the value for property tax purposes, whichever is the highest. When a private purchase vehicle is registered, County Treasurers will be able to use the VIPS system to quickly obtain the motor vehicle property tax value. (Attachment 1) The Department estimates that **SB 372** would increase state revenues by \$1.0 million to \$3.0 million in FY 2005.

Senator Donovan moved to recommend SB 372 favorably for passage, seconded by Senator Lee. The motion carried with Senator Journey voting "No."

Senator Corbin opened a discussion on a previously heard bill, **SB 403**, the Governor's Education First plan, which includes provisions relating to taxation for school finance.

Senator Lee distributed copies of proposed amendments to **SB 403**. (Attachment 2) She explained that the income tax surcharge would remain the same, but the amendments would remove the additional 2 mills for property tax and would provide that the sales tax remain at the current 5.3% until January 1, 2005, at which time it would increase to 5.7% until July 1, 2007, when it would increase to 5.8%. She noted that her proposal is revenue neutral. Discussion regarding the property tax provisions in **SB 403** followed.

Senator Lee moved to amend SB 403 as she described, seconded by Senator Oleen. The motion failed.

Senator Buhler moved to remove the property tax portion of SB 403 and not replace it with anything else, seconded by Senator Oleen. The motion carried.

Senator Lee moved to recommend the finance portion of SB 403 favorably for passage as amended, seconded by Senator Goodwin. The motion carried with Senator Journey voting "No."

The meeting was adjourned at 11:10 a.m. The next meeting is scheduled for February 13, 2004.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: February 12, 2004

NAME	REPRESENTING
Whitney Dameron	KS Automobile Dealers Assn.
DON McNEELY	KS Auto Dealers Assn.
April Holman	KS Action for Children
LARRY R BAER	LKM
Ralph A Claassen	KFB
Bill Baker	KFB
Christine Guebar	Federico Consulting
Steve Peters	K's Taxpayers Network
BILL Brady	sprint
Dustin Hardison	Little Government Relations
Cheri Fretschner	Dir of Budget
Deann Williams	Kmca
Danielle Kloe	Jackson County
Mathew Meyer	KDOR
PEGGY J STALEUP	KDOR
CARMEN ALDRITT	KDOR
Joan Weyman	KDOR
Richard Crum	KDOR
Lynn McDaniel	Card to Council



K A N S A S

JOAN WAGNON, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

Testimony to the Senate Committee on Assessment and Taxation
Joan Wagon

February 12, 2004
Senate Bill 372

Chairman Corbin and Members of the Committee:

Senate Bill 372 amends K.S.A 79-3603 concerning computation of sales tax on the sale of isolated or occasional sale of motor vehicles or trailers. The proposal sets the base for computing the sales tax as the stated selling price of the motor vehicle or trailer or the value pursuant to subsections (a), (b)(1) and (b)(2) of K.S.A. 79-5105, whichever amount is higher. K.S.A. 79-5105 defines the value of a vehicle and the assignment of a class code for vehicle property tax purposes. The actual selling price will be the base for computing the tax on the isolated or occasional sale of wrecked or damaged vehicles.

Legislative Post Audit issued a report on the collection of sales tax from motor vehicle sales in April 2003. LPA determined that the state may be losing several million dollars (LPA estimated this amount could be as much as \$7 to \$13 million) in sales tax paid on motor vehicles sold at private sales, due to the under-reporting to the County Treasurer of the sales price by the parties involved in private car sale transactions at the time the cars are registered. LPA's estimate was based on a sample of accounts reviewed, projecting the sample results to the approximate 126,000 isolated and occasional sales transacted yearly. The Special Committee on Assessment and Taxation studied the report last summer, recommending legislation to address the problem. A straightforward rule that County Treasurers could easily apply at the time cars purchased at private sales are registered would enhance collection of the correct amount of sales tax by an estimated \$1 to \$3 million per fiscal year.

The LPA report found lack of adherence to K.A.R. 92-19-30(d), which requires the sales tax on private car sales to be computed by the County Treasurer or the Director of Taxation on the fair market value of the vehicle under either of the following circumstances:

- (1) The selling price of the vehicle is unknown; or
- (2) the stated selling price is not indicative of, and bears no reasonable relationship to, the fair market value of the vehicle or the average retail value as shown in the latest publication of the national automobile dealers' association official used car guide book.

The report indicated that County Treasurers had difficulty following the regulation, because they did not want to accuse purchasers of being dishonest, and they did not have any way of

DOCKING STATE OFFICE BUILDING, 915 SW HARRISON ST., TOPEKA, KS 66612-1588

Voice 785-296-3041 Fax 785-296-7928 <http://www.ksrevenue.org/>

Senate Assessment & Taxation
2-12-04 Attachment 1

accurately determining the actual fair market value or whether the buyer simply made a great deal. This proposal would provide County Treasurers a simple "either" "or" rule to cite when determining the tax to charge: the price for sales tax computation purposes will be the higher of the stated selling price or the value for property tax purposes.

The property class value on vehicles that are 15 years or older will be zero and for those, the tax base would default to the selling price. K.S.A 79-5105, for the assignment of a vehicle class value, does not apply for several types of vehicles. Trucks over 16,000 pounds, recreational vehicles, manufactured homes, trailers, buses, electric, specialty, assembled, antique, homemade and some military vehicles would only be taxed on the purchase price, as these vehicles are not included under the class value statute.

Our I.S. staff has indicated that it should be possible to provide to County Treasurers through the VIPS/CAMA system the motor vehicle property tax value information, so that it can be looked up quickly and seamlessly at the time a private purchase vehicle is registered.

Education First Plan

Dollars are in Millions

Revenue Enhancements	FY2005	FY2006	FY2007	FY2008	TOTAL
Economic Growth					
Sales Tax Increase**	\$63.0	\$93.6	\$5.4	\$44.1	\$206.1
Income Tax Education Surcharge***	\$97.5	\$2.5*	\$2.5*	\$2.5*	\$105.0
Annual Revenue	\$160.5	\$96.1	\$7.9	\$46.6	\$311.1

*Indicates change in revenue associated with economic growth.

**Sales Tax Rate increases from the current 5.3% to 5.7% on 1/1/2005, and 5.8% on 7/1/2007

***Income Tax Education Surcharge is 5% on personal income only.

Senate Assessment & Taxation
2-12-04
Attachment 2