

SESSION OF 2004

SUPPLEMENTAL NOTE ON SENATE BILL NO. 372

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

SB 372 would amend the sales tax law to provide that in the case of isolated sales of motor vehicles or trailers, the tax would be charged on the greater of the stated selling price or the valuation of the motor vehicles or trailers pursuant to the motor vehicle tax law (KSA 79-5105 *et seq.*). An exception would be provided for "damaged or wrecked" vehicles, for which the sales tax would be charged on the actual selling price.

Background

Tax avoidance on private car sales was identified as a problem in a recent Legislative Post Audit.

The fiscal note indicates that passage of this bill would be expected to increase sales tax receipts by \$1 million to \$3 million annually. Using the midpoint of that range, the bill would be expected to increase receipts as follows:

(\$ in millions)

| | <u>SGF</u> | <u>SHF</u> | <u>Total</u> |
|-------------------|-----------------|----------------|-----------------|
| FY 2005 | \$1.906 | \$0.094 | \$2.000 |
| FY 2006 | \$2.137 | \$0.106 | \$2.243 |
| FY 2007 | \$2.111 | \$0.089 | \$2.201 |
| FY 2008 | \$2.154 | \$0.112 | \$2.266 |
| FY 2009 | \$2.229 | \$0.116 | \$2.346 |
| 5-Yr Total | \$10.537 | \$0.518 | \$11.055 |

*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>

Secretary of Revenue Joan Wagnon noted in her testimony that certain kinds of vehicles which are not valued pursuant to the motor vehicle tax law (trucks over 16,000 pounds; recreational vehicles; manufactured homes; buses; electric; specialty; assembled; antique; homemade; vehicles 15 years and older; and certain military vehicles) would continue to be taxed on the stated selling price.