



KANSAS AUTOMOBILE DEALERS ASSOCIATION

February 21, 2012

To: The Honorable Les Donovan, Chairman
and Members of the Senate Committee on Assessment & Taxation

From: Don L. McNeely, KADA President

Re: SB 421 – An act concerning personal property taxation; relating to motor vehicles:
computation of amount of tax

Good morning, Chairman Donovan and Members of the Senate Committee on Assessment & Taxation. My name is Don McNeely and I am the President of the Kansas Automobile Dealers Association, which represents the retail new franchised motor vehicle industry in Kansas.

On behalf of KADA, I am pleased to appear this morning in support of SB 421 and provide some comments in regard to personal property tax on vehicles. This is an issue which has not been discussed since the 2009 legislative session, and not addressed since the gubernatorial election of 1994 and the legislative session of 1995, when the assessed value for the calculation of motor vehicle property tax was gradually reduced from 30 to 20 percent and school property tax was removed from the formula. Prior to this Kansas had the oldest fleet of vehicles in the country and a study commissioned by Wichita State University's Hugo Wall School of Urban and Public Affairs at that time found that Kansas had the highest motor vehicle tax burden in the nation.

After the enactment of the phased-in reduction of motor vehicle property tax in 1995, Kansas experienced a dramatic increase in newer vehicles being purchased and registered, and thus an increase in sales tax revenue associated with the purchase of newer vehicles. However, since that time, Kansas consumers have experienced a gradual increase in local mill levies, which has erased much of the motor vehicle property tax relief that was enacted in the mid-90's, not to mention the increases in local sales tax, which has detrimentally impacted and influenced the purchase of newer vehicles.

Kansas Total Vehicles in Operation (Fleet)

2001: 2,261,434

Sn. Assmnt & Tax
2-21-12

Attachment # 8

2010: 2,312,866
Increase of 51,432 units (+2.3%)

Kansas New Vehicle Registrations

2001: 132,365
2010: 86,798
Decrease of 45,567 units (-34.4%)

While we readily admit the sale and registration of new vehicles has been severely impacted by the downturn in the economy over the last 3 years, the trend in new vehicle registrations had been steadily declining since 2002.

KADA believes SB 421 deserves serious discussion and consideration for a variety of different reasons. We also continue to believe our current system of taxing vehicles continues to be regressive, especially as it relates to property tax. Even after the reduction of the 90's, we continue to depreciate the value of vehicles very slowly on the front-end of the life of the vehicle and accelerate it on the back-end, when in the real world, just the opposite occurs.

On behalf of the Kansas Automobile Dealers Association, I thank you for the opportunity to appear to appear this morning and provide some comments in support of SB 421.

Kansas New Motor Vehicle
Annual Registrations

<u>Year</u>	<u>New Vehicles</u>
1999	129,698
2000	131,585
2001	132,365
2002	123,708
2003	114,533
2004	117,238
2005	116,042
2006	114,433
2007	113,370
2008	100,982
2009	84,456
2010	86,798

Source: R.L. Polk