

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7161

BILL NUMBER: HB 1268

DATE PREPARED: Jan 8, 2000

BILL AMENDED:

SUBJECT: Tax exemptions for fuel efficient vehicles.

FISCAL ANALYST: Jim Mundt

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FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill exempts from the state Sales Tax and the state Motor Vehicle Excise Tax passenger motor vehicles and trucks that have a city fuel economy level of at least 60 miles per gallon (mpg).

Effective Date: July 1, 2000.

Explanation of State Expenditures:

Explanation of State Revenues: To qualify for the Sales Tax exemption described in this proposal, the vehicle must have a city fuel economy level of at least sixty (60) mpg. There is one vehicle listed in the 2000 Fuel Economy Guide that meets this requirement. The 2000 Honda Insight has a city fuel economy value of 61 mpg. The factory advertised delivered price of a 2000 Honda Insight is \$19,295. Applying Indiana's Sales Tax rate of 5% and assuming an actual selling price of \$20,000, this proposal would result in loss of Sales Tax revenue of \$1,000 per sale of each Honda Insight.

Currently, no other vehicles have a city fuel economy level close to sixty (60) mpg. The next highest is a Chevrolet Metro at 39 mpg. Should vehicles meet this requirement in the future, their sale would qualify for this proposed exemption and there would be a loss of any potential Sales Tax revenue resulting from their sale.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Loan Fund (0.04%), and the Commuter Rail Service Fund (0.17%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, a vehicle which qualifies for the Sales Tax exemption would also be exempt from the Motor Vehicle Excise Tax. Using the factory advertised delivered price of \$20,000 for the 2000 Honda Insight and applying the Motor Vehicle Excise Tax Rate Schedule results in a loss of revenue of \$250 per sale of each Honda Insight.

The revenue loss would be to taxing units within the taxing district in which the registrant of the vehicle resides.

State Agencies Affected: Indiana Department of State Revenue, Bureau of Motor Vehicles..

Local Agencies Affected: All taxing units.

Information Sources: 2000 Fuel Economy Guide, United State Department of Energy; Dan Young Honda, Indianapolis.