

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 20, 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: HB1543 by Springer (Relating to methods to enhance the enforcement of the collection of the use tax due on certain off-highway vehicles purchased outside this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1543, As Introduced: a positive impact of \$3,454,000 through the biennium ending August 31, 2021.

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 |
|-------------|--|
| 2020 | \$1,707,000 |
| 2021 | \$1,747,000 |
| 2022 | \$1,787,000 |
| 2023 | \$1,829,000 |
| 2024 | \$1,871,000 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain/(Loss) from General Revenue Fund 1 | Probable Revenue Gain/(Loss) from Tx Dept of Motor Vehicles Fnd 10 | Probable Revenue Gain/(Loss) from Texas Mobility Fund 365 | Probable Revenue Gain/(Loss) from Municipalities |
|-------------|--|--|---|--|
| 2020 | \$1,707,000 | (\$2,000) | (\$12,000) | \$320,000 |
| 2021 | \$1,747,000 | (\$2,000) | (\$12,000) | \$320,000 |
| 2022 | \$1,787,000 | (\$2,000) | (\$12,000) | \$330,000 |
| 2023 | \$1,829,000 | (\$2,000) | (\$12,000) | \$340,000 |
| 2024 | \$1,871,000 | (\$2,000) | (\$12,000) | \$350,000 |

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>Local Transportation Authorities</i> | Probable Revenue Gain/(Loss) from <i>Counties and Special Districts</i> |
|--------------------|--|--|
| 2020 | \$110,000 | \$56,000 |
| 2021 | \$110,000 | \$66,000 |
| 2022 | \$120,000 | \$66,000 |
| 2023 | \$120,000 | \$66,000 |
| 2024 | \$120,000 | \$66,000 |

Fiscal Analysis

The bill would amend Chapter 2301 of the Occupations Code to require a manufacturer of off-highway vehicles (OHV), as defined by Transportation Code Section 501.0301, to submit to the Department of Motor Vehicles (DMV) an annual report listing each warranty issued by the manufacturer for a new (OHV) that was sold to a resident of Texas by a retailer located outside of Texas. The bill would specify the criteria to be included in the report, including the sales price of the vehicle. The bill would require a manufacturer to submit the first report not later than March 1, 2020. The bill would require DMV to submit the report to the Comptroller. The bill would authorize the Comptroller to use the information in the report investigate and collect any unpaid taxes under Chapter 151 of the Tax Code. The bill would amend Chapter 501 of the Transportation Code to stipulate that a county tax assessor-collector may not issue a title receipt and DMV may not issue a certificate of title for an OHV purchased from an out-of-state retailer unless the applicant provides sufficient evidence to the assessor-collector or DMV that the applicant has paid any applicable use tax under Chapter 151 of the Tax Code.

The bill would take effect on September 1, 2019.

Methodology

Based on the analysis provided by the Comptroller's office, it is assumed implementation of the bill would result in increases in revenue collections from use taxes. The tables above show the estimated gains to the State in the General Revenue and units of local government, including municipalities, transportation authorities, counties, and special districts, beginning in fiscal year 2020 and continuing each year thereafter.

The Comptroller's office reports that the titling of off-highway vehicles subject to the bill is voluntary, not mandatory, and anticipates that the bill's requirement to provide evidence of paid use taxes as a condition of receiving a title would result in a decline in the number of such vehicles being titled. Based on the analysis provided by the Comptroller's office, the table above shows estimated decreases in title fee revenue receipts to the Texas Mobility Fund and the Texas Department of Motor Vehicles Fund beginning in fiscal year 2020 and continuing each year thereafter.

DMV indicates that any costs or duties associated with implementing the provisions of the bill could be absorbed within the agency's existing resources.

Note: The bill would reduce, rescind, or repeal the dedication of a specific source or portion of revenue dedicated to the Texas Mobility Fund. Article 3, Section 49-k, of the Texas Constitution, specifies that while money in the Texas Mobility Fund is pledged for the payment of any outstanding debt obligations, the Legislature may not reduce, rescind, or repeal the dedication of a specific source or portion of revenue dedicated to the Texas Mobility Fund unless the Legislature

by law dedicates a substitute or different source of revenue that is projected by the Comptroller to be of a value equal to or greater than the source or amount being reduced, rescinded, or repealed.

Technology

DMV anticipates one-time information technology programming costs to implement the provisions of the bill.

Local Government Impact

According to the Texas Association of Counties, no significant fiscal implication to counties is anticipated. The tables above show estimated revenue gains to units local government provided by the Comptroller's office.

Source Agencies: 304 Comptroller of Public Accounts, 608 Department of Motor Vehicles
LBB Staff: WP, KK, SGr, TG, AF