

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 11, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB222 by Farabee (Relating to lowering the use tax on vehicles brought into this state by certain military personnel.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB222, As Introduced: a negative impact of (\$9,438,000) 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	(\$4,673,000)
2005	(\$4,765,000)
2006	(\$4,859,000)
2007	(\$4,955,000)
2008	(\$5,053,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/ (Loss) from <i>STATE HIGHWAY FUND</i> 6	Probable Revenue Gain/ (Loss) from <i>Counties Road & Bridge Fund</i>
2004	(\$4,673,000)	\$233,650	(\$233,650)
2005	(\$4,765,000)	\$238,250	(\$238,250)
2006	(\$4,859,000)	\$242,950	(\$242,950)
2007	(\$4,955,000)	\$247,750	(\$247,750)
2008	(\$5,053,000)	\$252,650	(\$252,650)

Fiscal Analysis

The bill would add a new section to Chapter 152 of the Tax Code to exempt certain retired and active duty members of the U.S. armed forces from certain provisions of the motor vehicle sales tax and to impose a use tax in its place.

The bill would exempt from the motor vehicle sales tax motor vehicles purchased at retail outside of the state and used on Texas roads by active members of the U.S. armed forces residing in Texas on military orders, or by retired members who applied to register their vehicle in the state before the first anniversary of their date of retirement. In lieu of the motor vehicle sales tax, a motor vehicle use tax of \$90 would be imposed.

The bill would limit retired members to one year for making a purchase, but it would not limit retired members or active duty members from making multiple purchases annually.

The bill would take effect September 1, 2003; and it would apply to a motor vehicle brought into this state on or after that date.

Methodology

Based on 1,500 qualified retirees and 151,100 qualified active duty personnel, it was estimated that approximately 5,500 motor vehicles would be purchased annually claiming the motor vehicle sales tax exemption and subject to the proposed \$90 use tax. Exemptions from the motor vehicle sales tax, assessed at 6.25 percent, would average approximately \$937 per vehicle, based on an average purchase price of \$15,000. No adjustment was made for potential multiple annual purchases, but credit was allowed in those instances where the current \$90 new resident fee would have applied in lieu of the bill's \$90 use tax (approximately 50 percent of the out-of-state purchases).

Local Government Impact

The bill would have a negative fiscal impact to Counties' Road and Bridge Fund due to a decrease in the amount retained by counties from motor vehicle registration fees. There would be an equivalent gain to the State Highway Fund 006.

Source Agencies: 304 Comptroller Of Public Accounts

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