

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2272

Bill Subtitle: TO INCREASE THE SALES AND USE TAX EXEMPTION FOR A MOTOR VEHICLE, TRAILER, OR SEMITRAILER.

Basic Change :

Representative Clemmer, D. Douglas

The bill increases the threshold for the levy of sales tax on motor vehicles. Under current law, no sales tax is due on the sale of a motor vehicle, trailer, or semitrailer if the selling price is less than \$4,000. The proposal changes the sales tax threshold so that sales tax would not be due on such vehicles if the selling price is less than \$5,000. The effective date is the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY14 Tax Decrease

Total Impact to State Revenues - **\$2.25 million**
[9 Months of Reduced Tax Collections --- 10/1/2013 Effective Date]
-\$ 1.51 million --- State General Revenue (4.5%)
-\$.29 million --- Educational Adequacy (.875% tax)
-\$.17 million --- Property Tax Relief Trust Fund (.5%)
-\$.04 million --- Conservation Tax (.125%)
-\$.17 million --- Highway Fund (.5%)
-\$ 0 --- Educational Excellence Trust Fund
-\$ 0 --- Educational Adequacy (GR transfer)
-\$.05 million --- State Central Services
-\$.02 million --- Constitutional Officers
Total Impact to City and County Sales Tax - \$400,000

FY15 Tax Decrease

Total Impact to State Revenues - **\$3.00 million**
-\$1.78 million --- State General Revenue (4.5%)
-\$.39 million --- Educational Adequacy (.875% tax)
-\$.22 million --- Property Tax Relief Trust Fund (.5%)
-\$.06 million --- Conservation Tax (.125%)
-\$.22 million --- Highway Fund (.5%)
-\$.21 million --- Educational Excellence Trust Fund
-\$.02 million --- Educational Adequacy (GR transfer)
-\$.07 million --- State Central Services
-\$.03 million --- Constitutional Officers
Total Impact to City and County Sales Tax - \$525,000

Taxpayer Impact :

Taxpayers who purchase a motor vehicle, trailer, or semi trailer with a selling price of less than \$5,000 would not pay sales tax on the purchase. Approximately 10,500 vehicle sales would no longer be subject to tax as a result of the increased exemption amount.

Resources Required :

No additional resources required.

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Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Program the Motor Vehicle computer system to change the sales tax threshold from \$4,000 to \$5,000.

Other Comments :

None

Legal Analysis :

HB2272 increases the exemption for sales of motor vehicles, trailers, and semitrailers required to be licensed and registered in this State from \$4,000.00 to \$5,000.00. Under the bill, if the sales price of the vehicle is less than \$5,000 no tax will be due. The effective date of the bill is the first day of the calendar quarter following the effective date of the act.