



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 514** HLS 21RS 586
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 14, 2021 10:24 AM **Author:** MAGEE
Dept./Agy.: Treasury/Motor Vehicles/Revenue/DOTD **Analyst:** Benjamin Vincent
Subject: Motor Vehicle Sales Tax: TTF Dedication

TAX/SALES & USE EN -\$296,000,000 GF RV See Note Page 1 of 1
 Levies a state tax on raw or crude marijuana recommended for therapeutic use and provides for the disposition of the collections of the tax

Proposed law dedicates 30% of motor vehicle sales tax collections to the Construction Subfund (CSF) of the Transportation Trust Fund in FY24, and dedicates 60% of such collections in all years thereafter. Proposed law additionally specifies allowable uses for CSF funds dedicated under proposed law's provisions, including bonding limitations.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	(\$148,000,000)	(\$296,000,000)	(\$266,000,000)	(\$710,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$148,000,000	\$296,000,000	\$266,000,000	\$710,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

LFO anticipates a minor upfront cost to administer the phasing in of a new partial dedication. LFO assumes these efforts will be primarily made in FY23 and FY24, prior to the effectiveness of each new partial dedication. The bill also specifies various specific projects to receive the funding provided by the bill's diversion of general fund tax receipts to the CSF.

REVENUE EXPLANATION

Proposed law phases in a partial dedication of the avails of state sales and use taxes on motor vehicles to the CSF, beginning in FY24. Proposed law dedicates 30% of the avails in FY24, and 60% of the avails in FY25 and in all years following.

The anticipated revenue impact is largely a reduction in state general fund revenues beginning in FY24, matched by an increase in dedicated revenues of approximately equal magnitude. Although the table above reflects strictly a reduction of general fund revenues and a matching increase of dedicated revenues, a small portion (less than 1% of the total) of the collections may be diverted from the LED Marketing Fund and the Tourism Promotion District Fund into the CSF, with a consequent smaller amount of general fund diversion.

The estimated magnitude of this diversion of general fund revenues is approximately \$148 million in FY24, \$296 million in FY25, and \$266 million in FY26 and beyond as the 0.45% levy is currently scheduled to expire after FY25.

Proposed law additionally provides that starting in FY25, in the event of a \$100 million or larger reduction to the general fund REC forecast, relative to the forecast in place at the beginning of the fiscal year, the amount diverted from the general fund into the CSF may not exceed \$150 million for that year. For any year in which this contingency occurs, the maximum reduction to the general fund (and increase to the CSF) would be \$150 million. The FY24 dedication of \$148 million is unaffected by this provision.

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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