

SESSION OF 2013

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2174

As Recommended by House Committee on
Taxation

Brief*

HB 2174 would provide a sales tax exemption (by excluding from the definition of sales price) on cash rebates granted by manufacturers to purchasers and lessees of new motor vehicles, if such rebates are paid directly to retailers.

Background

Manufacturer rebates for new vehicle sales had been exempt from 2006 through 2009 (when that exemption sunset). The current version of the exemption proposed in HB 2174 would be permanent.

Proponents of the bill at the House Committee hearing included representatives of the Kansas Automobile Dealers Association and General Motors.

The fiscal note indicated the bill would have the following impact on sales tax receipts to the State General Fund (SGF) and State Highway Fund (SHF) at the currently scheduled sales and use tax rate of 5.7 percent that is to begin on July 1, the first day of the exemption. (The fiscal impact of the proposed exemption would be larger under the Governor's recommendation that the current 6.3 percent rate be maintained on that date.)

(\$ in millions)

	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>5-yr total</u>
SGF	\$ (2.490)	\$ (2.580)	\$ (2.680)	\$ (2.780)	\$ (2.880)	\$ (13.410)
SHF	(0.560)	(0.580)	(0.600)	(0.630)	(0.650)	(3.020)
Total	\$ (3.050)	\$ (3.160)	\$ (3.280)	\$ (3.410)	\$ (3.530)	\$ (16.430)

*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>