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FISCAL IMPACT STATEMENT

LS 8206 **DATE PREPARED:** Mar 31, 1999
BILL NUMBER: HB 2022 **BILL AMENDED:** Mar 30, 1999

SUBJECT: Excise tax on trucks and semitrailers.

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FUNDS AFFECTED: X **GENERAL**
X **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 (CVET) collected in 2001 and thereafter in the Commercial Vehicle Excise Tax Fund. The bill provides for the distribution of commercial vehicle excise taxes to local units from the Commercial Vehicle Excise Tax Fund. The bill also appropriates amounts from the state 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.

This bill sets forth the commercial vehicle excise tax rates for calendar year 2000 and it prescribes the method for establishing the commercial vehicle excise tax for calendar year 2001 and thereafter. The bill establishes the Commercial Vehicle Excise Tax Reserve Fund to be used to transfer funds for distribution to local units in the event that sufficient funds are not available for distributions from the commercial vehicle excise tax. It provides commercial vehicle excise taxes collected in 2000 shall be deposited into the Commercial Vehicle Excise Tax Reserve Fund.

This bill also requires taxpayers with commercial vehicles subject to the commercial vehicle excise tax to file an information return with the township assessor before May 15, 2000. The bill requires the county auditor to apportion and distribute commercial vehicle excise taxes among the respective funds of each taxing unit in the same manner and at the same time as property taxes are apportioned and distributed. It also makes conforming amendments.

Effective Date: January 1, 2000; January 1, 2001.

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 could 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 cost estimate for BMV is: 1) One-time startup costs of $80,880; and 2) Annual costs of about $80,000 for three additional clerks. The Department of Revenue reports that it would not incur any additional costs. The State Budget Agency would have to approve any payment from the General Fund.

The state's expense for property tax replacement credits (PTRC) would be reduced under this bill beginning in CY 2002. 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 an estimated $16.3 million, then the state's PTRC expense would be reduced by about $3.25 million. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any savings of PTRC expenditures would ultimately benefit the state General Fund.

Explanation of State Revenues: (Revised) 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.

The bill creates the Commercial Vehicle Excise Tax Reserve Fund. The fund would receive the revenue generated from the CVET in CY 2000. This amount is estimated at about $8 million. Money in the fund would be used to make the required payments under this bill to local units if the balance in the Commercial Vehicle Excise Tax Fund is insufficient. Any money remaining in the reserve fund on March 1, 2006 would be deposited into the Motor Carrier Regulation Fund.

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 for taxes payable in CY 2001 and after 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.

INFORMATION RETURN

Taxpayers who own vehicles that would be subject to the CVET would file an information return along with their personal property tax return in CY 2000. The taxpayer would provide information regarding the value, nature, and location of each commercial vehicle that the taxpayer owns, holds, possesses, or controls on March 1, 2000. The Tax Board will then determine each taxing unit's base revenue by applying the current property tax rate to the assessed value compiled from the information returns.

TAX COMPUTATION - CY 2000

In addition to personal property tax for Indiana-based vehicles, the CVET would be charged at a reduced rate in CY 2000 to Indiana-based and out-of-state commercial vehicle owners. It is estimated that these reduced rates would generate about $8 million in CY 2000. This revenue would be deposited into the Commercial Vehicle Excise Tax Reserve Fund.

TAX COMPUTATION - CY 2001 and After

Under this proposal, a base revenue amount for each county and the taxing units within the county would be calculated each year. In CY 2001, the base amount would equal the gross property tax revenue generated by theses vehicles in CY 2000. The base revenue amount would be increased by 5% each year after CY 2001. The base revenue amount is then divided by the amount of total commercial vehicle registration fees received in the previous fiscal year. The resulting factor is then applied to the current statutory registration fees to determine the CVET fees.

Example: It is estimated that the gross property tax assessed against the Indiana-based vehicles affected by this bill were approximately $16.3 million in CY 1998. Registration fees were reported at $101 million. The factor would equal 16.2% ($16.3 M / $101 M). Each registration fee would be multiplied by 16.2% to determine the excise fee for that class of vehicle.

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.

These taxes would be paid by on both Indiana and out-of-state based vehicles with Indiana-based taxpayers paying about 54% and out-of-state owners paying approximately 46% of the total CVET.

TAX DISTRIBUTION

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 and taxing unit based on the unit's base revenue amount. Taxing units would receive the greater of their base amount or their pro-rata share of the total excise fees deposited into the fund.

The State Auditor would distribute CVET funds to the counties by May 1 and December 1 of each year. 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 2002 maximum permissible levy by the amount of commercial vehicle excise tax distributed to the unit. Since the excise tax rates are based on gross property tax rates and base revenues increase by 5% per year (as do most maximum levies), local units would receive about the same amount of overall tax revenue from these vehicles under this bill as they do under current law.

In the event that there is not enough money in the Commercial Vehicle Excise Tax Fund to make the required payments to local units, the bill requires the State Auditor to transfer the necessary funds from the Commercial Vehicle Excise Tax Reserve Fund.

State Agencies Affected: State Board of Tax Commissioners; Indiana Department of Revenue; State Budget Agency; Bureau of Motor Vehicles; Auditor of State.

Local Agencies Affected: County Auditors; County and Township Assessors.

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