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FISCAL IMPACT REPORT

ORIGINAL DATE 2/4/18

SPONSOR Smith/Leavell LAST UPDATED _____ HB _____

SHORT TITLE Motor Vehicle Tax to Road Fund SB 226

ANALYST Clark

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20	FY21	FY22		
NFI	(\$6,400.0)	(\$6,600.0)	(\$6,700.0)	(\$6,800.0)	Recurring	General Fund
NFI	\$6,400.0	\$6,600.0	\$6,700.0	\$6,800.0	Recurring	Road Fund

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 226 changes the distribution of motor vehicle excise tax (MVX) receipts from going exclusively to the general fund, distributing 4.15 percent of the revenues to the state road fund and the remainder to the general fund.

The effective date of this bill is July 1, 2018.

FISCAL IMPLICATIONS

LFC staff calculations match those of the Taxation and Revenue Department (TRD), using the consensus revenue estimate and splitting the distribution as provided in the bill.

This bill would provide the Department of Transportation with a revenue stream of \$6.4 million or more annually, which could be used for existing road projects or appropriated by the Legislature for a specific purpose.

SIGNIFICANT ISSUES

Sending a portion of the MVX revenues to the road fund matches the economic concept of the benefit principle. TRD reports an argument can be made that MVX approximates a user fee on the use of state roads and therefore is an appropriate source for the state road fund according to the principle that those who benefit from public services should pay their cost. The MVX would provide substantially more revenue growth over time than traditional road fund revenues such as the gasoline tax because the traditional road fund revenues grow very slowly, if at all, while the MVX has demonstrated relatively strong growth over time.

ADMINISTRATIVE IMPLICATIONS

There would be a minimal impact on TRD's Motor Vehicle Division to revise the systems to provide this new distribution.

Does the bill meet the Legislative Finance Committee tax policy principles?

- 1. Adequacy:** Revenue should be adequate to fund needed government services.
- 2. Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- 3. Equity:** Different taxpayers should be treated fairly.
- 4. Simplicity:** Collection should be simple and easily understood.
- 5. Accountability:** Preferences should be easy to monitor and evaluate

JC/al/jle