

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 19, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB682 by Sheets (Relating to an exemption from the motor vehicle sales and use tax for certain military servicemembers serving on active duty.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB682, As Engrossed: a negative impact of (\$3,198,000) through the biennium ending August 31, 2017, if the effective date of the bill is July 1, 2015; or a negative impact of (\$3,007,000) through the biennium ending August 31, 2017, if the effective date of the bill is September 1, 2015.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2015	(\$127,000)
2016	(\$1,524,000)
2017	(\$1,547,000)
2018	(\$1,570,000)
2019	(\$1,594,000)
2020	(\$1,618,000)

The table above assumes an effective date of July 1st, 2015. The table below assumes an effective date of September 1st, 2015.

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2016	(\$1,460,000)
2017	(\$1,547,000)
2018	(\$1,570,000)
2019	(\$1,594,000)
2020	(\$1,618,000)

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 U.S., 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 for a certificate stating the member was exempt from the tax, and the Comptroller could adopt rules to implement and administer the bill's provisions.

The bill would take effect July 1, 2015, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2015.

Methodology

There were approximately 10,000 ADM personnel with Texas residency deployed outside of the U.S. in 2014, of which an estimated 1,000 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 100 annual purchases. Using an average vehicle price of \$21,000 and a tax rate of 6.25 percent, this exemption would cost an estimated \$1.5 million annually.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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