

February 6, 2023

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2134 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2134 is respectfully submitted to your committee.

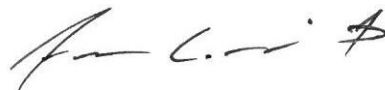
HB 2134 would allow an owner of a vehicle that is wrecked or damaged to the extent that it would qualify as salvage vehicle within the first year of owning the vehicle the ability to apply the sales tax paid on the original vehicle to the replacement vehicle purchased by the individual. If the sales tax owed on the replacement vehicle is equal to or less than sales tax paid on the original vehicle, the owner would not owe sales tax, but would not be entitled to a refund. To qualify for the deduction in sales tax, the taxpayer claiming the deduction must submit copies of the bills of sale using the Department of Revenue's TR-312 form or comparable information included on that form to the county treasurer or the Department of Revenue. The sale price, date of sale, and buyer and seller information on the bill of sale would match the information entered in the assignment of title on the back of the certificate of title. The bill would be effective July 1, 2023.

The Department of Revenue estimates that HB 2134 would decrease state and local sales tax revenues by unknown amounts beginning in FY 2024. The state funds directly affected by this bill are the State General Fund and the State Highway Fund. The Department indicated that it issued 18,357 salvage or non-repairable titles in calendar year (CY) 2019, 13,489 in CY 2020, 16,445 in CY 2021, and 22,162 in CY 2022. However, the Department does not have sufficient information on how many of these vehicles were salvaged as a result of a wreck, the time period between the purchase of the original vehicle and the wreck, the sales tax paid on the original vehicle, or the sales tax paid on a subsequently purchased vehicle to make a precise estimate of the amount of reduced state and local sales tax revenues under the provisions of the bill. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$2,175 from the State General Fund in FY 2024.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. The bill also has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact this bill would have on the viability of those projects. Any fiscal effect associated with HB 2134 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

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

Adam Proffitt
Director of the Budget

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