

Fiscal Estimate - 2001 Session

Original
 Updated
 Corrected
 Supplemental

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| LRB Number 01-3499/1 | Introduction Number AB-490 |
|------------------------------------|--|

Subject

Transfer sales tax on automotive products to transportation fund; 10 year phase-in

Fiscal Effect

State:

| | | |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget |
| <input type="checkbox"/> Indeterminate | <input type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <input type="checkbox"/> Increase Existing Appropriations | | <input type="checkbox"/> Decrease Costs |
| <input type="checkbox"/> Decrease Existing Appropriations | | |
| <input checked="" type="checkbox"/> Create New Appropriations | | |

Local:

| | | |
|--|--|--|
| <input type="checkbox"/> No Local Government Costs | 5. Types of Local Government Units Affected | |
| <input type="checkbox"/> Indeterminate | <input type="checkbox"/> Towns | <input type="checkbox"/> Village <input type="checkbox"/> Cities |
| 1. <input type="checkbox"/> Increase Costs | <input type="checkbox"/> Counties | <input type="checkbox"/> School Districts |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> WTCS Districts | |
| 2. <input type="checkbox"/> Decrease Costs | | |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | | |
| 3. <input type="checkbox"/> Increase Revenue | | |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | | |
| 4. <input type="checkbox"/> Decrease Revenue | | |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | | |

| | |
|--|--|
| Fund Sources Affected | Affected Ch. 20 Appropriations |
| <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS | 20.566 (1) (a); 20.855 (4) (fn) -- new appropriation |

| | | |
|----------------------------------|-----------------------------|-------------|
| Agency/Prepared By | Authorized Signature | Date |
| DOR/ Blair Kruger (608) 266-1310 | Brian Pahnke (608) 266-2700 | 9/10/01 |

Fiscal Estimate Narratives

DOR 9/11/01

| | | | | | |
|--|-----------|---------------------|--------|---------------|----------|
| LRB Number | 01-3499/1 | Introduction Number | AB-490 | Estimate Type | Original |
| Subject | | | | | |
| Transfer sales tax on automotive products to transportation fund; 10 year phase-in | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law, state sales and use taxes on motor vehicles and motor vehicle parts are deposited in the General Fund.

Under the bill, on July 1, 2004, 10% of state sales and use taxes on motor vehicles and motor vehicle parts paid during the prior calendar year would be transferred to the Transportation Fund. On each July 1 thereafter, an additional 10% of the prior year's sales and use taxes would be transferred to the Transportation Fund until July 1, 2013 and thereafter when 100% of sales and use taxes on motor vehicles and motor vehicle parts would be transferred.

State Sales and Use Taxes. The revenue effect of the bill is solely the transfer of revenue from the General Fund to the Transportation Fund; the bill does not affect the amount of sales taxes collected. Since the first transfer is on July 1, 2004, the bill's fiscal effect begins in FY05.

According to the Department of Revenue, \$597.8 million in state sales and use taxes were paid by new and used motor vehicle dealers; tire, battery, accessory and parts sellers; auto rental and leasing companies; auto repair shops; and private individuals registering motor vehicles in CY00. The \$597.8 million includes sales taxes paid by these companies on services and taxable non-motor vehicle goods, such as vending machine sales. The \$597.8 million does not include sales taxes on motor vehicles or parts paid by companies whose primary line of business is not motor vehicles or motor vehicle parts, such as department, discount and hardware stores.

Sales and use taxes on motor vehicles and parts increased 2.86% from CY99 to CY00. Assuming \$597.8 million in sales and use taxes on motor vehicles and parts would be affected under the bill and assuming those taxes continue to increase by 2.86% annually, state taxes on motor vehicles and parts would be about \$651 million ($\$597.8 \text{ million} \times 1.0286^3$) in CY03. Therefore, the first transfer would be about \$65 million ($\$651 \text{ million} \times 10\%$) in FY05, the second would be about \$134 million in FY06 and so on. When the phase in is completed in FY14, about \$839 million would be transferred.

Administrative Costs. Under the bill, sales and use taxpayers would have to separate taxes paid on motor vehicles and motor vehicle parts from other sales and use taxes. The Department estimates one-time costs of about \$310,000 GPR to revise tax forms and publications, and to reprogram the Department's tax systems to reflect the changes under the bill. On-going total costs of about \$115,000 GPR would be required to administer the transfer under the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

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| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): | | | |
| Revise sales and use tax forms and publications and reprogram the Department's tax systems -- \$311,000. | | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: | |
| | | Increased Costs | Decreased Costs |
| A. State Costs by Category | | | |
| State Operations - Salaries and Fringes | | \$110,000 | |
| (FTE Position Changes) | | (1.0 FTE) | |
| State Operations - Other Costs | | 5,000 | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | | \$115,000 | \$ |
| B. State Costs by Source of Funds | | | |
| GPR | | 115,000 | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.) | | | |
| | | Increased Rev | Decreased Rev |
| GPR Taxes | | \$ | \$ |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | | \$ | \$ |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | | State | Local |
| NET CHANGE IN COSTS | | \$115,000 | \$ |
| NET CHANGE IN REVENUE | | \$ | \$ |
| Agency/Prepared By | | Authorized Signature | Date |
| DOR/ Blair Kruger (608) 266-1310 | | Brian Pahnke (608) 266-2700 | 9/10/01 |