

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1418**

**Amendment Number: H3**

**Bill Subtitle: TO DEDICATE SALES AND USE TAX REVENUE FROM THE SALES OF NEW AND USED VEHICLES AND ROAD-USER ITEMS AND SERVICES FOR ROADWAY MAINTENANCE, CONSTRUCTION, AND RECONSTRUCTION; AND TO DECLARE AN EMERGENCY.**

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### Basic Change :

Representative Barnett

Engrossment 03/18/13 --- House Amendment 3 --- The bill provides for the transfer of State General Revenues resulting from the sale of motor vehicles, trailers and semi-trailers to the State Highway and Transportation Department Fund to support state highways and to Arkansas cities and counties. Cities and counties could use the transferred funds for any legitimate city or county purpose.

The proposal provides for a 10-year phase-in transfer of General Revenues of the actual amounts of sales and use taxes collected on sales of motor vehicles, trailers and semi-trailers. The General Revenue transfers would begin on the first day of September following the issuance of an annual report by the State Treasurer to the Chief Fiscal Officer of the State indicating that the General Revenue portion of the state sales and use tax exceeded two billion two hundred fifty million dollars (\$2,250,000,000) for the fiscal year. Upon reaching this threshold, a ten year phase-in of state sales and use taxes would begin. The transfers from state General Revenues would not impact the current transfers from General Revenues for the Education Excellence Trust Fund and Educational Adequacy Fund.

The ten-year phase-in transfer of the 4.5% General Revenue portion of the 6.5% state sales and use tax collected on motor vehicles would occur as follows:

Year 1	---	90% General Revenue	---	10% to State Highways, Cities & Counties
Year 2	---	80% General Revenue	---	20% to State Highways, Cities & Counties
Year 3	---	70% General Revenue	---	30% to State Highways, Cities & Counties
Year 4	---	60% General Revenue	---	40% to State Highways, Cities & Counties
Year 5	---	50% General Revenue	---	50% to State Highways, Cities & Counties
Year 6	---	40% General Revenue	---	60% to State Highways, Cities & Counties
Year 7	---	30% General Revenue	---	70% to State Highways, Cities & Counties
Year 8	---	20% General Revenue	---	80% to State Highways, Cities & Counties
Year 9	---	10% General Revenue	---	90% to State Highways, Cities & Counties
Year 10	---	0% General Revenue	---	100% to State Highways, Cities & Counties

The State General Revenue transfers would be distributed Fifteen percent (15%) to the County Aid Fund; Fifteen percent (15%) to the Municipal Aid Fund; and Seventy percent (70%) to the State Highway and Transportation Department Fund.

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### Revenue Impact :

The current General Revenue forecast projects general revenue sales and use tax collections of \$2.314.1 billion in FY15. If the projection is met, the new transfers of sales and use taxes for highways would begin September 2015, impacting FY2016 General Revenue deposits.

	Total Transfer from State General Revenues	Transfer Amount to State Highways	Transfer Amount to Cities	Transfer Amount to Counties
	(millions)	(millions)	(millions)	(millions)
FY2016	\$ 22.1	\$ 15.5	\$ 3.3	\$ 3.3
FY2017	54.6	38.2	8.2	8.2
FY2018	84.3	59.0	12.6	12.6
FY2019	115.8	81.0	17.4	17.4
FY2020	149.1	104.4	22.4	22.4
FY2021	184.3	129.0	27.6	27.6
FY2022	221.4	155.0	33.2	33.2
FY2023	260.6	182.4	39.1	39.1
FY2024	302.0	210.4	45.3	45.3
FY2025	345.6	241.9	51.8	51.8

### Taxpayer Impact :

None

### Resources Required :

None

### Time Required :

None

### Procedural Changes :

Implement transfers of State General Revenues to support Arkansas Highways.

### Legal Analysis :

Amendment No. 3 to House Bill 1418

The amendment raises the starting point for when the transfers from general revenues to the state highway, county, and municipal funds begin from \$2.2 billion to \$2.25 billion. Thus, the transfers to be made under HB 1418 will not begin until gross collection of general revenue for sales and use tax exceeds \$2.25 million.

- The amendment removes the component of general revenues to be transferred to the highway funds attributable to net general revenues available for distribution derived from sales and use taxes. These general revenues were to be transferred in the amount of .6% in the first year

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with annual incremental increases to 6% in the tenth year and thereafter.

- The amendment continues the transfers from general revenues collected from sales and use tax on motor vehicles, trailers and semi-trailers in the percentages and amounts previously cited. In the first year, the transfer is 10% with annual incremental increases to 100% in the tenth year and thereafter.
- While the percentages transferred remain the same as the prior version of HB 1418 (70% to the State Highway and Transportation Department Fund, 15% to the County Aid Fund, and 15% to the Municipal Aid Fund), the amendment deletes the requirements that the counties and municipalities use the funds for "the construction, reconstruction, and maintenance of highways, roads, streets, bridges, and extensions of highways, roads, streets, and bridges located within" the county or municipality. That language is replaced to allow counties and municipalities to use the funds for any legitimate purpose.

As amended by Amendment No. 3, there is a question whether this bill fulfills the original purpose. As expressed in both the title and the emergency clause, the purpose of this bill is to dedicate a portion of the sales and use tax revenue to the maintenance, construction, and reconstruction of highways, roads, streets, bridges, and their extensions. As amended, 30% of the diverted revenues are distributed to counties and cities to use for any legitimate purpose and are no longer dedicated solely to roadways.