

SESSION OF 2013

SUPPLEMENTAL NOTE ON SENATE BILL NO. 181

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

SB 181 would make a number of changes in the Kansas motor vehicle tax system beginning in tax year 2014.

The current assessment level of 20 percent would be reduced to 18 percent in tax year 2014; 16 percent in tax year 2015; 14 percent in tax year 2016; and 12 percent in tax year 2017 and thereafter.

The current 15 percent annual depreciation rate for motor vehicles would be changed such that, beginning in tax year 2014, it would be applicable only for the first three years of the life of the vehicle. A 12 percent depreciation rate would apply for years 4 through 6, and a 10 percent rate would apply for year 7 and thereafter.

The county average tax rate component to the motor vehicle tax formula would be adjusted such that school district general funds would begin receiving a portion of tax receipts beginning in tax year 2015. At that time, the rate would be increased by 5 mills (with school district general funds receiving that money). Relative to current law, the rate would be increased by 10 mills in tax year 2016; 15 mills in tax year 2017; and 20 mills in tax year 2018 and thereafter.

Finally, the current minimum tax levels of \$12 for motorcycles and \$24 for motor vehicles would be increased to \$24 and \$36, respectively, beginning in tax year 2014.

*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

Proponents, who included a representative of the Kansas Automobile Dealers' Association, argued that reducing the overall property tax burden on vehicles would stimulate new car sales and generate additional sales tax revenues and other economic activity. Opponents, including a representative of the Kansas Association of Counties, argued that the loss of car tax revenue to local units of government would likely cause the tax burden to shift more heavily to the general property tax.

The fiscal note provided by the Kansas Division of the Budget indicated the bill would reduce receipts to state building funds but would increase local effort for purposes of the school finance formula, creating a net positive impact for the state. Local units of government would see a reduction in motor vehicle taxes. The following table summarizes the estimated impact:

(\$ in millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>4-year Total</u>
Building Funds	\$ (0.450)	\$ (0.735)	\$ (0.930)	\$ (0.975)	\$ (3.090)
Local Effort	14.700	27.990	40.770	54.740	138.200
Net State Impact	14.250	27.255	39.840	53.765	135.110
Local Impact	(24.250)	(41.055)	(51.740)	(51.165)	(168.210)
Net Change	(10.000)	(13.800)	(11.900)	2.600	(33.100)