

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 17, 2019

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

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

IN RE: **SB50** by Zaffirini (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 SB50, As Introduced: a negative impact of (\$3,322,000) through the biennium ending August 31, 2021, if the effective date of the bill is July 1, 2019; or a negative impact of (\$3,124,000) through the biennium ending August 31, 2021, if the effective date of the bill is September 1, 2019.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2019	(\$132,000)
2020	(\$1,583,000)
2021	(\$1,607,000)
2022	(\$1,631,000)
2023	(\$1,655,000)
2024	(\$1,680,000)

The table above assumes an effective date of July 1, 2019. The table below assumes an effective date of September 1, 2019.

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2020	(\$1,517,000)
2021	(\$1,607,000)
2022	(\$1,631,000)
2023	(\$1,655,000)
2024	(\$1,680,000)

Fiscal Analysis

The bill would amend Chapter 152 of the Tax Code, regarding the motor vehicle sales and use tax, by adding Section 152.095 to provide an exemption from the tax for certain military service members serving on active duty.

The bill would exempt from tax the sale or use of a motor vehicle purchased by an active duty member of the U.S. Armed Forces for the member's own private use, if the member is a resident of the state and is deployed outside the U.S.

An eligible member would be required to apply to the Comptroller for a certificate stating the member is exempt from the tax. The Comptroller could adopt rules to implement and administer the bill's provisions.

This bill would take effect July 1, 2019, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

Methodology

There were approximately 14,700 active duty military personnel with Texas residency deployed outside of the U.S. in 2018, of which approximately 1,050 would be assumed to purchase a vehicle annually. While a purchase would have to be for a *member's own use* this is not defined in the bill, nor required to be for the member's exclusive use. Consequently it is likely that a member could qualify for an exemption for more than one vehicle (for example, for use by a spouse or other dependent), and that assumption is given effect here by increasing estimated annual purchases by ten percent. Assuming an average vehicle price of \$22,000, at the tax rate of 6.25 percent, this exemption would reduce revenue by approximately \$1.6 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: WP, KK, SD