

April 5, 2021

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
Statehouse, Room 185A-N  
Topeka, Kansas 66612

Dear Representative Smith:

**SUBJECT:** Fiscal Note for HB 2452 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2452 is respectfully submitted to your committee.

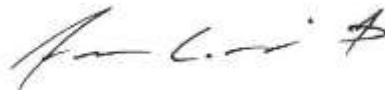
Under current law, the sales tax for a motor vehicle, trailer, semi-trailer, or aircraft that do not qualify as transportation equipment is determined at the location of the address of the retailer. HB 2452 would require that the sales tax for these vehicle types to be determined at the location where the vehicle is registered or intended to be registered.

The Department of Revenue estimates that HB 2452 would have no fiscal effect on state revenues. The bill would change the distribution of local retail sales and compensating use tax revenues between local governments; however, the Department does not have data to provide a specific fiscal effect on each local government that would have increased or decreased local revenues as a result of this bill.

The Department of Revenue indicates that it would require a total \$93,907 from the State General Fund in FY 2022 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE position to answer questions from taxpayers and to review, process, and audit sales tax returns. The Department estimates that ongoing expenses for salary and wages for the 1.00 FTE position would total \$55,961 from the State General Fund in FY 2023. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill would have a different fiscal effect on each specific local government based on the amount of vehicle sales activity occurring in each city or county. Areas that have significant motor vehicle sales activity would likely receive lower local sales tax revenues, whereas areas that lack significant motor vehicle sales activity would likely experience an increase in local sales tax revenue. Any fiscal effect associated with HB 2452 is not reflected in *The FY 2022 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: Jay Hall, Association of Counties  
Ben Cleeves, Transportation  
Wendi Stark, League of Municipalities  
Lynn Robinson, Department of Revenue