

February 17, 2026

REVISED

The Honorable Shannon Francis, Chairperson  
House Committee on Transportation  
300 SW 10th Avenue, Room 582-N  
Topeka, Kansas 66612

Dear Representative Francis:

SUBJECT: Revised Fiscal Note for HB 2575 by Representative Rhiley

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2575 is respectfully submitted to your committee.

HB 2575 would eliminate annual registration requirements and registration fees for passenger vehicles and vehicles used for personal use when registered by an individual or individuals. Under the provisions of the bill, these vehicles would receive a one-time registration with a permanent decal that would remain valid until a change in vehicle ownership, at which point the new owner would be required to register the vehicle. The bill would also exempt these vehicles from the nonrefundable vehicle registration surcharge and the division of vehicles modernization surcharge. In addition, the bill would eliminate sales tax on the isolated or occasional sale or transfer of these vehicles. Beginning January 1, 2027, the bill would exempt these vehicles from motor vehicle property tax. The bill would take effect upon publication in the statute book.

The Department of Revenue estimates that enactment of HB 2575 would decrease state revenues by a total of \$477.1 million beginning in FY 2027. Of that total, State General Fund revenues from sales tax are estimated to decrease by \$359.2 million. State Highway Fund revenues are estimated to decrease by \$117.9 million, of which \$39.0 million would result from the elimination of registration fees and \$78.9 million would result from the loss of the State Highway Fund's share of sales tax revenue. The Department estimates that these revenue reductions would continue at similar levels in subsequent fiscal years.

To formulate these estimates, the Department of Revenue reviewed vehicle registration data and sales tax collection data. The Department estimates that approximately half of the 2.6

million non-commercially registered vehicles in the state (an estimated 1.3 million vehicles) are owned by individuals and used for personal use. At an average registration fee of \$30, the elimination of registration fees would reduce revenues to the State Highway Fund by an estimated \$39.0 million annually. For the sales tax estimate, the Department reviewed collections through the Motor Vehicle Registration System totaling \$121.0 million, along with an estimated \$317.1 million in state sales tax collections from new and used vehicle dealerships. The combined reduction in sales tax revenue of \$438.1 million was apportioned between the State General Fund (82.0 percent, or \$359.2 million) and the State Highway Fund (18.0 percent, or \$78.9 million).

The Department of Revenue also estimates that the bill would reduce revenues to the State School District Finance Fund by approximately \$836,000 in FY 2028 and \$849,000 in FY 2029 as a result of eliminating the 20-mill statewide property tax levy on the affected vehicles. The Division of the Budget notes that the estimated reduction in revenues from the 20-mill school levy would require an offsetting appropriation for State Foundation Aid from the State General Fund to keep the Base Aid for Student Excellence (BASE) in the school finance formula at \$5,943 for FY 2028, as included in *The FY 2027 Governor's Budget Report*. If the bill were enacted without a corresponding increase to the State General Fund appropriation for State Foundation Aid, the Department of Education would have to prorate the BASE by reducing state aid to school districts in FY 2028.

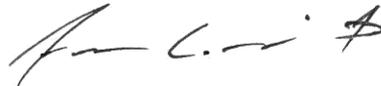
According to the Department of Revenue, implementation of the bill would require one-time expenditures of \$35,410 from the State General Fund in FY 2027. Of that total, \$8,400 would be needed for vehicle services system updates and testing, \$24,000 for vehicle registration system development, and \$3,010 for tax operations administrative costs.

The Kansas Department of Transportation indicates that the bill would decrease State Highway Fund revenues by approximately \$117.9 million in FY 2027 and in each subsequent fiscal year, based on estimates prepared by the Department of Revenue. The Kansas Department of Transportation states that enactment of the bill would require the agency to reduce expenditures for the Eisenhower Legacy Transportation Program by an amount equal to the loss in revenue, which could include reducing project lettings, programs, or operations. The Highway Patrol estimates that enactment of the bill would reduce agency fee fund revenues by up to \$12.0 million per fiscal year. Under current law, the agency's Staffing and Training fund, Motor Vehicle Fund, and Highway Patrol Training Center Fund are supported by motor vehicle registration fees of \$2.00, \$1.00, and \$3.50, respectively. The Highway Patrol indicates that to maintain current operations, any fee revenue lost as a result of the bill would need to be backfilled with a transfer from the State Highway Fund or other funding source. In the originally issued fiscal note, this fiscal effect to the Highway Patrol was not accounted for. Any fiscal effect associated with HB 2575 is not reflected in *The FY 2027 Governor's Budget Report*.

The Department of Revenue estimates that the elimination of motor vehicle property tax on the affected vehicles would reduce local property tax revenues by approximately \$236.0 million annually. The Kansas Association of Counties indicates that the bill would reduce county revenues from registration fees, sales tax, and property tax, and would also require procedural changes at county motor vehicle offices that would increase county expenditures. The League of Kansas

Municipalities indicates that the bill would reduce local tax collections that are used in part to finance local governments. However, neither organization was able to provide a specific estimate of the fiscal effect on local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties