

SESSION OF 2021

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 70**

As Recommended by Senate Committee on  
Assessment and Taxation

**Brief\***

SB 70 would repeal the sunset on an exclusion of certain motor vehicle manufacturer rebates from the selling price for sales tax purposes. 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.

Additionally, the bill would exclude discounts and coupons that are reimbursed by a third party from the definition of “sales or selling price” for the purpose of Kansas retail sales tax.

**Background**

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

[*Note:* SB 70 contains provisions identical to 2020 SB 322 as amended by the Senate Committee of the Whole.]

***Senate Committee on Assessment and Taxation***

At the Senate Committee hearing on February 2, 2021, a representative of the Kansas Automobile Dealers Association testified as a **proponent**, stating the bill would

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\*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>

support the retail motor vehicle industry and result in sales tax continuing to more accurately reflect the purchase price of a motor vehicle.

There was no other testimony.

The Senate Committee recommended the bill be placed on the Consent Calendar.

***Fiscal Information***

According to the fiscal note prepared by the Division of the Budget on the bill, the bill would have the following effect on state revenues.

(Dollars in Millions)

	<u>FY</u> <u>2022</u>	<u>FY</u> <u>2023</u>	<u>FY</u> <u>2024</u>	<u>FY</u> <u>2025</u>	<u>FY</u> <u>2026</u>
Motor Vehicle Rebate - SGF	(3.80)	(3.80)	(3.90)	(3.90)	(3.90)
Motor Vehicle Rebate - SHF	(0.70)	(0.70)	(0.70)	(0.80)	(0.80)
<b>Motor Vehicle Rebate - Total</b>	<b>(4.50)</b>	<b>(4.50)</b>	<b>(4.60)</b>	<b>(4.70)</b>	<b>(4.70)</b>
Manufacturer's Coupons - SGF	(1.40)	(1.40)	(1.40)	(1.40)	(1.40)
Manufacturer's Coupons - SHF	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
<b>Manufacturer's Coupons - Total</b>	<b>(1.70)</b>	<b>(1.70)</b>	<b>(1.70)</b>	<b>(1.70)</b>	<b>(1.70)</b>
State General Fund Subtotal	(5.20)	(5.20)	(5.30)	(5.30)	(5.30)
State Highway Fund Subtotal	(1.00)	(1.00)	(1.00)	(1.10)	(1.10)
<b>All Funds Total</b>	<b>(6.20)</b>	<b>(6.20)</b>	<b>(6.30)</b>	<b>(6.40)</b>	<b>(6.40)</b>

The fiscal note also states the bill is estimated to decrease local sales tax revenues, but a specific estimate was not provided.

Additionally, the Department of Revenue indicates the provision concerning manufacturer's coupons has the potential to place Kansas out of compliance with the Streamlined Sales and Use Tax Agreement, which could imperil \$41.3 million of annual revenues Kansas receives from members of that Agreement.

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

Taxation; sales tax