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FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/13

SPONSOR Gonzales LAST UPDATED _____ HB 72

SHORT TITLE Commercial Car Lease Adjustment Clauses SB _____

ANALYST Boerner

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$0.0	\$0.0	\$0.0	Nonrecurring	None

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

The bill amends the Motor Vehicle Code to indicate that a lease transaction does not create a sale of or security interest in a motor vehicle or trailer, or transfer ownership to the lessee, merely because the lease contains a terminal rental adjustment clause.

FISCAL IMPLICATIONS

None noted.

SIGNIFICANT ISSUES

The AGO commented regarding a nearly identical bill (HB109) introduced in the 2012 legislative session that Terminal Rental Adjustment Clauses (TRAC) provide a fixed purchase price at the end of the vehicle lease. The consumer is required to pay any deficiency if they choose not to buy the vehicle and the net sales price (or value) is less than the fixed price included in the lease.

These clauses are normally used in commercial leases for fleets of motor vehicles and provide incentive to maintain the vehicle in good condition (to hold value). This bill clarifies that a lease transaction containing a TRAC clause does not provide a sale or security interest in the vehicle merely because of the TRAC condition. Numerous states have similar or identical laws including Pennsylvania, California and Kentucky.

CEB/sec