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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

March 12, 2018

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2659 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2659 is respectfully submitted to your committee.

HB 2659 would increase the state sales tax on the sale of a motor vehicle with a selling price of more than \$100,000, from 6.5 percent to 13.0 percent. The bill requires that the selling price be calculated before considering the value of any trade-in property and would become effective on July 1, 2018. The 13.0 percent state sales tax on motor vehicles with a selling price of more than \$100,000 would be distributed the same as the current 6.5 percent distribution: 83.846 percent to the State General Fund and 16.154 percent to the State Highway Fund.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	\$2,140,000	\$2,550,000
Expenditure	--	--	Unknown	Unknown
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2659 would increase state revenues by \$2,550,000 in FY 2019. Of that total, the State General Fund is estimated to increase by \$2,140,000 in FY 2019, while the State Highway Fund is estimated to increase by \$410,000 in FY 2019. The bill would have no fiscal effect on local sales tax collections. The Department of Revenue indicates that the bill would have a similar fiscal effect in future fiscal years.

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To formulate these estimates, the Department of Revenue reviewed data on motor vehicle sales. The Department indicates that motor vehicle sales with a selling price of \$100,000 or more is estimated to be approximately \$39.5 million per year. The current state sales tax rate of 6.5 percent allows the state to collect approximately \$2,550,000 in state sales taxes each year from the \$39.5 million in motor vehicle sales. Doubling the current sales tax rate will allow the state to collect an additional \$2,555,000 in state sales taxes each year. The Department of Revenue indicates that State General Fund estimates for FY 2019 are based on the November 2017 Consensus Revenue Estimate.

The Department of Revenue indicates that it is unable to determine the administration costs to implement the increased sales tax rate on certain motor vehicles. The Department indicates that it would be required to update forms, publications, and to modify the sales tax collection system at an unknown cost. The current composite jurisdiction sales tax system does not accommodate a second state sales tax rate. The Department is exploring alternatives to correct this situation.

The Kansas Department of Transportation (KDOT) indicates that the bill would increase state revenues to the State Highway Fund as noted above. KDOT indicates the bill would provide additional funding for the comprehensive transportation plan, known as T-WORKS. Any fiscal effect associated with HB 2659 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Lynn Robinson, Department of Revenue
Ben Cleaves, Transportation
Chardae Caine, League of Municipalities
Melissa Wangemann, Association of Counties