

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1028

Bill Subtitle: TO EXEMPT CERTAIN BUSES, COACHES, AND OTHER MOTOR VEHICLES FROM SALES AND USE TAXES.

Basic Change :

Sponsor: Representative Lemons

HB1028 proposes to exempt certain buses and motor coaches from sales and use tax. In the bill, "bus" is defined as a passenger bus, coach, or other motor vehicle that has a seating capacity of at least 15 passengers and is operated for the purpose of carrying passengers or cargo for hire. The bill does not define the meaning of "for hire". For purposes of the exemption, the bill provides that a bus does not include a bus or coach used exclusively to transport children from school and school-related activities or as part of a public transit system. Arkansas law currently exempts from sales tax all purchases of school buses and motor vehicles of all types purchased by municipalities, public school districts, and state supported colleges and universities. The act would be effective on the first day of the calendar quarter following the effective date of this act.

Revenue Impact :

\$ 270,000 Annual State Sales Tax Loss

FY18 Tax Decrease

Total Impact to State Revenues - \$202,500
[9 Months of Reduced Tax Collections -- 10/1/2017 Effective Date]

-\$ 135,706	--- State General Revenue (4.5%)
-\$ 26,387	--- Educational Adequacy (.875% tax)
-\$ 15,078	--- Property Tax Relief Trust Fund (.5%)
-\$ 3,770	--- Conservation Tax (.125%)
-\$ 15,078	--- Highway Fund (.5%)
-\$ 0	--- Educational Excellence Trust Fund
-\$ 0	--- Educational Adequacy (GR transfer)
-\$ 4,455	--- State Central Services
-\$ 2,025	--- Constitutional Officers

FY19 Tax Decrease

Total Impact to State Revenues - \$270,000

-\$ 160,056	--- State General Revenue (4.5%)
-\$ 35,183	--- Educational Adequacy (.875% tax)
-\$ 20,015	--- Property Tax Relief Trust Fund (.5%)
-\$ 5,026	--- Conservation Tax (.125%)
-\$ 20,105	--- Highway Fund (.5%)
-\$ 19,189	--- Educational Excellence Trust Fund
-\$ 1,696	--- Educational Adequacy (GR transfer)
-\$ 5,940	--- State Central Services
-\$ 2,700	--- Constitutional Officers

[Revenue Impact based on FY2016 registration of nine (9) new and used motor coaches in Arkansas by companies providing motor coach tours and coach rentals with driver provided with a total purchase price of \$3.7 Million and 15 seat passenger vans of \$450,000. Average price on new motor coach =

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\$525,000, Average price of used motor coach = \$263,000, 15 seat passenger vans = \$30,000. The revenue impact does not include the impact if passenger vans and coaches that are rented to and driven by a consumer are to be included in the exemption.]

Taxpayer Impact :

Taxpayers who purchase eligible motor coaches and buses will be entitled to the sales and use tax exemption at the time of motor vehicle registration.

Resources Required :

The Motor Vehicle registration system will require modification to allow the exemption upon registration of newly purchased coaches and buses.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Education of the staff and the adoption of rules for this new exemption would be necessary.

Other Comments :

None.

Legal Analysis :

In the bill, the reference to "for hire" is not clear as to which coaches and buses are to be eligible for the exemption. "Hire" could either refer to the employment of someone for wages (motor coach tour with driver) or to obtain the temporary use of something for a payment (rental of motor vehicle by consumer). If the bill is to include only those coaches and vans used in touring with a tour driver provided versus the simple rental by a consumer of a van or motor coach, the bill should be amended to provide that clarity.

Motor Vehicle registration records indicate that motor coaches that would be eligible for this exemption are generally registered under the International Registration Plan (IRP). To identify eligible motor coaches for the purpose of administration of this law, it is recommended that language be added to the bill which stipulates that the exempted motor coach be registered under IRP.

Ark. Code Ann. § 26-52-103(19)(A)(D)(i) and (D)(ii)(b) provide that lessors of motor vehicles for periods of less than thirty (30) days and lessors of motor vehicles for periods of thirty (30) days or more shall remit sales taxes on the basis of the rental and lease payments received regardless if tax was paid at the time of vehicle registration. The bill does not provide clarity as to state and local sales taxes applying to rentals and leases of passenger vans and motor coaches to consumers if rentals of these vehicles are to be included in the proposed sales tax exemption.