

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 26, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB1261 by Harper-Brown (Relating to an exemption from the motor vehicle sales tax for a limited period.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1261, As Introduced: a negative impact of (\$670,722,000) through the biennium ending August 31, 2011, if the effective date of the bill is July 1, 2009; or a negative impact of (\$607,092,000) through the biennium ending August 31, 2011, if the effective date of the bill is September 1, 2009.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Texas Emissions Reduction Plan</i> 5071	Probable Revenue Gain from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Counties</i>
2009	(\$188,071,000)	(\$814,000)	\$5,782,000	(\$9,637,000)
2010	(\$236,131,000)	(\$998,000)	\$6,080,000	(\$12,160,000)
2011	(\$246,520,000)	(\$1,038,000)	\$5,105,000	(\$12,761,000)
2012	(\$247,507,000)	(\$1,080,000)	\$3,864,000	(\$12,880,000)
2013	(\$257,407,000)	(\$1,123,000)	\$2,693,000	(\$13,465,000)
2014	(\$269,762,000)	\$0	\$1,413,000	(\$14,124,000)

The above table assumes an effective date of July 1, 2009. The table below assumes an effective date of September 1, 2009.

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Texas Emissions Reduction Plan</i> 5071	Probable Revenue Gain from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Counties</i>
2010	(\$360,572,000)	(\$1,540,000)	\$9,285,000	(\$18,570,000)
2011	(\$246,520,000)	(\$1,038,000)	\$5,105,000	(\$12,761,000)
2012	(\$247,507,000)	(\$1,080,000)	\$3,864,000	(\$12,880,000)
2013	(\$257,407,000)	(\$1,123,000)	\$2,693,000	(\$13,465,000)
2014	(\$269,762,000)	\$0	\$1,413,000	(\$14,124,000)

Fiscal Analysis

The bill would amend Chapter 152 of the Tax Code, regarding motor vehicle sales taxes.

The bill would provide an exemption from the motor vehicle sales and use tax for any purchase of a motor vehicle from a dealer that holds a dealer's general distinguishing number during a period between 12:01 a.m. on the second Friday in June and 12 midnight on the following Sunday.

If the bill failed to take effect immediately, a one-time sale would take place during a period between 12:01 a.m. on the second Friday in September, 2009, and 12 midnight on the following Sunday. If the bill takes effect immediately, this provision would have no effect.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2009.

Methodology

Taxes imposed under Chapter 152 include the motor vehicle sales and use tax, and the Texas Emissions Reduction Plan (TERP) surcharge on sales of certain diesel-powered trucks. Motor vehicles subject to the sales tax would include passenger cars, trucks, buses, motorcycles, recreational vehicles, trailers, semi-trailers, and vehicles purchased for lease or rental.

If the bill passed with immediate effect, a motor vehicle sales and use tax holiday would occur over a three day period beginning each second Friday in June, beginning with June 12, 2009, and occurring every June thereafter.

Only sales by dealers with a general distinguishing number would be eligible for the tax exemption. Sales between individuals would not be eligible.

The fiscal impact estimate is based upon motor vehicle sales tax collections as reported in the *2010/2011 Biennial Revenue Estimate*, as adjusted for dealer sales, representing approximately 79 percent of all new and used vehicle sales. Adjustments were added to these amount for the effects of the tax holiday on sales in the months before and after the holiday, and the results were trended forward.

The TERP applies a surcharge on certain diesel-powered trucks weighing 14,000 pounds or more of 2.5 percent (for 1996 and older models) or 1 percent (for 1997 and newer models). The TERP fund estimate was based on the same methodology used for motor vehicle sales tax. The TERP surcharge expires August 31, 2013.

Local Government Impact

Each county's road and bridge fund receives a 5 percent commission on motor vehicle sales taxes collected. Because these commission are paid partially out of General Revenue Fund and partially from State Highway Fund, any reduction in the amount of motor vehicle sales tax collected by the counties would mean a reduction of State Highway Fund money used for commissions, and, therefore, a gain to the State Highway Fund. Each of these effects is reflected in the above tables.

Source Agencies: 304 Comptroller of Public Accounts, 601 Department of Transportation

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