

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1418

Amendment Number: H4

Bill Subtitle: TO DEDICATE SALES AND USE TAX REVENUE FROM THE SALES OF NEW AND USED VEHICLES IN PART FOR ROADWAY MAINTENANCE, CONSTRUCTION, AND RECONSTRUCTION; AND TO DECLARE AN EMERGENCY.

Basic Change :

Representative Barnett

Engrossment 03/28/13 --- House Amendment 4 --- Amends the bill to require an annual determination of the growth rate in state general revenues from collections of the state sales and use tax prior to the annual increase in the percentage transfer to AHTD. At the end of each fiscal year, an analysis would determine if the general revenue collections for the fiscal year just ended exceeded the previous fiscal years tax collections by 3% or more. If the threshold is met, the increased transfer percentage of current tax collections to AHTD would begin on September 1. For any year when the collection did not increase by 3% or more, the transfer percentage would remain at the then existing level. If a subsequent year to the skipped year reflected a growth rate of 3% or more, the transfers from general revenues would again increase according the established schedule.

Engrossment 03/18/13 --- House Amendment 3 --- The bill provides for the transfer of State General Revenues resulting from the sale of motor vehicles, trailers and semi-trailers to the State Highway and Transportation Department Fund to support state highways and to Arkansas cities and counties. Cities and counties could use the transferred funds for any legitimate city or county purpose. The proposal provides for a 10-year phase-in transfer of General Revenues of the actual amounts of sales and use taxes collected on sales of motor vehicles, trailers and semi-trailers. The General Revenue transfers would begin on the first day of September following the issuance of an annual report by the State Treasurer to the Chief Fiscal Officer of the State indicating that the General Revenue portion of the state sales and use tax exceeded two billion two hundred fifty million dollars (\$2,250,000,000) for the fiscal year. Upon reaching this threshold, a ten year phase-in of state sales and use taxes would begin. The transfers from state General Revenues would not impact the current transfers from General Revenues for the Education Excellence Trust Fund and Educational Adequacy Fund.

The ten-year phase-in transfer of the 4.5% General Revenue portion of the 6.5% state sales and use tax collected on motor vehicles would occur as follows:

Year 1	---	90% General Revenue	---	10% to State Highways, Cities & Counties
Year 2	---	80% General Revenue	---	20% to State Highways, Cities & Counties
Year 3	---	70% General Revenue	---	30% to State Highways, Cities & Counties
Year 4	---	60% General Revenue	---	40% to State Highways, Cities & Counties
Year 5	---	50% General Revenue	---	50% to State Highways, Cities & Counties
Year 6	---	40% General Revenue	---	60% to State Highways, Cities & Counties
Year 7	---	30% General Revenue	---	70% to State Highways, Cities & Counties
Year 8	---	20% General Revenue	---	80% to State Highways, Cities & Counties
Year 9	---	10% General Revenue	---	90% to State Highways, Cities & Counties
Year 10	---	0% General Revenue	---	100% to State Highways, Cities & Counties

The State General Revenue transfers would be distributed Fifteen percent (15%) to the County Aid Fund; Fifteen percent (15%) to the Municipal Aid Fund; and Seventy percent (70%) to the State Highway and Transportation Department Fund.

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1418

Amendment Number: H4

Bill Subtitle: TO DEDICATE SALES AND USE TAX REVENUE FROM THE SALES OF NEW AND USED VEHICLES IN PART FOR ROADWAY MAINTENANCE, CONSTRUCTION, AND RECONSTRUCTION; AND TO DECLARE AN EMERGENCY.

Revenue Impact :

Projected general revenue sales and use tax collections of \$2.314.1 billion are forecast in FY15. If the projection is met, the transfers of sales and use taxes for highways would begin September 2015, impacting FY2016 General Revenue deposits. It is anticipated that the 3% annual growth in general revenues will occur and the annual transfers will progress as reflected in the bill.

	Total Transfer from State General Revenues	Transfer Amount to State Highways	Transfer Amount to Cities	Transfer Amount to Counties
	(millions)	(millions)	(millions)	(millions)
FY2016	\$ 22.1	\$ 15.5	\$ 3.3	\$ 3.3
FY2017	54.6	38.2	8.2	8.2
FY2018	84.3	59.0	12.6	12.6
FY2019	115.8	81.0	17.4	17.4
FY2020	149.1	104.4	22.4	22.4
FY2021	184.3	129.0	27.6	27.6
FY2022	221.4	155.0	33.2	33.2
FY2023	260.6	182.4	39.1	39.1
FY2024	302.0	210.4	45.3	45.3
FY2025	345.6	241.9	51.8	51.8

Taxpayer Impact :

None

Resources Required :

None

Time Required :

None

Procedural Changes :

Implement transfers of State General Revenues to support Arkansas Highways.

Other Comments :

Clarification is needed regarding the increasing transfer rates. The provision in the bill that provides that if an annual increase is not implemented because the 3% annual growth threshold has not been met; it is not clear as to the percentage transfer that will be in effect when the transfers are reinstated. The bill references percentage transfers for Year 2, Year 3, Year 4, etc. from the initial year of transfer. If an annual increase does not occur in a year and the scheduled transfers are reinstated in a subsequent year when the growth percentage equals the threshold, are the increased transfers to be the percentage established based on how many years since the initial transfer year or at the next greater percentage transfer rate over the current transfer percentage rate.

Legal Analysis :

None