

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 768
SHORT TITLE: Use Tax Trade-In Allowance
SPONSOR(S): Representative Sexton
FISCAL IMPACT: **Expenditures:** **Increase ()** **Decrease ()**
 Revenues: **Increase ()** **Decrease (X)**
 No Impact ()
 No Estimate Available ()

FUND AFFECTED: **General Fund ()** **Highway Fund ()** **Local Govt. ()**
 Other Funds (X) Highway Trust Fund

BILL SUMMARY: The bill adds statutory language to the revenue laws of North Carolina regarding the 3% highway use tax collected by the Division of Motor Vehicles. It codifies a current administrative practice of deducting a trade-in allowance for an exchange of vehicles between two parties before calculating the use tax due.

Vehicles not purchased from a licensed dealer are subject to the 3% use tax based on a schedule of values provided by the Division less trade credit. When there is a trade between two parties, DMV requires that a bill of sale be signed by both parties documenting the trade credit. Highway use tax is due on the value of the vehicle less trade credit.

EFFECTIVE DATE: July 1, 1995

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Division of Motor Vehicles in the Department of Transportation

FISCAL IMPACT

FY94 **FY95** **FY96** **FY97**
FY98

REVENUES

GENERAL FUND

HIGHWAY FUND

HIGHWAY TRUST FUND Insignificant revenue loss

LOCAL

EXPENDITURES None

POSITIONS: None

ASSUMPTIONS AND METHODOLOGY: It is the general policy of the Division of Motor Vehicles to give credit for a trade-in when two vehicles are exchanged. However, with 132 branch agent offices, there may be isolated incidents in which the credit was not granted. In these cases, the taxpayer has recourse to a refund if requested.

SOURCES OF DATA: Division of Motor Vehicles

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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DATE: May 31, 1995



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