

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 29, 2009

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

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

IN RE: HB3514 by Dunnam (Relating to retail motor vehicles sales tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3514, As Introduced: a negative impact of (\$2,360,857,000) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$1,146,270,000)
2011	(\$1,214,587,000)
2012	(\$79,412,000)
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Counties</i>
2010	(\$1,146,270,000)	\$29,392,000	(\$58,783,000)
2011	(\$1,214,587,000)	\$25,043,000	(\$62,608,000)
2012	(\$79,412,000)	\$1,234,000	(\$4,115,000)
2013	\$0	\$0	\$0
2014	\$0	\$0	\$0

Fiscal Analysis

The bill would amend Chapter 152 of the Transportation Code. Since this chapter does not exist in the Transportation Code, it is assumed, for the purpose of this fiscal note, that the bill would amend Chapter 152 of the Tax Code, regarding the motor vehicle sales tax.

The bill would reduce the tax on all retail sales of motor vehicles in the state to 3.125 percent of the total consideration during the 2010-11 biennium. This section expires September 1, 2011.

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

If the bill's provisions referenced the Tax Code, the motor vehicle sales and use tax rate would be set at 3.125 percent of total consideration for most motor vehicle sales and use tax transactions during the 2010-11 biennium. This would not change the 6.25 percent tax rate for motor vehicles purchased out of state and brought into Texas. The Texas Emissions Reduction Plan surcharge on certain diesel vehicles would not be affected. The revenue loss to the state was estimated using information on projected motor vehicle sales tax collections from the Comptroller's *2010-11 Biennial Revenue Estimate*.

Because counties receive a 5 percent commission on motor vehicle sales and use taxes collected, counties would also incur a loss. Also, because a portion of the county commission is paid from the State Highway Fund, any commissions not paid would result in a gain to State Highway Fund. An adjustment was made to reflect a lag in tax collections at the lower rate affecting the first month of the effective period and the first month after the end of the two year period.

Local Government Impact

Counties would incur a revenue loss due to the reduced commission on total motor vehicle sales taxes.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, KK