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**FISCAL IMPACT STATEMENT**

**LS 6482**

**BILL NUMBER:** HB 1434

**NOTE PREPARED:** Jan 12, 2013

**BILL AMENDED:**

**SUBJECT:** Motor Vehicle Excise Tax.

**FIRST AUTHOR:** Rep. Truitt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill changes the calculation of excise tax reductions, credits, and refunds relating to the acquisition, trade, sale, or loss of a vehicle or a change in the owner's name that changes the owner's annual registration date. It requires the calculations to reference the days elapsed in a registration year rather than months. The bill applies the new methodology to the computation of certain credits and adjustments to the county motor vehicle excise surtax.

**Effective Date:** January 1, 2014.

**Explanation of State Expenditures:** The BMV would have to adjust its computer system to prorate partial year excise taxes on a daily basis rather than a monthly basis. The bill's requirements are within the BMV's routine administrative functions and the BMV should be able to implement the requirements with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:** See Local Revenues.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* For partial registration years, this bill would change the 8.33% monthly adjustments to excise taxes cited below to 0.27% per day. Under current law, excise tax refunds or credits are given only for the number of full months remaining in the registration year while charges for new registrations are discounted only for full months that have passed. A system of excise taxes prorated on a daily basis would reduce prorated charges and increase prorated refunds and credits. This change would result in

a net loss in excise tax revenue. The extent of this revenue loss is indeterminable because data are unavailable on partial registration years.

About two-thirds of excise tax revenue is distributed to local civil taxing units and school corporations while one-third is captured by the state as part of the property tax reform that took effect in 2009.

*Background:* Under current law, motor vehicle excise taxes are prorated when a vehicle is newly registered, sold, or destroyed during the registration year, or when the owner's last name is changed. The current prorating system is as follows:

(1) New registrations: The excise tax is reduced by 8.33% per month for each full month since the owner's usual registration date.

(2) Sale of a vehicle: The owner receives a refund equal to the full-year excise tax, less 8.33% per month for each full or partial month since the registration date.

(3) Destroyed Vehicle: The owner receives a refund equal to 8.33% of the full-year excise tax for each full month remaining in the registration year.

(4) Last name change (earlier registration date): The owner receives a refund equal to 8.33% of the full-year excise tax for each full month between the old (later) and the new (earlier) registration dates.

(5) Last name change (later registration date): The owner pays additional excise tax equal to 8.33% of the full-year excise tax for each full month between the old (earlier) and the new (later) registration dates.

**State Agencies Affected:** Bureau of Motor Vehicles

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

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.