

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6365
BILL NUMBER: HB 1212

NOTE PREPARED: Jan 8, 2013
BILL AMENDED:

SUBJECT: Sales Tax.

FIRST AUTHOR: Rep. Neese
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the purchase of a recreational vehicle or cargo trailer that is transported out of Indiana for registration and use in another state or country is exempt from the State Gross Retail Tax regardless of whether the destination state or country provides a similar exemption for Indiana residents.

Effective Date: July 1, 2013.

Explanation of State Expenditures: This bill could increase the administrative costs of the Department of State Revenue (DOR). The DOR may be required to amend Sales Tax forms and computer software to incorporate the exemption. It is estimated that the provisions of this bill can be implemented within the DOR's existing level of resources.

Explanation of State Revenues: *Summary* - Sales Tax revenue would be reduced by approximately \$2.7 M to \$5.4 M in FY 2014 and \$2.9 M to \$5.9 M in FY 2015. The bill exempts sales of recreational vehicles and cargo trailers that are driven out of the state within 30 days and registered in another state that does not provide a reciprocal drive-out exemption.

Under current statute, the drive-out exemption only applies to sales of RV's and trailers that will be registered in another state that provides a reciprocal drive-out exemption. Nine states do not currently provide a reciprocal drive-out exemption. These states are Arizona, California, Florida, Hawaii, Massachusetts, Michigan, Mississippi, North Carolina, and South Carolina.

The table below shows the estimated revenue impact of this bill for FY 2014 and FY 2015. Sales Tax revenue is deposited as follows: 99.848% in the state General Fund, 0.123% in the Commuter Rail Service Fund (CRSF), and 0.029% in the Industrial Rail Service Fund (IRSF).

Revenue Impact		Lower Limit Estimate (in millions)		Upper Limit Estimate (in millions)	
Fund	Distribution	FY 2014	FY 2015	FY 2014	FY 2015
General Fund	99.848%	-\$2.7090	-\$2.9258	-\$5.4181	-\$5.8515
CRSF	0.123%	-0.0033	-0.0036	-0.0067	-0.0072
IRSF	0.029%	-0.0008	-0.0008	-0.0016	-0.0017
Total	100.000%	-\$2.7132	-\$2.9302	-\$5.4263	-\$5.8604

Background Information - According to the 2007 Economic Census, total sales of the recreational vehicle dealer industry was about \$19 B. About 2.5% of these sales occurred in Indiana. In CY 2011, RV shipments in the U.S. totaled 252,300. The Recreational Vehicle Industry Association projects an increase in shipments of 8% to 10% in CY 2012.

The estimates in the table above are based on Indiana’s share of sales in the recreational vehicle industry. The lower limit estimate assumes that 25% of RV and trailer sales in Indiana will be registered in other states, and the upper limit estimate assumes that 50% will be registered out-of-state. Indiana’s total “drive-out” RV and trailer sales are allocated to the states listed above that do not currently have a reciprocal exemption.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will decrease to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Bureau of Economic Analysis; Bureau of Transportation Statistics, National Transportation Statistics; Census Bureau, 2007 Economic Census; Recreational Vehicle Association, <http://www.rvia.org>.

Fiscal Analyst: Lauren Sewell, 317-232-9586.