

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1111 (First Edition)

SHORT TITLE: Highway Use Tax Exempt - Handicapped Vehicles.

SPONSOR(S): Senator Preston

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES					
Highway Trust Fund	(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)
EXPENDITURES					
DMV	\$13,000				
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Highway Trust Fund; Division of Motor Vehicles				
EFFECTIVE DATE:	July 1, 2007				

BILL SUMMARY: Amends GS 105-187.6(a) as title indicates, for vehicles specifically modified to enable an orthopedically disabled driver to operate the vehicle or an orthopedically disabled passenger to ride in the vehicle. Effective July 1, 2007.

Source: Bill Digest S.B. 1111 (03/20/0200)

ASSUMPTIONS AND METHODOLOGY: The bill would exempt specifically modified vehicles from the Highway Use Tax of 3 percent. Discussions with retailers of these vehicles indicate that perhaps 600-1000 qualifying vehicles are sold per year in North Carolina that would be affected. This number includes new and used vehicles sold by retailers. (In addition, used vehicles are sold by sellers who are not retailers. The Highway Use Tax for these "casual sales" is based on a schedule of values for the original vehicles, so the cost or value of the conversion is not considered when tax is calculated.) A common vehicle model costs approximately \$40,000 when purchased new. For this Fiscal Note it is assumed that 800 vehicles (600 new and 200 used) are sold each year by retailers and would be exempted by the bill. It is assumed that \$40,000 is the average purchase price for the new vehicles and \$30,000 the average price for the used vehicles.

With the above assumptions the yearly revenue reduction as a result of the exemption would be the number of vehicles times the price of the vehicle times 3 percent.

New Vehicles:	600 vehicles x \$40,000 x 3% = \$720,000
Used Vehicles:	<u>200 vehicles x \$30,000 x 3% = \$180,000</u>
TOTAL	800 vehicles \$900,000

The revenue reduction of \$900,000 would be approximately 0.15% of Highway Use Tax revenues of \$600,000,000.

The Division of Motor Vehicles estimates that it will incur costs of approximately \$13,000 for changes to the State Titling and Registration System to implement this legislation.

SOURCES OF DATA: Retailers, Division of Motor Vehicles.

TECHNICAL CONSIDERATIONS: Some of the vehicle sales would involve trade-ins and the net price on which the tax is based would be lower than assumed above. This is not taken into account in the estimate but would lower the revenue impact by an undetermined amount.

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