

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

301 State House
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FISCAL IMPACT STATEMENT

LS 8206

BILL NUMBER: HB 2022

DATE PREPARED: Feb 15, 1999

BILL AMENDED: Feb 11, 1999

SUBJECT: Excise tax on trucks and semitrailers.

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FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill removes certain commercial vehicles from the property tax rolls and imposes an excise tax upon the vehicles. It requires the Bureau of Motor Vehicles and the Department of State Revenue to deposit commercial vehicle excise taxes in the Commercial Vehicle Excise Tax Fund. The bill appropriates amounts from the General Fund that are necessary for the Bureau of Motor Vehicles and the Department of Revenue to defray the costs of administering the excise tax. It also makes conforming amendments.

Effective Date: January 1, 2000.

Explanation of State Expenditures: (Revised) Under this proposal, the Bureau of Motor Vehicles (BMV) would be required to collect the commercial vehicle excise tax paid by owners of *intrastate* trucks and the Department of Revenue (DOR) would be required to collect the tax paid by owners of *interstate* trucks. The BMV and DOR would incur some additional expenses to carry out the administrative requirements of this bill. The bill appropriates money to cover these expenses from the State General Fund. The State Budget Agency would have to approve any payment from the General Fund. *An estimate of the additional cost to the BMV and DOR will be provided when it becomes available.*

The state's expense for property tax replacement credits (PTRC) would be reduced under this bill. The state would not have to pay PTRC on the amount by which maximum levies would be reduced by this bill. If maximum levies are reduced by \$14.1 million, then the state's PTRC expense would be reduced by about \$2.8 million. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any savings of PTRC and homestead credit expenditures would ultimately benefit the state General Fund.

Explanation of State Revenues: The BMV would retain \$0.85 of each commercial vehicle excise tax collection as a service charge and deposit the revenue into the state License Branch Fund. In 1997, the BMV registered approximately 162,000 vehicles that would be affected under this bill. \$0.85 per vehicle would amount to a retention of about \$138,000.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under current law, motor vehicles with a declared gross weight of up to 11,000 pounds are taxable under the motor vehicle excise tax. Vehicles that are over 11,000 gross declared weight are assessed for personal property tax purposes.

This bill would remove certain vehicles from the property tax rolls and impose a new commercial vehicle excise tax. The affected vehicles would include 1) Indiana based vehicles (except buses) subject to International Registration plan (IRP) apportioned registration; 2) vehicles based in another state (except buses) that are subject to IRP registration; and 3) trucks, tractors, trailers, semitrailers, and semitractors that are subject to registration with the Indiana Bureau of Motor Vehicles.

TAX COMPUTATION

It is estimated that the owners of the Indiana-based vehicles affected by this bill paid approximately \$14.1 million in net property tax in CY 1998. Assuming that the level of Indiana registrations and the Indiana mileage allocation of both Indiana based and non-Indiana based interstate vehicles does not decrease, then the excise tax rate structure contained in the bill would generate approximately the same amount.

These taxes would be paid by on both Indiana and out-of-state based vehicles with Indiana-based taxpayers paying about \$7.6 million (54%) and out-of-state owners paying approximately \$6.5 million (46%).

The new excise tax rates are based on a percentage of each registration fee currently paid. The excise tax was computed at 13.92% of the fee. Registration fees are based on vehicle type and vehicle weight. Since each excise tax rate was computed as a percentage of the registration fee for a vehicle type and class, the excise tax differs by type of vehicle and gross vehicle weight. The excise tax would be apportioned on an interstate mileage basis for vehicles registered under the IRP.

TAX DISTRIBUTION

In CY 2000, vehicle owners would receive a credit against the property tax charged on the vehicles in the amount of the current property tax in that year.

The bill creates the Commercial Vehicle Excise Tax Fund to be administered by the Indiana Department of Revenue. The fund would receive commercial vehicle excise tax proceeds which would then be distributed to local taxing units. The State Tax Board would determine the amount of distribution to each county in CY 2000 on a pro-rata basis using the property tax credits as the basis.

The county auditor would then distribute the excise money to the local units. The State Tax Board would also be required to reduce each taxing unit's CY 2001 maximum permissible levy by the amount of commercial vehicle excise tax distributed to the unit. Local units would receive about the same amount of tax revenue from these vehicles under this bill as they do under current law. Total local revenues would remain unchanged.

State Agencies Affected: State Board of Tax Commissioners; Indiana Department of Revenue; State Budget Agency.

Local Agencies Affected: County auditors.

Information Sources: Estimate of Interstate Motor Fleet Valuation, State Board of Tax Commissioners; Jim Poe, Department of Revenue; Registration Fee Report, 1/19/99, Bureau of Motor Vehicles; Local Government Database.