

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 25, 2003

TO: Honorable Ron Wilson, Chair, House Committee on Ways & Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB202 by Berman (Relating to the imposition of the motor vehicle sales tax on vehicles used by nonprofit organizations for disaster relief or other humanitarian purposes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB202, As Introduced: a negative impact of (\$72,234,000) through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2004 | (\$35,374,000) |
| 2005 | (\$36,860,000) |
| 2006 | (\$38,408,000) |
| 2007 | (\$39,983,000) |
| 2008 | (\$41,622,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1 |
|-------------|---|
| 2004 | (\$35,374,000) |
| 2005 | (\$36,860,000) |
| 2006 | (\$38,408,000) |
| 2007 | (\$39,983,000) |
| 2008 | (\$41,622,000) |

Fiscal Analysis

The bill would amend Chapter 152 of the Tax Code by adding a new exemption from the motor vehicle sales and use tax.

Under the bill, motor vehicles purchased or used by an organization exempt from federal taxation under Section 501(a), Internal Revenue Code of 1986 as an organization described by Section 510(c) (3), Internal Revenue Code of 1986, and used by the organization primarily for disaster relief and other humanitarian purposes, would be exempt from the motor vehicle sales and use tax.

The bill would take effect September 1, 2003; it would apply to a motor vehicle purchased or used on or after that date.

Methodology

Note: Although the bill refers to "an organization described by Section 510(c)(3)," this fiscal note presumes the intended language is Section 501(c)(3); and the estimate was prepared accordingly.

In Texas, there are approximately 36,460 "Section 501(c)(3)" exempt corporations that might qualify for an exemption under the bill. Based on IRS data, total net assets for qualifying exempt corporations were estimated to be 10 percent of the total net assets for all corporations.

The Comptroller's January 2003 *Tax Exemptions and Tax Incidence* report indicates that all corporations would pay approximately \$1,062,700,000 in motor vehicle sales taxes for fiscal 2004. It was estimated that 10 percent of these payments would be by exempt corporations, based on an examination of IRS data; and, of those, it is estimated that one-third would be related to the bill's purpose. The resulting fiscal implication was extrapolated through fiscal 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, JO, SD, WP, SM