



KANSAS AUTOMOBILE DEALERS ASSOCIATION

February 14, 2013

To: The Honorable Richard Carlson, Chairman
and Members of the House Committee on Taxation

From: Don L. McNeely, KADA President

Re: HB 2174 - AN ACT concerning sales taxation; relating to certain cash rebates on sales of motor vehicles

Good afternoon, Chairman Carlson and Members of the House Committee on Taxation. My name is Don McNeely and I serve as the President of the Kansas Automobile Dealers Association, which represents the franchised new motor vehicle industry in Kansas. I am also joined this afternoon by our Legislative Counsel Whitney Damron.

On behalf of KADA, I am pleased to appear today in support of HB 2174, which would reinstate the sales tax exemption associated with motor vehicle manufacturer rebates that was unfortunately allowed to sunset on June 30, 2009.

As some members of the committee will remember, the sales tax exemption for motor vehicle manufacturer rebates was enacted during the 2006 Legislative Session after over a decade of discussing the issue. The original bill that session, HB 2640 passed the House of Representatives and the legislation eventually became part of SB 404, where the sunset provision of June 30, 2009 was added in Conference Committee.

While this issue is not new to some members of the Committee, it is extremely important to the consumers of Kansas and the retail new motor vehicle industry. After the enactment of the sales tax exemption in 2006, the sometimes-heated debate with consumers over the taxability of a manufacturer rebate ceased, which had become commonplace prior to the enactment of the sales tax exemption, especially along the state-line, due to the fact that Missouri and Oklahoma had previously exempted manufacturer rebates from the taxable selling price or lease amount of a new motor vehicle, only to return again.

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Since the recent recession, which of course dramatically impacted our industry and forced many of the motor vehicle manufacturers to change their business model, the manufacturers have made a concerted effort to move away from rebate incentives and concentrate on incentive financing. However, manufacturers continue to turn to rebate incentives to move slower moving inventory, although not in the number and amounts once seen.

While Kansas annual new motor vehicle registrations have fallen from 132,365 units in 2001 to 94,387 units in 2011 and we lost almost 20 percent of our dealerships in the forced terminations, the franchised new car dealers of Kansas still generate over \$5.4 billion in annual sales. We are a critical and essential part of our state's economy and it is extremely important that the State of Kansas have a healthy and viable retail motor vehicle industry. Sales of new and used cars, as well as parts and service, are one of the single largest source of sales tax revenue for our state and the majority of our city and county governments.

On behalf of the Kansas Automobile Dealers Association, I thank the Members of the Committee for allowing me to appear before you this afternoon in support of HB 2174.

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