

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6924
BILL NUMBER: SB 233

NOTE PREPARED: Jan 1, 2009
BILL AMENDED:

SUBJECT: Sales Tax Treatment of Car Purchase Discounts.

FIRST AUTHOR: Sen. Buck
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that a rebate or employee discount on the sale of a motor vehicle is not part of the gross retail income received by the seller when determining the Sales and Use Tax amount.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR)* : This bill could result in an increase in administrative costs for the DOR by the requiring the DOR to revise Sales Tax forms as well as update computer software. The DOR's current level of resources should be sufficient to implement this provision.

Explanation of State Revenues: This bill would reduce Sales Tax revenue by an indeterminable amount. The impact will ultimately depend on the amount of rebates and employee discounts that are offered on the sale or lease of motor vehicles.

Assuming an average rebate or employee discount of \$500, and assuming 25% of new car sales involve rebates or discounts, this bill could potentially reduce Sales Tax revenue by \$2.2 M annually. Since this estimate does not account for used car sales, the revenue impact could potentially be higher.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: New Passenger Car & Light Truck Registrations; www.globalinsight.com

Fiscal Analyst: Diana Agidi, 317-232-9867 .