

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: HB859 by Sheets (Relating to an exemption from the motor vehicle sales and use tax for certain military servicemembers serving on active duty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB859, As Introduced: a negative impact of (\$9,959,000) through the biennium ending August 31, 2015, if the effective date of the bill is July 1, 2013; or a negative impact of (\$9,183,000) through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2013	(\$582,000)
2014	(\$4,654,000)
2015	(\$4,723,000)
2016	(\$4,794,000)
2017	(\$4,866,000)
2018	(\$4,939,000)

The above table assumes an effective date of July 1, 2013. The table below assumes an effective date of September 1, 2013.

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2014	(\$4,460,000)
2015	(\$4,723,000)
2016	(\$4,794,000)
2017	(\$4,866,000)
2018	(\$4,939,000)

Fiscal Analysis

The 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 military service members serving on active duty.

The bill would exempt a Texas resident who is an active duty member (ADM) of the U.S. Armed Forces, and is deployed outside the United States, from the motor vehicle sales and use tax on the purchase of a motor vehicle for the member's own private use. An ADM would apply to the Comptroller's Office for a certificate stating the member was exempt from the tax, and the Comptroller's Office could adopt rules to implement and administer the bill's provisions.

The bill would take effect July 1, 2013, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it 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 3,700 would purchase a vehicle annually. While a purchase would have to be for a "member's own use" this is not defined in the bill. Because Texas is a community property state, it is likely that a member could qualify for an exemption for more than one vehicle (for example, for a spouse or other dependent), and that assumption is given effect here by adding an additional 300 annual purchases. 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.

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