

STATE OF KANSAS



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February 14, 2013

Honorable Chairman Richard Carlson,
and members of the House Committee on Taxation

HB 2174

You know the feeling: You've got your eye on something you want or need, but it's just a little too expensive. Then, boom -- it goes on sale, and you pounce. You were able to get exactly what you wanted (at a discount), and the salesperson scored a sale, too. Everyone wins.

HB 2174 would exclude cash rebates paid by a vehicle manufacturer to a purchaser or lessee of a new motor vehicle from the definition of "sales or selling price" as used for the calculation of sales tax on vehicles.

In some states, the rebate may be subtracted from the selling price of the vehicle before taxes are added in.

A rebate is simply free money given to you by the automobile manufacturer as an incentive to buy that particular car.

Automobile manufacturers can, at any time, access their computers' databases and instantly know how many vehicles there are "on the ground" (sitting for sale on the dealerships' lots) across the nation. If there are too many vehicles of a particular model in a particular region, the manufacturer may offer a rebate to consumers as an incentive to buy those cars and get them off the dealerships' lots. Because the inventory of vehicles varies from region to region and month to month, rebates can also vary from region to region and month to month.

While retailers like the grocery or department store may offer sales or coupons, automakers and dealers tend to discount their merchandise through rebates and incentives. Car rebates and incentives are programs that stimulate sales for car makers by giving savings to consumers.

House Taxation
Date: _____
Attachment: _____

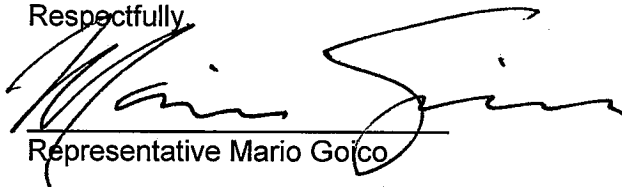
One prime example is Toyota. In the winter of 2010, Toyota hit a massive sales slump due to highly publicized recalls of Toyota cars, trucks and SUVs. Sales tanked. To get customers back into its showrooms, Toyota offered lots of incentives, which dropped the price of a new Toyota car or truck.

The Department of Revenue estimates that HB 2174 would decrease state revenues by \$3,050,000 in FY 2014. Of that amount, the State General Fund is estimated to decrease by \$2,490,000, while the State Highway Fund is estimated to decrease by \$560,000.

This is figured by assuming a vehicle cash rebate average of \$1,250 for approximately 50.0 percent of all new car purchases. It is estimated that there are approximately 90,000 new car purchases in Kansas each year.

The bill would take effect on July 1, 2013.

Respectfully,

A handwritten signature in black ink, appearing to read "Mario Goico", written over a horizontal line. The signature is stylized and cursive.

Representative Mario Goico