

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 569** HLS 19RS 11
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue/ Motor Vehicles	Analyst: Benjamin Vincent
Subject: Sales/Use Tax: Antique Vehicle Exemption	

TAX/SALES-USE-EXEMPT EN DECREASE GF RV See Note Page 1 of 1

Establishes a state and local sales and use tax exemption for certain antique motor vehicles and increases the fee for issuance of certain license plates for antique motor vehicles

Proposed law establishes a state and local sales and use tax exemption for the sale or purchase of antique motor vehicles valued in excess of \$10,000. Proposed law requires that in order to qualify for the exemption, the vehicle must be registered, titled, and subject to payment of fees for an antique motor vehicle license plate. Proposed law sets the fee for issuance or transfer of antique motor vehicle license plates at \$1,000.

Effective July 1, 2019.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

The Office of Motor Vehicles reports that the implementation of proposed law would require approximately 180 hours of work coding the change into their processing system. The cost of the programming, development, testing, and implementation effort totals an approximate \$14,000 in overtime costs.

REVENUE EXPLANATION

This fiscal note assumes that language in proposed law is sufficient to implement the exemption contemplated by the bill.

Proposed law exempts sale or purchase of antique motor vehicles valued at \$10,000 or greater, if the owner registers the vehicle with an antique plate. Proposed law additionally increases the fee for the antique plate to \$1,000 (from \$25). Data on the number or price of antique vehicles sold annually is not available. Thus, the revenue impact is indeterminable.

OMV reports that there are approximately 2,400 antique motor vehicles in Louisiana with a reported sale price of \$10,000 or greater. As an illustration, if 10% of these vehicles were sold in a fiscal year at the threshold price of \$10,000, resulting in a sales volume of \$2.4 mil, the general fund impact of proposed law would be a reduction of approximately \$110,000 in that year, and local funds would decrease by a similar amount, depending on varying local sales tax rates. Any estimate of the actual number of antique vehicle sales and prices would be speculative.

The \$10,000 minimum value threshold makes it unlikely that any significant number of owners will opt to forego the antique plate and instead pay the state and local sales tax. Using the example of an antique motor vehicle that is sold for \$10,399 in a jurisdiction with a 9.45% combined state & local sales tax rate: if the owner does not apply for the antique plate, he will pay approximately \$983 in state and local tax, in addition to the (minimum) regular license plate fee of \$20. In this instance, the owner would be marginally better off paying the \$1,000 antique plate fee. This would be increasingly true for higher-priced antique vehicles.

For vehicles that are materially more expensive than the \$10,000 minimum, the total amount of foregone state and local sales tax revenue will be greater than the \$1,000 antique plate fee. Thus, local revenues would decrease due to proposed law, and the increase in OMV fee revenue would be larger than the reduction in state general fund revenue.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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