

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

February 25, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee On Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB430 by Riddle (Relating to an exemption from the motor vehicle use tax for certain motor vehicles brought into this state by certain military personnel.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB430, As Introduced: a negative impact of (\$8,688,853) through the biennium ending August 31, 2015.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$4,311,853)
2015	(\$4,377,000)
2016	(\$4,443,000)
2017	(\$4,510,000)
2018	(\$4,578,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2014	(\$4,311,853)
2015	(\$4,377,000)
2016	(\$4,443,000)
2017	(\$4,510,000)
2018	(\$4,578,000)

Fiscal Analysis

This bill would amend Chapter 152 of the Tax Code, regarding the motor vehicle sales and use tax, to provide an exemption from the tax for a motor vehicle brought into this state by a military service member serving on active duty.

The bill would exempt an active duty member (ADM) of the U.S. Armed Forces residing in Texas on military orders from the 6.25 percent use tax due on a motor vehicle purchased at retail sale in

a foreign country and used in Texas. The bill also would exempt an ADM residing in Texas on military orders from the \$90 new resident fee due upon bringing a motor vehicle into Texas that was purchased, leased, or otherwise acquired in a foreign country by the ADM while serving on active duty.

The bill would take effect September 1, 2013.

Methodology

There were approximately 34,000 ADM personnel with Texas residency deployed outside of the United States in 2011, of which an estimated 3,385 would purchase a vehicle annually. Using an average vehicle price of \$20,000 and a tax rate of 6.25 percent, this exemption is estimated to cost just under \$5 million annually. The estimate employs a 1.5 percent growth factor thereafter.

Vehicles brought into Texas by new residents are eligible for a \$90 use tax payment (in lieu of the 6.25 percent of sales price, less taxes paid to the other state) provided it was first registered in another state or foreign country. The number of ADMs that are new residents to Texas annually, coming from an assignment where a vehicle was purchased in a foreign country, and that could be exempt from the \$90 new resident use tax, is estimated to be approximately 903, after adjusting for new residents that actually own a vehicle. This exemption would be expected to cost an estimated \$81,000 per year, with a 1.5 percent annual growth factor thereafter.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD