

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**March 4, 2019**

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB263** by Thompson, Ed (Relating to an exemption from motor vehicle sales and use taxes for certain previously leased motor vehicles.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB263, As Introduced: a negative impact of (\$128,866,000) through the biennium ending August 31, 2021.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$64,240,000)
2021	(\$64,626,000)
2022	(\$65,272,000)
2023	(\$65,925,000)
2024	(\$66,584,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2020	(\$64,240,000)
2021	(\$64,626,000)
2022	(\$65,272,000)
2023	(\$65,925,000)
2024	(\$66,584,000)

**Fiscal Analysis**

The bill would amend Chapter 152 of the Tax Code, to provide for exemption from motor vehicle sales and use taxes for certain previously leased motor vehicles.

The bill would add Section 152.094, stipulating motor vehicle sales and use tax would not apply to the sale of a motor vehicle on termination of a lease provided the purchaser is the lessee under the lease, and the seller was the lessor under the lease and made the original purchase for the purpose

of leasing the vehicle and paid the applicable taxes.

The bill would take effect September 1, 2019.

### **Methodology**

There are an estimated 350,000 motor vehicle leases terminating in Texas each fiscal year. Of those vehicles, this analysis assumes 15 percent of the vehicles would be purchased by the lessee upon termination of the lease. Using an estimated average purchase option price of \$19,500, the result would be an annual loss to General Revenue Fund of approximately \$64 million dollars.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** WP, KK, SD