

Department of Finance and Administration

Legislative Impact Statement

Bill: SB466

Bill Subtitle: TO EXEMPT A MANUFACTURER'S REBATE ON A MOTOR VEHICLE FROM SALES AND USE TAX; AND TO EXCLUDE A MANUFACTURER'S REBATE ON A MOTOR VEHICLE FROM THE DEFINITION OF "SALES PRICE" USED FOR PURPOSES OF DETERMINING SALES AND USE TAXES.

Basic Change :

Sponsor: Sen. B. Johnson

SB466 amends current law to exempt from sales and use tax a manufacturer's rebate on a motor vehicle. Currently, sales and use tax is due on the total consideration paid to the motor vehicle dealer for a vehicle, including any cash rebate paid by the manufacturer to the dealer on the customer's behalf. The purchase price of the vehicle subject to sales tax does not change regardless of the purchaser electing to receive the cash rebate as a cash payment directly from the manufacturer or to have the cash rebate sent directly to the dealer and used as part of the purchaser's payment for the vehicle. The bill would provide that any portion of the sales price that is paid directly to the dealer by the manufacturer on the purchaser's behalf would not be subject to sales tax.

The act would be effective on the first day of the calendar quarter following the effective date of the act (October 1, 2019).

Revenue Impact :

FY2020

-\$14.96 Million Total Loss Impact to State Tax Revenues

[9 Months of Reduced Tax Collections --- Est. 10/1/2019 Effective Date]

- -\$10.04 million --- State General Revenue (4.5%)
- -\$ 1.95 million --- Educational Adequacy (.875% tax)
- -\$ 1.12 million --- Property Tax Relief Trust Fund (.5%)
- -\$ 0.28 million --- Conservation Tax (.125%)
- -\$ 1.12 million --- Highways (.5%)
- -\$ 0.0 million --- Educational Excellence Trust Fund
- -\$ 0.0 million --- Educational Adequacy (GR transfer)
- -\$ 0.31 million --- State Central Services
- -\$ 0.15 million --- Constitutional Officers

FY2021

-\$20.23 Million Total Impact to State Revenues

- -\$12.03 million --- State General Revenue (4.5%)
- -\$ 2.64 million --- Educational Adequacy (.875% tax)
- -\$ 1.51 million --- Property Tax Relief Trust Fund (.5%)
- -\$ 0.38 million --- Conservation Tax (.125%)
- -\$ 1.51 million --- Highways (.5%)
- -\$ 1.42 million --- Educational Excellence Trust Fund
- -\$ 0.13 million --- Educational Adequacy (GR transfer)
- -\$ 0.42 million --- State Central Services
- -\$ 0.20 million --- Constitutional Officers

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Taxpayer Impact :

Manufacturer rebates on motor vehicles would no longer be subject to sales tax regardless of whether the purchaser elected to have the rebate paid to the dealer on the customer's behalf or returned to the customer as a cash payment.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the sales tax rules will need to be promulgated as well as modifications to the tax database for motor vehicles will be required.

Other Comments :

SB466 would result in treating motor vehicle manufacturer's rebates differently than manufacturer's rebates or manufacturer's coupons used on purchases of other types of tangible personal property such as food, electronics, or household products.

Legal Analysis :

The bill provides a sales and use tax exemption for manufacturer's rebates on motor vehicles. Current law imposes sales and use tax on the full purchase price paid for a motor vehicle, including any portion of the price paid by a manufacturer's rebate. Rebates are typically paid by the manufacturer to a new car dealer and are applied by the dealer against the purchase price owed by a customer for a new vehicle. In some cases, the rebate may be paid directly to the customer as a cash payment. The exemption for manufacturer's rebates will be effective on the first day of the calendar month following the effective date of the act.

Rebates and manufacturer's coupons offered by manufacturers of other products, such as food, electronics, and household goods, will continue to be subject to sales and use tax when used to pay a portion of the purchase price due from the consumer.