

February 21, 2024

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 466 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 466 is respectfully submitted to your committee.

SB 466 would allow the purchaser of a trailer to remit the sales tax directly to the Department of Revenue or the county treasurer instead of the retailer. A retailer not collecting sales tax on sales of trailers would be required to notify the purchaser and the Department that the sales tax was not collected at the time of the sale and that the sales tax is due to the Department or county treasurer.

The Department of Revenue estimates that SB 466 has the potential to decrease state sales tax revenues to the State General Fund and the State Highway Fund by unknown amounts beginning in FY 2025. This bill is also estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue.

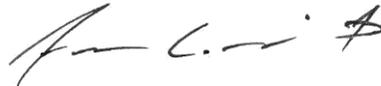
The Department indicates that trailers are required to be titled and registered in Kansas with the following exceptions: farm trailers hauling 6,000 pounds or less of agricultural product; farm trailers used and designed for transporting hay or forage from a field to a storage area or from a storage area to a feedlot with only incidental movement upon highways; and trailers with an operating weight of 2,000 pounds or less. If the sales tax is not collected by the retailer, it would be the responsibility of the purchaser to remit the tax to the county treasurer or the Department of Revenue. If the trailer is not required to be registered, the purchaser would not have contact with the county treasurer regarding the purchase. Without contact with the county treasurer, it is assumed that some trailer purchasers would fail to remit the tax. The Department does not have the means to track the number of trailer purchases made within the categories not requiring

registration. It is unknown how many trailer retailers would elect to not collect the tax and how many trailer purchasers would fail to remit the tax. According to the Department of Revenue, updating the vehicle dealers system and revising forms, manuals, and publications would cost \$2,990 from the State General Fund in FY 2025.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund as noted above. Any fiscal effect associated with SB 466 is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. The Kansas Association of Counties indicates the bill has the potential to increase costs by unknown amounts for county treasurers by requiring them to collect and process sales tax payments on trailers.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties
Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation