



Testimony of Ruth Whittaker

Policy Analyst

Chamber of Progress

House Taxation Committee

Re: HB 2062

March 1, 2023

Good afternoon Chair Smith and members of the Committee:

My name is Ruth Whittaker and I serve as Policy Analyst for the Chamber of Progress, a tech industry coalition committed to ensuring all Americans benefit from technological leaps. Our corporate partners include companies like Turo but our partners do not have a vote on or veto over our positions.

We urge your committee to **support HB 2062**, which will close the current preferential property tax loophole enjoyed by corporate rental car companies, generating additional state tax revenue for the benefit of all Kansans. The bill would discontinue an existing excise tax on rental vehicles and require rental car companies to pay a property tax upon the purchase of a vehicle.

HB 2062 restores Kansas' traditional property tax policy toward rental cars, allowing for more revenue to be directed to the state's small and rural communities. The Kansas Legislative Research Department reports the State receives relatively little direct property tax revenue. Yet, the property tax makes up more than half of tax receipts for counties, school districts, cities and townships.¹

By closing the existing tax loophole, HB 2062 will increase state tax revenue by an estimated \$20.7 million annually helping to fund critical state needs. This is

¹ Kansas Property Tax Cycle, Kansas Legislative Research Department (2021)., <https://klrd.org/publications/briefing-book-2021/kansas-property-tax-cycle/>

revenue that can help fund critical needs in the small and rural communities such as health care, education, housing, economic development, and infrastructure.

HB 2062 would help to stimulate economic growth through local purchasing of vehicles. With the passage of HB 2062, the rental car industry will support one of Kansas' 209 new vehicle dealerships when they buy a car locally.² Each purchase contributes significantly to property tax revenue, supporting the local economy and creating additional jobs at local dealerships.

HB 2062 would establish more fair and equitable tax laws.

The currently imposed rental car excise tax has severe consequences for both residents and the rental car companies in Kansas. A 2010 study conducted by The Brattle Group found that more revenue is generated through residents' use of neighborhood-based rental car locations rather than tax exporting to non-residents who utilize airport locations.³ As a result of the excise tax, residents may be inclined to reduce their demand for car rentals or travel across state lines for more affordable options.

Furthermore, car rental excise taxes are disproportionately felt by low income and minority households who are more likely to rely on car rentals to travel from one destination to another. The aforementioned study also concluded that the removal of discriminatory excise taxes would have increased rental demand by almost 8 million rental days at Enterprise in 2008. HB 2062 eliminates the excise tax and replaces it with a property tax on car rentals, protecting marginalized communities from being burdened.

We believe this legislation will close an important tax loophole and raise critical revenues. On behalf of consumers and in hopes of encouraging a healthy, competitive rental market, we ask your committee to **support HB 2062.**

Thank you.

² <https://kansasdealers.org/about/>

³ Dr. Kevin Neels, Effects of Discriminatory Excise Taxes on Car Rentals, The Brattle Group (2010). https://www.brattle.com/wp-content/uploads/2017/10/8201_effects_of_discriminatory_excise_taxes_on_car_rentals_neels_june_10_2010.pdf