

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 235 (1st Edition)

SHORT TITLE: One-Time Rental Car Tax Election Exception

SPONSOR(S): Senator Hoyle

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 2003-04 FY 2004-05 FY 2005-06 FY 2006-07 FY 2007-08

REVENUES

Highway Trust Fund

*** No Fiscal Impact ***

General Fund

*** See Assumptions and Methodology ***

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: North Carolina Department of Revenue.

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Under current law, retailers who lease motor vehicles can choose to pay either a 3% highway use tax on the purchase of a vehicle at acquisition or an 8% tax on the gross receipts generated from the lease of that vehicle. The retailer must choose which tax they elect to pay when they purchase the vehicle. That election is irrevocable for the life of the vehicle. The bill allows a retailer who has paid the 3% use tax to also pay the 8% gross receipts tax. The decision to also pay the 8% gross receipts tax must be made by July 1, 2003, and does not relieve that retailer of their liability for the tax previously imposed.

ASSUMPTIONS AND METHODOLOGY: Because the bill will not change the payment of highway use taxes, there is no impact on the Highway Trust Fund. Because taxes would potentially be paid on more vehicles – those that are currently not paying into the General Fund because they paid the highway use tax – there could be a General Fund increase. The Department of Revenue is only aware of one retailer that is interested in paying the additional tax. This retailer acquired another retailer that paid the 3% tax up front, while the parent company pays the 8% gross receipts tax, creating some administrative issues for the company as a whole. It is not anticipated that a significant number of retailers would be interested in changing their tax designation as is contemplated by the bill, as it effectively means they would be voluntarily offering to pay taxes twice on the same vehicle. These factors, combined with the July 1, 2003, sunset on the bill, suggest the revenue increase to the General Fund would be small.

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DATE: March 11, 2003



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