

SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 3026

As Amended by House Committee of the Whole

Brief*

HB 3026, as amended, would make a number of changes in tax and financing provisions relative to the comprehensive transportation program (CTP) enacted in 1999.

Sales/Use Tax Increase

The state sales and compensating (use) tax rates would be increased from 4.9 to 5.15 percent, effective January 1, 2003. All of the increased revenue would be deposited directly in the State Highway Fund (SHF).

Motor Fuels Tax Increase

Motor fuels taxes would be increased an additional 2 cents per gallon, with one cent effective June 1, 2002, and the second cent effective June 1, 2004. An additional one-cent increase currently scheduled to take effect July 1, 2003, would be accelerated to June 1, 2003. The motor fuels tax rates when all increases are fully phased in on June 1, 2004, would be as follows: gasoline, increased from 21 to 24 cents per gallon; the special fuels tax would be increased from 23 to 26 cents per gallon; and the LP-gas tax would be increased from 20 to 23 cents per gallon. Various fees charged for special LP-gas permit users also would be increased by complementary amounts.

Motor Vehicle Registration Tax Increase

Motor vehicle registration taxes would be increased for passenger automobiles by \$1.50; for motorcycles by \$1; and for various trucks by amounts ranging from \$2 to \$10, effective July 1, 2002.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi>

Sales Tax Demand Transfer Amendments

The statute providing for the transfer of a portion of State General Fund sales tax receipts to the State Highway Fund would be amended such that there would be no transfer in FY 2003 and the transfer beginning in FY 2004 would be limited to an amount equivalent to 14 percent of revenues from the sale of new and used motor vehicles.

Background

The original bill was recommended for introduction by a special House Select Committee appointed by Speaker Glasscock. The House Transportation Committee amended the bill at the suggestion of Representative Vickrey to replace the motor vehicle registration tax increase recommended by the Governor (roughly 3 percent for all vehicles) with a proposal that provided for bigger percentage increases on automobiles and smaller percentage increases on most trucks. House Committee of the Whole amendments included decelerating from June 1, 2002, to January 1, 2003, the sales and use tax increase; and changing the timing of the motor fuels tax increases, which would have gone up by 2 cents per gallon on June 1, 2002, under the House Transportation version of the bill. Based on the latest fiscal information available and on the assumption that the demand transfer established under current law is intended to be \$20 million per year less than what the statute indicates, the bill would be expected to have the following impact:

**HB 3026 as Amended by House Committee of the Whole
(\$ in millions)**

<u>FY</u>	<u>Jan 1, 03 sales/use tax increase of 0.25% (to 5.15%) ear- marked for SHF</u>	<u>1 cent motor fuels tax increase effective June 1, 02</u>	<u>Accelerate 1 cent motor fuels tax increase from July 1, 03 to June 1, 03</u>	<u>1 cent motor fuels tax increase effective June 1, 04</u>	<u>Motor Vehicle Registration Fee increases July 1, 02</u>	<u>New Transfer of 14% of "5511" New and Used Car Sales Tax Receipts</u>	<u>Eliminate Current Transfer plus an extra \$20m</u>	<u>Net Change in SHF Resources This Plan</u>	<u>Net Impact on SGF Equivalent to Net Change in Transfers</u>
2003	\$39.839	\$17.825	---		\$4.302	---	\$(146.650)	\$(84.684)	\$146.650
2004	\$98.978	\$17.994	\$1.523		\$4.367	\$22.796	\$(155.690)	\$(10.032)	\$132.894
2005	\$102.672	\$18.164	---	\$18.164	\$4.432	\$23.594	\$(172.870)	\$(5.844)	\$149.276
2006	\$106.726	\$18.334	---	\$18.334	\$4.496	\$24.479	\$(179.631)	\$(7.262)	\$155.152
2007	\$110.941	\$18.503	---	\$18.503	\$4.561	\$25.397	\$(186.177)	\$(8.272)	\$160.780
2008	\$115.322	\$18.674	---	\$18.674	\$4.626	\$26.349	\$(193.599)	\$(9.954)	\$167.250
2009	\$119.876	\$18.844	---	\$18.844	\$4.690	\$27.337	\$(201.609)	\$(12.018)	\$174.272
Thru 2009	\$694.354	\$128.338	\$1.523	\$92.519	\$31.474	\$149.951	\$(1,236.226)	\$(138.067)	\$1,086.275