

SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2229

As Amended by Senate Committee on
Assessment and Taxation

Brief*

HB 2229, as amended, would provide, for purposes of retail sales and compensating use tax, a deduction from the sales price of the purchase of a new or used motor vehicle in the amount of the proceeds from the sale of a used motor vehicle sold by the purchaser within 120 days before or after the purchase. If proceeds from the sale exceeded the purchase price, the purchaser would not owe any sales or use tax.

The deduction would apply to any sales of used motor vehicles on or after January 1, 2025.

Individuals would qualify for the deduction by either providing a completed bill of sale to the county treasurer when registering the purchased vehicle or by applying to the Department of Revenue for a refund within three years of the date of the purchase of the replacement vehicle.

The deduction would be permitted only if the taxpayer claiming the deduction provides a copy of the required bill of sale on Department of Revenue TR-312 forms or provides the information required by that form and the information matches the information entered in the assignment of title on the back of the certificate of title.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill was introduced by Representatives Turner and Resman.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Representative Turner, who stated the bill would apply sales tax treatment to private motor vehicle transactions completed within 180 days that is currently provided to simultaneous commercial transactions. Written-only proponent testimony was provided by two private citizens.

Neutral testimony was provided by a representative of the Kansas Automobile Dealers Association.

No other testimony was provided.

Senate Committee on Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Representative Turner, who generally stated the bill would give equal sales tax treatment to both automobile trade-in transactions and a subsequent private sale and improve private sale reporting accuracy.

Neutral testimony was provided by a representative of Kansas Automobile Dealers Association, who generally stated the bill may not accurately capture private transaction sales prices and suggested adding a Department of Revenue TR-312 form requirement to ensure accurate sales prices.

Written-only proponent testimony was provided by four private citizens.

Written-only opponent testimony was provided by a representative of Americans for Prosperity.

The Senate Committee amended the bill to change the starting date from January 1, 2024, to January 1, 2025, and reduce the 180-day transaction window to 120 days.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill would reduce sales tax collections by an indeterminate amount beginning in FY 2024. The Department notes that a similar, but more expansive, program in Missouri results in an annual reduction of sales tax receipts of \$5.0 million and further indicates the reduction in Kansas receipts would likely be smaller due to Kansas' smaller population and the bill's narrower provisions.

Any fiscal effect associated with the bill is not reflected in *The FY 2025 Governor's Budget Report*.

Taxation; sales tax; motor vehicles; deduction