

Fiscal Estimate - 2001 Session

Original Updated Corrected Supplemental

LRB Number 01-2209/1		Introduction Number AB-453	
Subject Sales tax on vehicles purchased subsequent to lemon law refund			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs			
Local:			
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Ballpark & stadium districts</u> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts			
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.835(4)(g), (gd) and (ge)			
Agency/Prepared By		Authorized Signature	
DOR/ Blair Kruger (608) 266-1310		Dennis Collier (608) 266-5773	
		Date	
		7/12/01	

Fiscal Estimate Narratives

DOR 7/12/01

LRB Number	01-2209/1	Introduction Number	AB-453	Estimate Type	Original
Subject					
Sales tax on vehicles purchased subsequent to lemon law refund					

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 180 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.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject		
Sales tax on vehicles purchased subsequent to lemon law refund		
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 (20.835(4)(g) et al)		-46,500
SEG/SEG-S		
TOTAL State Revenues	\$	\$-46,500
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-46,500	\$- 3,300
Agency/Prepared By		
Authorized Signature		Date
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