

Fiscal Estimate Narratives

DOR 2/12/02

LRB Number	01-4786/1	Introduction Number	AB-769	Estimate Type	Original
Subject					
Sales tax on motor vehicles purchased after a consumer receives a refund under a new motor vehicle warranty					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, sales tax is imposed on the amount of the difference between the purchase price of a motor vehicle and the trade-in value, if any. If the purchaser returns the vehicle under the lemon law, the sales tax is refunded. Also under current law, if the purchaser buys a vehicle to replace the lemon, sales tax is imposed on the entire purchase price of the replacement vehicle; the sales tax is not reduced for the value of the purchaser's trade-in on the lemon.

Under the bill, if the person buys a replacement vehicle within 60 days of returning a lemon to the manufacturer, sales tax is imposed only on the amount of the difference between the price of the replacement vehicle and the value of the purchaser's trade-in on the lemon. Thus, under the bill, sales tax would not be collected on the value of the trade-in on a lemon.

Based on a sample of 35 lemon law refunds, the average value of the trade-in on a lemon is about \$11,200. Therefore, sales taxes would decrease by about \$560 ($\$11,200 \times 5\%$) per replacement vehicle under the bill. The Department refunded sales tax on 65 and 101 lemons in FY00 and FY01, respectively. Assuming an average of 83 lemon law refunds per year, sales taxes would decrease by about \$46,500 ($\560×83) per year under the bill.

County, ballpark and stadium sales taxes are expected to be 7.064% of state sales taxes in 2001 and so these local sales taxes would decrease by about \$3,300 ($\$46,500 \times 7.064\%$) per year under the bill.

Administrative costs of the bill are minimal and would be absorbed by the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
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, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			-46,500
SEG/SEG-S			
TOTAL State Revenues		\$	\$-46,500
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-46,500	\$- 3,300
Agency/Prepared By		Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310		Brian Pahnke (608) 266-2700	2/12/02