

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 26, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB995 by Averitt (Relating to imposition of the motor vehicle sales tax on motor vehicles transferred as the result of a gift.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB995, As Introduced: a positive impact of \$25,958,000 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$12,819,000
2011	\$13,139,000
2012	\$13,467,000
2013	\$13,804,000
2014	\$14,149,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>State Highway Fund</i> 6	Probable Revenue Gain from <i>Counties</i>
2010	\$12,819,000	(\$328,000)	\$657,000
2011	\$13,139,000	(\$271,000)	\$677,000
2012	\$13,467,000	(\$210,000)	\$698,000
2013	\$13,804,000	(\$144,000)	\$719,000
2014	\$14,149,000	(\$74,000)	\$741,000

Fiscal Analysis

The bill would implement a recommendation in the report, "Close Loopholes Related To Sales Taxes On Motor Vehicles" in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* submitted to the Eighty-first Texas Legislature, 2009.

The bill would amend the Tax Code to allow a \$10 gift tax for a motor vehicle only if a person receives a vehicle as a gift from a spouse, parent, stepparent, grandparent, child, stepchild, grandchild, guardian, an estate, or a not for profit organization recognized under federal law. The bill would also require a notarized statement confirming that the motor vehicle is a gift and confirming the relationship of the two parties to qualify for the gift tax on motor vehicles.

The bill would be effective on September 1, 2009.

Methodology

It is expected that the number of gift transactions made ineligible by the bill would be the difference between the number of gifts forecast, factoring in historical rates of growth in such transactions, compared to the actual number of gift transactions during a recent period. The estimated fiscal impact is a gain of \$26.0 million in General Revenue Funds in the 2010 – 11 biennium.

A total of 330,908 gift transactions were reported in calendar year 2006, increasing by 23.6 percent in calendar year 2007, for a total of 408,920 gift transactions. The revenue estimate is based on the difference between the increased growth in gift transactions (78,012) after the implementation of the standard presumptive value provision and the expected average growth of six percent (19,854) for calendar year 2007 based on historical trends. The average value of vehicles received as gifts during calendar year 2007 was estimated to be \$4,035 and calculated based on 25 weeks of transaction data provided by the Texas Department of Transportation.

The loss to the State Highway Fund is due to the increased commission retained by counties. The commission is withheld from both General Revenue Funds and the State Highway Fund according to a sliding scale set in statute. The estimated loss to the State Highway Fund is \$328,000 in fiscal year 2010 and \$271,000 in fiscal year 2011. Starting fiscal year 2015, the commission will be funded entirely from General Revenue Funds allowing motor vehicle registration fees to go to the credit of State Highway Fund.

Local Government Impact

Counties receive a 5 percent commission for each motor vehicle sales tax transaction processed and remitted. The gain to counties is estimated to be \$657,000 in fiscal year 2010 and \$677,000 in fiscal year 2011.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, JI, YD