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CARL TURNER
28TH DISTRICT

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Chairman Smith and members of the House Taxation Committee. Thank you for the opportunity to discuss a bill that benefits all Kansans.

Current law is that when you purchase a vehicle and trade-in a vehicle (tangible personal property) in the same transaction, sales tax is charged on the net amount that the value of the new exceeds the value of the old.

Example – Mr Smith buys a 2020 Acura for \$30,000 and trades in a 2015 Ford for \$10,000. He would owe sales tax on the difference in value of \$20,000.

However, if a vehicle is purchased and the purchaser does not trade in the old vehicle in the same transaction, but instead sells it in a separate transaction, the purchaser must pay sales tax on the full cost of the new vehicle with no allowed reduction for the sale of the old vehicle (even if the sale is that same day).

Example – Mr Smith buys a 2020 Acura for \$30,000 but does not trade in his 2015 Ford. Instead, he immediately sells it to his neighbor for \$10,000. Mr Smith would owe sales tax on the full \$30,000 purchase price.

This bill gives equal sales tax treatment when purchasing a new vehicle to replace an old vehicle whether the old vehicle is traded in at the time of purchase (same transaction) or sold via private sale within 180 days of the purchase. In both cases sales tax would be charged on the difference between the value of the new vehicle and value of the old.

This bill would also gain more accurate reporting of private party sales. An April 2003 Post Audit did a random sample of 80 private vehicle sales and found that 39 of the 80 were sold for less than half the lowest NADA value. Per that report...

“Nearly half the vehicles reviewed that were sold privately were reported as being sold for what appear to be significantly less than fair market value” Had the value of these sales been more accurately reported, “private vehicle sales could have generated an additional \$7.5 million to nearly \$13 million in sales taxes that year.” “...the State likely is losing several million dollars each year in sales taxes on private vehicle sales.”

This situation is understandable because there is currently only one party (the buyer) with a stake in what price is reported and that person wants it to be lower so he pays less sales tax. This Bill will promote a more accurate reporting of the selling price because there will be **two parties** with opposite motives. The Seller benefits if the reported selling price is higher and the Buyer benefits by the reported price being lower. These competing interests will result in the accurate / actual selling price being reported.

HB 2229 is a win-win for Kansans and the State. It makes the trade-in allowance accessible to all by expanding the timeframe for the purchase and related sale to occur and it will gain more accurate reporting of private party sales which will more than cover the fiscal note.

Missouri, Arkansas and other states have provided this to their residents for years and its time Kansas did the same for our residents.

I appreciate your consideration and am available to answer any questions.

Respectfully,

Carl Turner