

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1342

As Engrossed: 2/14/2019

Bill Subtitle: TO INCREASE THE AMOUNT BELOW WHICH SALES AND USE TAX IS NOT DUE ON THE PURCHASE OF A USED MOTOR VEHICLE; AND TO ELIMINATE THE SALES AND USE TAX EXEMPTION FOR CERTAIN MOTOR VEHICLES, TRAILERS, AND SEMITRAILERS.

Basic Change :

Sponsor: Rep. Payton

Engrossment 02/14/19 --- House Amendment 2 --- HB1342, as engrossed, adds additional cosponsors and provides that sales or use tax is not due on the sale of a used trailer with a selling price of less than \$4,000. Under the bill, new trailers will be subject to sales tax regardless of sales price. Also, no sales or use tax will be due on the sale of a used motor vehicle if the purchase price is less than \$7,500.

House Amendment 1 --- Added cosponsors of the bill.

Original Bill --- HB1342 increased the threshold for the levy of state sales and use tax on the sale of motor vehicles. Under current law, § 26-52-510, no sales tax is due on the sale of a new or used motor vehicle or trailer if the selling price of the vehicle is less than \$4,000. HB1342, as originally filed, changed the sales tax threshold to provide that sales tax would not be due on used motor vehicles if the selling price was less than \$7,500. The bill also removed the current exemption provision that exempts from state sales tax all sales of trailers or new motor vehicles with a selling price of less than \$4,000. Under the bill, trailers and new motor vehicles would be subject to sales tax regardless of sales price. The sales tax exemption for semi-trailers codified in § 26-52-436 is not removed.

The Act would become effective on the first day of the second calendar month following the effective date of the act (September 1, 2019).

Revenue Impact :

Annual change in State Sales Tax Revenues

- \$14.2 Million Revenue Loss -- Increase Sales Tax Exemption - \$7,500 Sales Price Threshold on used motor vehicles except trailers; used trailer exemption threshold remains at \$4,000

+ \$1.6 Million Revenue Gain -- Remove \$4,000 Sales Price Exemption Threshold for new Trailers

Net Change in City and County Sales Tax -\$700,000

[Revenue Impact calculated using motor vehicle sales transactions occurring in FY2018. 38,200 used motor vehicles with a sales price between \$4,000 and \$7,500 will become exempt from state and local sales tax. 13,127 new trailers with a sales price of less than \$4,000 will become subject to state and local sales tax.]

Taxpayer Impact :

Taxpayers who purchase a used motor vehicle with a selling price of less than \$7,500 would not pay state and local sales tax on the purchase. Approximately 38,200 used vehicles would no longer be subject to tax as a result of the increased sales tax exemption amount. Purchasers of new trailers with

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a sales price of less than \$4,000 will no longer be exempt from sales tax on the purchase.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Changes to DFA's motor vehicle computer system will be required. Revisions will be needed for sales tax rules. Program the Motor Vehicle computer system for the new threshold. Revise the Motor Vehicle Procedures Manual and distribute revisions to state revenue offices.

Other Comments :

None.

Legal Analysis :

None.