

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1330 (First Edition)

SHORT TITLE: Highway Use Tax Correction

SPONSOR(S): Representatives Cansler, Davis, and Justus

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
Highway Trust Fund					
Exempt Trusts	(\$240,408)	(\$324,711)	(\$329,906)	(\$336,505)	(\$342,225)
Reduce Business/Owner	No Estimate Available				
EXPENDITURES					
Highway Fund	\$36,000				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation – Division of Motor Vehicles					
EFFECTIVE DATE: The act becomes effective October 1, 1999, and applies to certificates of title issued on or after that date.					

BILL SUMMARY:

This bill exempts from highway use tax certain revocable trusts and reduces the highway use tax on transfers between a business and its owners.

ASSUMPTIONS AND METHODOLOGY:

REVENUE

The Division of Motor Vehicles (DMV) has identified 2,827 vehicles titled in the vehicle registration database in the name of a trust. DMV estimates that it will register approximately 1,400 vehicles each year that are in a trust. For this fiscal note, the average value of a vehicle in 1999 in North Carolina is \$7,632. This vehicle value is the average of vehicle valuations taken from Cabarrus, Orange, Haywood, Surry, Halifax, and Sampson counties. A company that

provides automobile tax values to county tax assessors statewide provided the data. The revenue loss to the Highway Trust Fund due to exempting vehicles in trusts is calculated as follows:

$$1,400 \text{ vehicles} \times \$7,632 \text{ valuation} = \$10,684,800 \text{ total value}$$

$$\$10,684,800 \times 3\% \text{ highway use tax} = \$320,544 \text{ Highway Use Tax Loss}$$

For future years, this fiscal note adjusts the average vehicle price by the Standard & Poor's DRI national forecast for light vehicles (cars and trucks). The chart below computes the loss of Highway Use Tax each year based on the inflation adjusted price of vehicles.

	Average car values	DRI Inflation est.	Revocable Trust Vehicles	Value of Vehicles	Highway Use Tax
1999-00	\$7,632	1.0%	1,400	\$10,684,800	\$320,544
2000-01	\$7,731	1.3%	1,400	\$10,823,702	\$324,711
2001-02	\$7,855	1.6%	1,400	\$10,996,882	\$329,906
2002-03	\$8,012	2.0%	1,400	\$11,216,819	\$336,505
2003-04	\$8,148	1.7%	1,400	\$11,407,505	\$342,225

The second exemption in the bill is a partial exemption for vehicle transactions involving an individual and a corporation wholly owned by the same individual. This exemption will produce a revenue loss to the Highway Trust Fund, but the fiscal impact cannot be measured because DMV has no statistics on this type of vehicle transfer.

EXPENDITURES

DMV requests \$36,000 in one-time funds from the Highway Fund to reprogram their State Titling and Registration System (STARS) for the two exemptions in HB 1330. DMV estimates that it will take 420 hours of programming at \$80 per hour (\$33,600) to make the changes to STARS. DMV also will pay Information Technology Services (the state computer system) \$2,400 in computer service charges for programming and testing of the system changes.

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