

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7130

BILL NUMBER: HB 1913

DATE PREPARED: Jan 1, 1999

BILL AMENDED:

SUBJECT: Sales tax on motor vehicles.

FISCAL ANALYST: Jim Mundt

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the value of a manufacturer's rebate is exempt from the Indiana gross retail tax in a motor vehicle sales transaction if the rebate is assigned to the dealer.

Effective Date: January 1, 2000.

Explanation of State Expenditures:

Explanation of State Revenues: This bill will result in an indeterminable reduction in revenue received from the gross retail (sales) tax. Current practice by the Indiana Department of State Revenue considers price reductions which result from instructions by manufacturers to reduce the selling price and therefore not be subject to sales tax. This bill would treat manufacturer's rebates which are assigned by the manufacturer or the customer to the dealer, to be considered a price reduction and therefore not subject to tax.

Sales tax revenue is distributed: 59.2% to the State General Fund, 40% to the Property Tax Replacement Fund, 0.76% to the Public Mass Transportation Fund, and 0.04% to the Industrial Rail Service Loan Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Sales Tax Information Bulletin #28, Department of State Revenue, September, 1990.