

SESSION OF 2021

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2143

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

HB 2143, as amended, would modify law related to sales tax.

***Motor Vehicle Rebate Sales Price Exclusion Sunset
Extension***

The bill would extend the sunset on an exclusion of certain motor vehicle manufacturer rebates from the selling price for sales tax purposes to June 30, 2024. Current law excludes cash rebates granted by manufacturers to purchasers or lessees of new motor vehicles if such rebates are paid directly to retailers, but this provision is scheduled to sunset on June 30, 2021.

Sales Tax Exemptions

The bill would exempt the Cerebral Palsy Research Foundation of Kansas and Multi Community Diversified Services from paying sales tax on purchases related to the building, maintenance, and enlargement of facilities used to house non-students of the institutions.

Retailers Sales Tax Returns and Payment

The bill would increase, as of January 1, 2022, the threshold filing amounts for retailers to submit sales taxes to

*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>

the Department of Revenue. The bill would increase the threshold amount from \$400 to \$15,000 for annual filings, and from \$4,000 to \$25,000 for quarterly filings. Retailers with annual liability in excess of \$25,000 would be required to file and remit sales tax on a monthly basis. The bill would also eliminate a provision requiring retailers with liability exceeding \$40,000 to pay the sales tax liability for the first 15 days of each month on the 25th day of that month.

Effective Date

The bill would be in effect upon publication in the *Kansas Register*. The provisions relating to sales tax returns and payments would be effective beginning January 1, 2022.

Background

The bill was introduced by the House Committee on Taxation at the request of the Kansas Automobile Dealers Association. [Note: The bill, as recommended by the House Committee, is identical to 2020 SB 322, as introduced.]

House Committee on Taxation

In the House Committee hearing, a representative of the Kansas Auto Dealers Association appeared as a **proponent**. He noted the current exemption had been enacted in 2018 and stated Missouri, Nebraska, and Oklahoma have similar exemptions.

No other testimony was provided.

Senate Committee on Assessment and Taxation

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enacted in 2018 and stated Missouri, Nebraska, and Oklahoma have similar exemptions.

No other testimony was provided.

The Senate Committee amended the bill to change a repeal of the sunset on an exclusion of certain motor vehicle manufacturer rebates to a three year extension of the sunset and to insert the provisions related to sales tax exemptions and returns and payments.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue estimates that the bill, if enacted, would decrease revenues by \$4.5 million in FY 2022: \$3.8 million from the State General Fund (SGF) and \$700,000 from the State Highway Fund (SHF). Local sales tax revenues are also estimated to decrease, although the Department did not provide an estimate. The Department indicates similar fiscal effects would be expected in subsequent years for which the sunset is extended, with an additional decrease of \$100,000 from the SGF in FY 2024.

The provisions related to sales tax returns and payment are expected to decrease SGF receipts by \$141.5 million and SHF receipts by \$27.3 million in FY 2022. This is a one time fiscal impact, which would also reduce local sales tax revenues.

A fiscal estimate concerning the sales tax exemption provision was not immediately available.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2022 Governor's Budget Report*.

Taxation; sales tax; sales price; exemptions; retailers