

STATE OF KANSAS  
HOUSE OF REPRESENTATIVES

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CARL TURNER  
28TH DISTRICT

February 9, 2022

Re: Support for HB 2571

Chairman Smith and members of the House Taxation Committee.

Thank you for the opportunity to discuss a bill with potential benefit to all Kansans that own vehicles. This bill equalizes the current unequal sales tax treatment when purchasing a new vehicle to replace an old vehicle.

Under current law, when you purchase a vehicle and trade-in a vehicle in the same transaction, you get a trade-in allowance. Sales tax is charged on the amount the value of the new vehicle exceeds the value of the old one. However, if a vehicle is purchased and the purchaser chooses to sell the old vehicle themselves, the purchaser must pay sales tax on the full cost of the new vehicle with no allowed reduction for the sale of the old vehicle (even if the sale is that same day).

Example 1 – Mr Smith buys a 2020 Acura from Dealer X for \$30,000 and trades in a 2015 Ford for \$10,000. He owes sales tax on the difference in value of \$20,000.

Example 2 – Mr Smith buys a 2020 Acura from Dealer X for \$30,000 but does not trade in his 2015 Ford. Instead, he sells it to someone for \$12,000. Mr Smith owes sales tax on \$30,000.

Note that the tax for Example 2 is \$10,000 higher for basically the same purchase/sell transaction.

Kansans should be afforded the same sales tax treatment whether they choose to trade-in or sell their old vehicle themselves. This bill levels the sales tax playing field by expanding the “trade-in” window to be 180 days before or after purchase of the new vehicle. In both examples above, Mr Smith would owe sales tax only on the amount that the value of the new exceeds the value of the old (\$20,000 in Example 1 or \$18,000 in Example 2).

This bill would also gain more accurate reporting of private party sales. An April 2003 Post Audit on Taxes from Motor Vehicle Sales found that “Nearly half the vehicles reviewed that were sold privately were reported as being sold for what appear to be significantly less than fair

market value” and “that people could be under reporting the selling price. We’ve heard anecdotally that’s a common practice.” [Cover.pmd \(kslpa.org\)](http://Cover.pmd(kslpa.org))

This could be because there is currently only one party (the buyer) with a stake in what price is reported and he wants it lower so he pays less sales tax. Under this bill, there will be two parties with opposite motives. The Seller benefits if the reported selling price is higher and the Buyer benefits by the reported price being lower. These competing interests result in an accurate / actual selling price being reported. A notarized bill of sale is the source of truth.

Kansas already provides a trade-in allowance. This bill just makes it accessible to all by expanding the timeframe for the purchase and related sale to occur. Missouri has given equal treatment to their residents for years and its time Kansas did the same for our residents.

Thank you for your time and attention.

Carl Turner  
Representative – House District 28