

REVISED
SESSION OF 2005

SUPPLEMENTAL NOTE ON SENATE BILL NO. 23

As Amended by House Committee on Taxation

Brief*

SB 23, as amended, would repeal a sales tax provision enacted in 2004 that requires that in the case of the isolated or occasional (private) sale of certain vehicles, tax is to be computed based on the greater of the stated selling price or their valuation under the motor vehicle (property) tax law.

A refund procedure would be established for certain excess state and local sales tax amounts collected since July 1, 2004, the effective date of the aforementioned 2004 law. Subject to verification by the Director of Taxation, taxpayers would be entitled to receive refunds of the amount of additional state and local sales taxes collected under the 2004 law relative to the amount that would have been collected under the law in effect prior to July 1, 2004. Refund claims would be required to be submitted within six months of the effective date of the bill (publication in the *Kansas Register*). No refunds would be paid for amounts of less than \$10.

Pursuant to a House Committee amendment, buyers would be required to sign statements verifying the true and correct selling price of vehicles and would be advised on such statements of the consequences of making false writings. A second House Committee amendment would require sellers to certify the true and correct selling price of vehicles when signing the titles. (The Department of Revenue noted in conference committee that until such time as titles are reprinted by the state, instructions regarding the sale of motor vehicles would advise sellers that they are certifying selling prices, as well as odometer readings, when signing titles.)

*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>

Background

The Department of Revenue stated that the 2004 law has been increasing state sales tax receipts such that about \$5.0 million in additional revenue will be produced by the end of FY 2005. The Department also noted that most refunds could be paid by the end of FY 2005 if the Legislature were to approve SB 23 prior to March 1.

The bill would therefore be expected to reduce receipts as follows:

(\$ in millions)

| | All Funds | State General Fund | State Highway Fund |
|------------------------|-------------------|--------------------------|--------------------------|
| FY 2005 | \$(5.000) | \$(4.764) | \$(0.236) |
| FY 2006 | (5.175) | (4.931) | (0.244) |
| FY 2007 | (5.356) | (4.972) | (0.384) |
| FY 2008 | (5.544) | (4.864) | (0.680) |
| FY 2009 | (5.738) | (5.034) | (0.704) |
| FY 2010 | (5.938) | (5.210) | (0.728) |
| Through FY 2010 | \$(32.751) | \$(29.775) | \$(2.976) |

Local sales tax collections also would be expected to be reduced by about \$0.580 million annually.

The original bill, which was introduced by the Special Committee on Assessment and Taxation at the conclusion of an interim study, contained language requiring the Department to adopt rules and regulations that would have been similar to those in effect in Pennsylvania relating to certain threshold tests that compare stated selling prices to various proxy valuation estimates for used motor vehicles. The Senate Committee removed this language from the bill.

The original bill also contained a provision that would have required certificates of title to contain statements advising sellers and buyers of the legal consequences of falsifying reported selling prices. The Senate Committee struck that provision at the suggestion of the Department, whose representative testified that the agency planned instead to

initiate a new administrative requirement that counties have buyers and sellers sign affidavits prior to the registration process. The amendments requiring refund claims to be submitted within six months and providing that refunds of less than \$10 not be paid also were suggested by the Department.

The House Committee added the amendments that would require buyers to sign separate statements verifying the true selling price; and would require sellers to certify the true selling price on the titles.