Department of Finance and Administration

Legislative Impact Statement

Bill: HB1647

BIII Subtitle: TO EXCLUDE MANUFACTURER REBATES ON MOTOR VEHICLES FROM THE DEFINITIONS USED FOR PURPOSES OF DETERMINING SALES AND USE TAXES.

Basic Change:

Sponsors: Representative C. Douglas and Jett

This bill amends current law to exempt from sales and use tax a manufacturer's rebate on a motor vehicle. Sales and use tax is currently 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 is not changed 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 effective date of the exemption will be the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY 2018 Total Impact to State Revenues

-\$21.5 million

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[ 9 Months of Reduced Tax Collections --- Est. 10/1/2017 Effective Date ]
-$14.41 million --- State General Revenue (4.5%)
-$ 2.80 million --- Educational Adequacy (.875% tax)
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- -\$ 1.60 million --- Property Tax Relief Trust Fund (.5%)
- -\$ 0.40 million --- Conservation Tax (.125%)
- 1.60 million --- Highways (.5%) -\$
- 0.0 million --- Educational Excellence Trust Fund
- 0.0 million --- Educational Adequacy (GR transfer)
- 0.47 million --- State Central Services
- 0.22 million --- Constitutional Officers

FY 2019Total Impact to State Revenues

-\$29.6 million

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-$16.87 million --- State General Revenue (4.5%)
-$ 3.85 million --- Educational Adequacy (.875% tax)
-$ 2.20 million --- Property Tax Relief Trust Fund (.5%)
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- -\$ 0.55 million --- Conservation Tax (.125%)
- -\$ 2.20 million --- Highways (.5%)
- 2.72 million --- Educational Excellence Trust Fund -\$
- 0.24 million --- Educational Adequacy (GR transfer)
- 0.65 million --- State Central Services
- 0.30 million --- Constitutional Officers

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.

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Resources Required:

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes:

Modifications to motor vehicle registration system will be required.

Other Comments:

This bill would treat motor vehicle rebates differently than manufacturer rebates or manufacturer's coupons on other tangible personal property items such as food, electronics, or household products.

Legal Analysis:

None.

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