

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1588

Bill Subtitle: TO EXCLUDE MANUFACTURER REBATES ON MOTOR VEHICLES FROM THE DEFINITIONS USED FOR PURPOSES OF DETERMINING SALES AND USE TAXES.

Basic Change : Sponsor: Representative Ballinger

This bill provides a sales and use tax exemption for a manufacturer's rebate on a motor vehicle. Sales and use tax is currently due on the total consideration paid for of a vehicle, including any rebate paid by the manufacturer to the dealer on the customer's behalf or paid directly as a cash payment to the customer by the manufacturer after the sale. This bill would provide that any portion of the sales price is paid to the dealer or paid through a manufacturer's rebate will not be subject to tax. The effective date of the exemption will be the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY 2016 Total Impact to State Revenues -\$10.7 million

[9 Months of Reduced Tax Collections --- Est. 10/1/2015 Effective Date]

- \$ 7.2 million ---State General Revenue (4.5%)
- \$ 1.4 million ---Educational Adequacy (.875% tax)
- \$ 0.8 million ---Property Tax Relief Trust Fund (.5%)
- \$ 0.2 million ---Conservation Tax (.125%)
- \$ 0.8 million --- Highways (.5%)
- \$ 0.0 million ---Educational Excellence Trust Fund
- \$ 0.0 million ---Educational Adequacy (GR transfer)
- \$ 0.2 million ---State Central Services
- \$ 0.1 million ---Constitutional Officers

FY 2017 Total Impact to State Revenues -\$14.3 million

- \$ 8.1 million ---State General Revenue (4.5%)
- \$ 1.9 million ---Educational Adequacy (.875% tax)
- \$ 1.1 million ---Property Tax Relief Trust Fund (.5%)
- \$ 0.3 million ---Conservation Tax (.125%)
- \$ 1.1 million --- Highways (.5%)
- \$ 1.4 million ---Educational Excellence Trust Fund
- \$ 0.1 million ---Educational Adequacy (GR transfer)
- \$ 0.3 million ---State Central Services
- \$ 0.1 million ---Constitutional Officers

Taxpayer Impact :

Manufacturer rebates on motor vehicles would no longer be subject to sales tax regardless of whether paid to the dealer or returned to the customer as a cash payment.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

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Procedural Changes :

Modifications to motor vehicle registration system. Revise Motor Vehicle Procedures Manual and distribute to Revenue Offices.

Other Comments :

This bill would treat motor vehicle rebates differently than manufacturer rebates or coupons on other tangible personal property items such as food, electronics, or household products.

Legal Analysis :

HB1588 amends current law in order to exclude manufacturer's rebates on motor vehicles from the definition of "gross receipts," "gross proceeds," subject to sales tax.

Please note that HB1588 contains the same substantive content as HB1451 (as engrossed on 02-25-2015). The only difference is the title of each bill. The first two phrases have been switched.