

Sales Tax Exemptions; HB 2098

HB 2098 creates a sales tax deduction for certain motor vehicle transactions, provides for manufacturer's coupons to be excluded from the sales price for sales tax purposes, and creates several sales tax exemptions.

Motor Vehicle Sales Tax Deduction

The bill provides, for purposes of retail sales and compensating use tax, a deduction from the sales price of the purchase of a new or used motor vehicle in the amount of the proceeds from the sale of a used motor vehicle sold by the purchaser within 120 days before or after the purchase. If proceeds from the sale exceeded the purchase price, the purchaser will not owe any sales or use tax.

The deduction applies to any sales of used motor vehicles on or after January 1, 2025.

Individuals may qualify for the deduction by either providing a completed bill of sale to the county treasurer when registering the purchased vehicle or by applying to the Department of Revenue for a refund within three years of the date of the purchase of the replacement vehicle.

The deduction is permitted only if the taxpayer claiming the deduction provides a copy of the required bill of sale on Department of Revenue TR-312 forms or provides the information required by that form, and the information matches the information entered in the assignment of title on the back of the certificate of title.

Manufacturer's Coupons Sales Tax Exclusion

The bill excludes from the sales price, for purposes of retail sales and compensating use taxes, the amount of coupons issued by a manufacturer, supplier, or distributor when the seller accepts such coupons and is reimbursed by the manufacturer, supplier, or distributor.

Sales Tax Exemptions

The bill creates the following sales tax exemptions:

- For the purchase of equipment, machinery, or other infrastructure purchased for use in the provision of internet access service, telecommunications service, or video service and for the purchase of repair, maintenance, and installation services purchased by providers in the provision of such internet access service, telecommunications service, or video service. The exemption would expire on July 1, 2029;
- For all sales of the services of slaughtering, butchering, custom cutting, dressing, processing, and packaging of an animal for human consumption when the animal is delivered or furnished by the customer, and the meat is for use or consumption by the customer;

- For the Kansas State School for the Blind and Kansas State School for the Deaf, on purchases related to the building, maintenance, and enlargement of facilities used for human habitation;
- For purchases for the construction, equipment, and maintenance of buildings operated by the Kansas Fairgrounds Foundation and located on the grounds of the Kansas State Fair and for purchases made by a contractor for purposes of constructing and maintaining such facilities. For such purchases made after January 1, 2024, but prior to the effective date of the bill, the bill provides for refunds of sales tax to be paid by the Department of Revenue;
- For Doorstep, Inc., in Topeka, Kansas, for purchases with the purpose of providing short-term emergency aid to families and individuals in need and providing information on services to promote long-term self-sufficiency;
- For Exploration Place, Inc., in Wichita, Kansas, effective January 1, 2024, for the purpose of constructing, remodeling, furnishing, or equipping a riverfront amphitheater, a destination playscape, an education center, and indoor renovations; and
- For Kansas Children’s Discovery Center, Inc., (KCDC) in Topeka, Kansas, effective January 1, 2024, for the purpose of constructing, remodeling, furnishing, or equipping a hands-on children’s museum with a mission to enhance the lives of children and enrich the communities it serves.

The exemptions for Exploration Place and KCDC also apply to qualifying purchases made by any contractor hired for such projects and sunset on December 31, 2030. For purchases made after January 1, 2024, but prior to the effective date of the bill, refunds of sales tax are to be paid by the Department of Revenue.

Disabled Veterans Sales Tax Exemption

The bill creates a sales tax exemption beginning July 1, 2026, for tangible personal property and services purchased by Kansas resident veterans who have been honorably discharged and have a 100 percent, total, or unemployable permanent disability rating sustained through military service.

Sales of motor vehicles, alcoholic beverages, tobacco products, or electronic cigarettes are excluded from the exemption, as are any purchases not made for personal use or made for the production of income.

Purchases for the benefit of such individuals or made on behalf of such individuals also qualify for the exemption, which is capped at \$24,000 of taxable sales per year per eligible person. Surviving spouses of eligible persons will continue to be eligible for the exemption until remarriage.

The bill requires individuals claiming the exemption to apply to the Secretary of Revenue for a veteran exemption identification number, which is to be provided on a card the size of a

driver's license upon the provision of information sufficient to establish the eligibility of the individual. The bill requires the exemption identification number or exemption card to be presented to retailers when claiming the exemption.

Upon request of the Secretary of Revenue, an eligible person is required to provide a statement under oath that the total sales amounts have not exceeded the amount provided for by the bill. If the amount of exempt sales exceeds the limit, the amount of excess sales tax will be considered a direct sales tax liability of the eligible individual.