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**FISCAL IMPACT STATEMENT**

**LS 7383**  
**BILL NUMBER: HB 1411**

**NOTE PREPARED:** Jan 20, 2004  
**BILL AMENDED:**

**SUBJECT:** Commercial vehicle excise tax.

**FIRST AUTHOR:** Rep. Cherry  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

| STATE IMPACT            | FY 2004 | FY 2005     | FY 2006      |
|-------------------------|---------|-------------|--------------|
| State Revenues          |         | (55,000)    | (110,000)    |
| State Expenditures      |         | 5,000,000   | 15,400,000   |
| Net Increase (Decrease) |         | (5,055,000) | (15,510,000) |

| LOCAL IMPACT            | CY 2004 | CY 2005   | CY 2006   |
|-------------------------|---------|-----------|-----------|
| Local Revenues          |         | (166,000) | (349,000) |
| Local Expenditures      |         |           |           |
| Net Increase (Decrease) |         | (166,000) | (349,000) |

**Summary of Legislation:** This bill repeals the Commercial Vehicle Excise Tax (CVET). It provides that commercial vehicles are subject to assessment for property taxes first due and payable after December 31, 2004.

**Effective Date:** Upon passage; January 1, 2005.

**Explanation of State Expenditures:** Under current law, the Bureau of Motor Vehicles (BMV) is required to collect the commercial vehicle excise tax paid by owners of *intrastate* trucks and the Department of State

Revenue (DOR) is required to collect the tax paid by owners of *interstate* trucks. Expenses incurred by the BMV and DOR to carry out the administrative requirements of the CVET may be paid from the State General Fund.

When the CVET was enacted, the BMV estimated its ongoing costs to administer CVET at about \$80,000 per year and the Department of State Revenue estimated that it would not incur any additional costs. The repeal of CVET would, therefore, save an estimated \$80,000 per year at the BMV.

The state's expense for property tax replacement credits (PTRC) would be increased under this bill beginning in CY 2005. The state would have to pay PTRC on the amount by which maximum levies would be increased by this bill. If maximum levies are increased by an estimated \$58.1 M, then the state's PTRC expense would be increased by about \$15 M to \$16 M per year. **On a fiscal year basis, the cost increase is estimated at \$5.1 M in FY 2005, 15.4 M in FY 2006, and about \$16.0 M in years thereafter.** PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any increased PTRC expenditures would ultimately affect the state General Fund.

**Explanation of State Revenues:** The Bureau of Motor Vehicles (BMV) retains \$0.85 of each commercial vehicle excise tax collection as a service charge and deposit the revenue into the state License Branch Fund. In 2003, the BMV registered approximately 130,000 vehicles affected under this bill. The loss of \$0.85 per vehicle registration would amount to a loss of about \$110,000 per year beginning in CY 2005.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, the CVET is imposed on (1) Indiana based vehicles (except buses) subject to International Registration plan (IRP) apportioned registration, (2) vehicles based in another state (except buses) that are subject to IRP registration; and (3) trucks, tractors, trailers, semitrailers, and semitractors that are subject to registration with the Indiana Bureau of Motor Vehicles and have a declared gross weight of over 11,000 pounds.

The CVET replaced property tax for the affected Indiana-based vehicles beginning in CY 2001. This bill would repeal the CVET and place the Indiana-based vehicles back on the local property tax rolls effective with taxes paid in CY 2005.

CVET tax rates are set each year by the Department of State Revenue and are calculated to generate the guaranteed distribution to local governmental units each year. The guaranteed distribution for each unit is based on the foregone property tax from the base year (CY 2000), increased by 5% each year. FY 2003 collections of CVET were \$54.1 M.

This bill would increase local units' 2005 maximum levies by the amount of CVET received in 2005 plus growth at the percentage equal to the assessed value growth quotient (AVGQ). The AVGQ, 4.7% in 2004, equals the six year average annual increase in Indiana nonfarm personal income. The maximum levy increase would become a permanent part of the maximum levy base. Based on the CY 2002 guarantee and a growth rate of 5%, the CY 2005 guaranteed distribution under current law is calculated at \$58.28 M. The amount that would be added to local civil unit and school corporation maximum levies under this provision assuming that the 4.7% growth factor remains constant would be about \$58.12 M. Local revenues would dip very slightly by about \$167,000 in CY 2005 and \$349,000 in CY 2006. Of course, if the growth factor were to increase to 5% or so, there would not be any revenue loss.

The current CVET is charged as a percentage of registration fees which are based on vehicle type and vehicle weight, whereas property tax is based on the value of the vehicle. Farm vehicles pay the CVET at 50% of the rate charged on nonfarm vehicles. CVET is paid by both Indiana and out-of-state based vehicles with Indiana-based taxpayers paying under 60% and out-of-state owners paying over 40% of the total CVET.

Different vehicles in different classes and locations would be affected differently by this bill. For instance, the owners of newer equipment would likely pay more in property taxes than under CVET while the owners of older equipment located in areas with modest tax rates could pay less under this provision. Overall, Indiana vehicle owners would pay about \$9.7 M more in CY 2005 net tax under the property tax than they would have paid under the CVET.

**State Agencies Affected:** Bureau of Motor Vehicles; Indiana Department of Revenue; Department of Local Government Finance.

**Local Agencies Affected:** Local civil taxing units and school corporations.

**Information Sources:** *RBP99* Report, Bureau of Motor Vehicles, 2003; Local Government Database.

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