



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	HB0585	<b>Title:</b>	Revise rental car tax
<b>Primary Sponsor:</b>	Hoven, Brian	<b>Status:</b>	As Introduced

- |  |  |  |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget        | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund (Transfer)	\$757,244	\$1,565,772	\$1,621,628	\$1,678,470
State Special Revenue	\$908,880	\$1,872,000	\$1,930,000	\$1,989,000
<b>Revenue:</b>				
General Fund	\$757,961	\$1,569,812	\$1,625,706	\$1,682,576
State Special Revenue	\$908,000	\$1,872,000	\$1,930,000	\$1,989,000
<b>Net Impact-General Fund Balance:</b>	\$717	\$4,040	\$4,078	\$4,106

**Description of fiscal impact:** HB 585, as introduced, does three things: 1) increases the rental car sales and use tax to 6% and dedicates the revenue increase to the disabilities transportation services fund; 2) eliminates the current law transfer of 0.30% of general fund motor vehicle revenue to the senior citizen and persons with disabilities transportation services fund; and 3) reduces registration fees by \$0.25 per registration issued which reduces general fund motor vehicle taxes and fees revenue. The bill is effective after December 31, 2013.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

*Increase Rental Car Sales and Use Tax*

1. Under current law, SJ2 projects revenue from the rental car sales and use tax to be \$3.632 million in FY 2014 and \$3.744 million in FY 2015. Assuming the same growth rate (approximately 3.08%), estimated revenue is \$3.859 million in FY 2016 and \$3.978 in FY 2017.
2. Increasing the rental car sales and use tax rate from 4% to 6% increases revenue to \$5.448 million in FY 2014, \$5.616 million in FY 2015, \$5.789 million in FY 2016, and \$5.968 million in FY 2017.

3. HB 585 transfers this entire increase in tax revenue (1/3 of the rental car sales and use tax) from the general fund to the senior citizens and persons with disabilities transportation services account. In FY 2014, this transfer only applies to the second half of the fiscal year. Therefore, \$0.908 million, \$1.872 million, \$1.930 million, and \$1.989 million will be transferred to this special revenue account for FY 2014 through FY 2017, respectively.
4. There are no costs to the Department of Revenue.

**Department of Justice**

*Reduction in Registration Revenue*

5. This bill, effective January 1, 2014, reduces the registration fees by \$0.25 per motor vehicle registration.
6. Analysis of vehicle registrations processed in FY 2012 shows that 1,164,781 motor vehicles were registered in Montana.
7. Assuming ongoing registration activities would be similar to FY 2012 activity, the revenue impact of HB 585 was estimated by applying the registration level in assumption #6 to the estimated motor vehicle revenue presented in SJ 2 using the LFD Legislative Budget Analysis vehicle registration growth rates to project FY 2013 (0.7%), FY 2014 (0.7%) and FY 2015 (0.7%) registrations. The result of these calculations is presented in the following table:

**Fiscal Impact of HB 585: Motor Vehicle Division Vehicle Registration Revenue**

<b>Motor Vehicle Division</b>	<b>FY 2012 (Actual)</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Vehicle Registrations	1,164,781	1,172,934	1,181,145	1,189,413	1,197,739	1,206,123
Second half FY 2014 (50%)			590,573			
Times Fee reduction			(\$0.25)	(\$0.25)	(\$0.25)	(\$0.25)
<b>Estimated reduction in general fund revenue</b>			<b>(\$147,643)</b>	<b>(\$297,353)</b>	<b>(\$299,435)</b>	<b>(\$301,531)</b>

*Administrative Expenses*

8. It is estimated that 20 programming hours are necessary for changes to the MERLIN system. The fee calculations in MERLIN are based upon vehicle type, usage, age, and weight. There are 1,341 table entries for fees, the majority of which will need to be modified and tested for this bill

**Department of Transportation**

*Elimination current law 15-1-122(2)e, MCA transfer*

9. The current transfer (0.30% of general fund motor vehicle collections) deposited into this fund will no longer be made after December 31, 2013. The current law transfer will be replaced by the additional revenue generated from the 50% increase in the rental car sales and use tax as calculated by the Department of Revenue in assumption #3.
10. The net effect will increase grants for senior citizen and persons with disabilities transportation services.
11. The changes in the 15- 1-122(2)e transfers are calculated below based on the estimates from the Department of Revenue for the increase in rental car tax (Assumption #3) and the SJ 2 estimates as extended by the growth estimated by the Office of Budget of Program Planning. In FY 2014, under the transitional provisions of HB 585, transfers are assumed to be distributed equally. First half of FY 2014 payments are assumed to be present law and the second half HB 585 are new transfers.

**General Fund Motor Vehicle Fee Transfers under HB 585 as Introduced**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
SJ 2 Vehicle Taxes and Fees	\$100,833,000	\$101,384,000	\$102,076,000	\$102,790,532	\$103,510,066
Present law 15-1-122(2)e (0.30%)		\$304,152	\$306,228	\$308,372	\$310,530
Elimination of 0.30% Transfer		\$152,076	\$0	\$0	\$0
<b>Reduction in 0.30% Transfer</b>		<b>-\$152,076</b>	<b>-\$306,228</b>	<b>-\$308,372</b>	<b>-\$310,530</b>

*Reduction in MDT IRP Revenue*

12. The \$0.25 per vehicle reduction in registration fees will reduce general fund International Registration Plan (IRP) revenues collected by the Department of Transportation.
13. Based on FY 2012 numbers, the number of power units and permanent trailers vehicle registrations total 18,900 (10,189 power units and 8,711 trailers).
14. 0.7% annual growth rate is applied to the number of affected vehicle registrations.
15. Future year's revenue impacts are calculated using the number of FY 2012 eligible vehicles grown each year by the SJ 2 vehicle registration growth rate, then these are multiplied by the \$0.25 fee reduction. FY 2014 is based on the half year application of HB 585.  
FY 2014 revenue reduction = \$2,396 (19,166 X \$.25 X 0.5) [18,900 X 1.007 X 1.007 = 19,166].  
FY 2015 revenue reduction = \$4,825 (19,300 X \$.25).  
FY 2016 revenue reduction = \$4,859 (19,435 X \$.25).  
FY 2017 revenue reduction = \$4,893 (19,572 X \$.25).
16. Changes to the computer system fee tables will be made as part of the maintenance contract with the system vendor at no additional expense.

**Department of Administration**

17. The department is responsible for making the 15-1-122, MCA transfers based on the revenue posted by the Departments of Justice and Transportation. This has no additional cost to the department.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b>Department of Revenue (DOR)</b>				
<b><u>Expenditures (DOR):</u></b>				
Transfers (New DOA 15-1-122) OUT	\$908,000	\$1,872,000	\$1,930,000	\$1,989,000
<b>TOTAL Expenditures</b>	<b>\$908,000</b>	<b>\$1,872,000</b>	<b>\$1,930,000</b>	<b>\$1,989,000</b>
<b><u>Funding of Expenditures (DOR):</u></b>				
General Fund (01)	\$908,000	\$1,872,000	\$1,930,000	\$1,989,000
<b>TOTAL Funding of Exp.</b>	<b>\$908,000</b>	<b>\$1,872,000</b>	<b>\$1,930,000</b>	<b>\$1,989,000</b>
<b><u>Revenues (DOR):</u></b>				
General Fund (01) - Rental Car Tax	\$908,000	\$1,872,000	\$1,930,000	\$1,989,000
<b>TOTAL Revenues</b>	<b>\$908,000</b>	<b>\$1,872,000</b>	<b>\$1,930,000</b>	<b>\$1,989,000</b>
<b>Department of Justice (DOJ)</b>				
<b><u>Expenditures (DOJ):</u></b>				
Operating Expenses	\$2,200	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$2,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures (DOJ):</u></b>				
General Fund (01)	\$1,320	\$0	\$0	\$0
State Special Revenue (02)	\$880	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$2,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues (DOJ):</u></b>				
General Fund (01) - Registration Fees	(\$147,643)	(\$297,353)	(\$299,435)	(\$301,531)
<b>TOTAL Revenues</b>	<b>(\$147,643)</b>	<b>(\$297,353)</b>	<b>(\$299,435)</b>	<b>(\$301,531)</b>
<b>Department of Transportation (DOT)</b>				
<b><u>Expenditures (DOT):</u></b>				
Elimination of "Old" DOA Transfer Grants -	(\$152,076)	(\$306,228)	(\$308,372)	(\$310,530)
<b>TOTAL Expenditures</b>	<b>\$755,924</b>	<b>\$1,565,772</b>	<b>\$1,621,628</b>	<b>\$1,678,470</b>
<b><u>Funding of Expenditures (DOT):</u></b>				
GF (01) Elimination Old Transfer	(\$152,076)	(\$306,228)	(\$308,372)	(\$310,530)
SSR (02) - "New" RCST Transfer	\$908,000	\$1,872,000	\$1,930,000	\$1,989,000
<b>TOTAL Funding of Exp.</b>	<b>\$755,924</b>	<b>\$1,565,772</b>	<b>\$1,621,628</b>	<b>\$1,678,470</b>
<b><u>Revenues (DOT):</u></b>				
General Fund (01) IRP Revenue	(\$2,396)	(\$4,835)	(\$4,859)	(\$4,893)
SSR (02) - "New" RCST Transfer IN	\$908,000	\$1,872,000	\$1,930,000	\$1,989,000
<b>TOTAL Revenues</b>	<b>\$905,604</b>	<b>\$1,867,165</b>	<b>\$1,925,141</b>	<b>\$1,984,107</b>
<b>All Agencies</b>				
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$717	\$4,040	\$4,078	\$4,106
State Special Revenue (02)	(\$880)	\$0	\$0	\$0

**Effect on County or Other Local Revenues or Expenditures:**

**Department of Transportation**

1. Local revenue will increase for operating transit services.
2. Revenues are allocated equally among the five transportation districts and then distributed locally based on senior citizens and persons with disabilities within each community that has a coordinated transit plan. Under current law (7-14-112, MCA), funds are distributed to rural transit projects only and are not available for Tribes and Metropolitan Planning Organizations.

**Technical Notes:**

**Department of Revenue**

1. Section 1, page 2, line 16 indicates that “one-third of the tax imposed” is to be transferred to the Senior Citizens and Persons with Disabilities Transportation Services Account. Technically, the tax imposed should be the tax remitted. However, if the tax was not paid in full then the tax imposed would be greater than the tax collected. As the Department of Administration is responsible for making this transfer, it may be difficult to determine the tax imposed as compared with the tax actually collected. It is suggested to change “imposed by” to “paid pursuant to.”

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*Sponsor’s Initials*

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*Budget Director’s Initials*

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