

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 22, 2009**

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

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

**IN RE: HB4088** by Farrar (Relating to the rate of the motor vehicle sales and use tax imposed on certain motor vehicles.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4088, As Introduced: a negative impact of (\$36,489,000) 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	(\$16,517,000)
2011	(\$19,972,000)
2012	(\$22,483,000)
2013	(\$24,020,000)
2014	(\$25,082,000)

**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	(\$16,517,000)	\$423,000	(\$847,000)
2011	(\$19,972,000)	\$411,000	(\$1,029,000)
2012	(\$22,483,000)	\$350,000	(\$1,165,000)
2013	(\$24,020,000)	\$250,000	(\$1,251,000)
2014	(\$25,082,000)	\$131,000	(\$1,313,000)

**Fiscal Analysis**

The bill would amend Chapter 152 of the Tax Code to change the rate of motor vehicle sales and use tax due on transactions involving vehicles that have a hybrid, plug-in hybrid, or plug-in electric motor.

The bill would define a gasoline/diesel hybrid motor vehicle, and reduce the motor vehicle sales tax due on the purchase of a hybrid motor vehicle to 3.125 percent (from 6.25 percent) of the total consideration paid. That rate would apply to a retail sales transaction, an out-of-state purchase, in satisfaction of gross rental receipts, and vehicles brought back into the state previously purchased tax-free.

The bill would define a plug-in electric motor vehicle and a plug-in hybrid motor vehicle, and exempt both vehicle types from the taxes imposed by Chapter 152, specifically the 6.25 percent motor vehicle sales tax.

The changes made in the bill would not affect tax liability accruing before the effective date of the bill. That liability would continue in effect as if the bill had not been enacted, and the former law would be continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

The bill would take effect September 1, 2009.

### **Methodology**

Industry analysts report that approximately 2.4 percent of all new vehicle sales are of gasoline/diesel hybrids. Approximately 13.2 million new vehicles were sold in 2008, at an average cost of \$25,300. Texas accounts for about 7.9 percent of national sales, or about 25,000 gasoline/diesel hybrid units annually. It should be noted that hybrid sales have declined, recently along with sales of other vehicles.

A review of the *IHS Global Insight* publication *North American Light Vehicle Industry Forecast Report* indicated that only one plug-in hybrid vehicle (the Saturn Vue) was being considered for production in 2010, as was only one plug-in electric vehicle (the Chevrolet Volt). No other similar vehicles were planned in years 2011 through 2014. The introduction and sale of these plug-in vehicles cannot be determined, therefore the elimination of the motor vehicle sales tax on plug-in hybrids and plug-in electric is not included in this estimate. Depending on the number of these vehicles purchased, their could be an indeterminate amount of additional revenue loss to the state.

### **Local Government Impact**

The impact on counties would be due to the 5 percent commission they receive from motor vehicle sales and use taxes and penalties collected that would be lost under the bill. A portion of the county commission comes from State Highway Fund 0006, so any commission not paid to the counties would be a gain to Fund 0006. The declining gain to Fund 0006 is due to the declining percentage of the commission paid out of that fund pursuant to current law.

**Source Agencies:** 304 Comptroller of Public Accounts

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