

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1028

Bill Subtitle: TO AMEND THE LAW TO EXTEND THE TIME PERIOD AUTHORIZED FOR THE REGISTRATION OF A MOTOR VEHICLE; AND TO AMEND THE LAW CONCERNING TEMPORARY PREPRINTED PAPER BUYER'S TAGS.

Basic Change :

Sponsors: Rep. Cavanaugh, Baker, Beatty Jr., Bentley, Brown, Crawford, Dalby, Dotson, Evans, C. Fite, Furman, Gazaway, Gonzales, M. Gray, Lowery, Lundstrum, J. Mayberry, Payton, Rye, Speaks, Underwood, Vaught, Wardlaw, Wooten. Sens. B. Davis, Bledsoe, J. English, Irvin

HB1028 would extend the deadline to register a motor vehicle from 30 to 60 days. Further, a motor vehicle temporary tag would be valid for 60 days instead of 30 days. Because the deadline for a consumer to pay the required sales tax on the purchase of a motor vehicle under § 26-52-510 is the same as the deadline to register the vehicle, HB1028 would have the effect of extending the deadline to pay the sales tax on the purchase of a motor vehicle from 30 days to 60 days from the date of the purchase or transfer.

Revenue Impact :

FY2022

Total Approximate State Sales and Use Tax Loss	\$ - 38,017,338
(Estimated Effective Date 7/1/21 --- 12 months reduced tax collection)	
General Revenue - 4.5%	\$ - 25,477,465
Property Tax Relief - .5%	\$ - 2,830,829
Conservation Fund - .125%	\$ - 707,707
Educational Adequacy Fund - .875%	\$ - 4,953,952
Highway Fund - .5%	\$ - 2,830,829
Educational Excellence Trust Fund -	\$ - 0
Educational Adequacy (GR Transfer) -	\$ - 0
State Central Services	\$ - 836,381
Constitutional Officers	\$ - 380,173
Total Approximate Local City and County Sales and Use Tax Loss	\$ - 1,783,433
Total Approximate Loss Licensing and Registration Fees	\$ - 3,018,209

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Fiscal Year 2023

Total Approximate State Sales and Use Tax Loss

\$ - 0

General Revenue - 4.5%	\$ -	3,925,033
Property Tax Relief - .5%	\$ -	0
Conservation Fund - .125%	\$ -	0
Educational Adequacy Fund - .875%	\$ -	0
Highway Fund - .5%	\$ -	0
Educational Excellence Trust Fund -	\$ -	3,606,235
Educational Adequacy (GR Transfer) -	\$ -	318,797
State Central Services	\$ -	0
Constitutional Officers	\$ -	0

[HB1028 is a one-time reduction or shift in revenue. It extends the authorized time period from 30 days to 60 days for the licensing and paying state sales and use tax on motor vehicles.

FY2020 State Sales Tax Collections on new and used motor vehicles equaled \$456.2 million. Estimate uses FY2020 actual state sales tax collections of \$456.2 million without any inflationary adjustment or adjustment in sales volumes for future years. Estimate reflects the maximum impact if all purchasers delayed payment of taxes and registration fees until the extended time period that would be authorized.

FY2020 Monthly Average of State Sales and Use Tax Collections at 6.5% on automobiles, trucks, motorcycles, trailers and semi-trailers is \$38,017,338.

First year maximum tax loss is resulting from one-month shift. Second year change in distribution resulting from first year one-month shift.

Estimate includes financial impact from the extended time period to pay licensing and registration fees separately.]

Taxpayer Impact :

A taxpayer would have an additional 30 days to register a motor vehicle. The expiration date of temporary tags would also be extended by 30 days.

Resources Required :

Computer programing, manual updates and employee training would be required.

Time Required :

Adequate time is provided for implementation.

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Procedural Changes :

Arkansas Sales and Use Tax Rules would need to be updated. Department employees will need to be educated on changes as well as the taxpayer community.

Other Comments :

None.

Legal Analysis :

Current law sets a deadline of 30 days to register a motor vehicle from the date the owner of a vehicle becomes a resident of the State of Arkansas or from the date a resident of the state takes title to or legal interest in a motor vehicle. When a resident of the State of Arkansas purchases a motor vehicle from a licensed dealer, the owner of the vehicle is required to obtain a temporary preprinted paper buyer's tag, which is valid until the deadline for registration passes.

HB1028 will extend the registration deadline from 30 to 60 days. Further, a temporary tag would be valid for 60 days instead of 30 days. Because the deadline for a consumer to pay the required sales tax on the purchase of a motor vehicle under § 26-52-510 is the same as the deadline to register the vehicle, HB1028 would have the effect of extending the deadline to pay the sales tax on the purchase of a motor vehicle from 30 days to 60 days from the date of the purchase.

HB1028 will be effective 90 days after sine die adjournment.