

**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**



Fiscal Note On: **HB 209** HLS 19RS 606  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 17, 2019 4:25 PM	<b>Author:</b> DAVIS
<b>Dept./Agy.:</b> REVENUE	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Sales Tax Exemption: Demonstrator Vehicles	

TAX EXEMPTIONS EG -\$170,000 GF RV See Note Page 1 of 1

Authorizes a sales and use tax exemption for new automobiles, aircraft, boats, vessels or other water craft used as demonstrators

Present law levies a combined state sales and use tax rate of 4.45% on purchases of motor vehicles until July 1, 2025, at which time the combined rate will drop to 4.0%.

Proposed law fully exempts new automobiles, aircraft, boats, vessels, or other water craft withdrawn from stock or kept in dealer inventory and used as demonstrators from the state sales tax.

Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$170,000)	(\$170,000)	(\$170,000)	(\$170,000)	(\$170,000)	<b>(\$850,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>(\$170,000)</b>	<b>(\$170,000)</b>	<b>(\$170,000)</b>	<b>(\$170,000)</b>	<b>(\$170,000)</b>	<b>(\$850,000)</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

Proposed law fully exempts purchases of several types of new vehicles from the state sales and use tax provided they are used as demonstrators and are kept in the dealer's inventory. OMV reports approximately 130 vehicles purchased and titled as "demonstrator" vehicles per year in recent years. At an approximate average new automobile price of \$30,000, the full exemption of these vehicles would result in a revenue impact of \$170,000. Most of this activity is likely automobiles (the basis of the fiscal impact here), but the bill also applies to aircraft, boats, vessels or other water craft.

The revenue loss is depicted above as entirely state general fund, but small amounts of loss (approximately 1% of the total) will occur to the Tourism Promotion District allocation and economic development dedications as well.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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