



KANSAS AUTOMOBILE DEALERS ASSOCIATION

March 1, 2023

To: The Honorable Adam Smith, Chairman
and Members of the House Committee on Taxation

From: Don L. McNeely, KADA President

Re: HB 2062 - AN ACT concerning taxation; relating to rental and leased motor vehicles;
imposing property tax on rental and leased vehicles and discontinuing
the excise tax on the rental or lease thereof;

Good afternoon, Chairman Smith and Members of the House Committee on Taxation. My name is Don McNeely, and I serve as the President of the Kansas Automobile Dealers Association, which represents the franchised new motor vehicle industry in Kansas.

On behalf of KADA, I am pleased to provide written testimony in opposition to HB 2062, as we are not sure what the proposal is going to accomplish. The rental of motor vehicles is incidental to some of our members' businesses, especially in the rural areas where the local dealership may be the only option for the daily rental of a motor vehicle.

The establishment of the Kansas vehicle rental excise tax came about as the result of a 1984 Legislative Post Audit Report on Vehicle Rental Agencies in which it was found among other things that some rental car companies which operate on an interstate basis were registering a significant percentage of their vehicles out of state, thus not paying Kansas personal property taxes. The establishment of collecting a 3.5% vehicle rental excise tax on the daily rental receipts in lieu of paying personal property tax at the time of registration of the vehicle was adopted in 1991 to address this issue. It is our belief if the rental excise tax was eliminated and personal property tax was reinstated at the time of registration, the previous issues would once again reappear.

HB 2062 also includes leased vehicles, which are not subject to Kansas vehicle rental excise tax, as the excise tax only applies to vehicles that are rented for 28 days or less.

On behalf of the Kansas Automobile Dealers Association, I thank the Members of the Committee for allowing me to provide some comments in opposition to HB 2062.

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