LB 271 FISCAL NOTE
Doug Nichols
May 28, 1997
Revised due to amendments adopted through May 21, 1997.

	FY 1997-98		FY 199849	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL	($54,962)		($54,962)	
CASH	$155,962		$55,962	
FEDERAL				
OTHER				
TOTAL	$101,000	$0	$1,000	$0

This bill repeals provisions relating to the valuation and taxation of motor vehicles. A tax/fee schedule as set out in the bill is substituted to replace the current motor vehicle tax. The bill is operative on Jan. 1, 1998.

This bill may impact state revenues. Under current Income tax law, personal property tax is deductible from state and federal taxes. However, for most individual filers, it is only deductible if the tax is based on value. Although the tax in this bill appears to be based on value for most vehicles, the fee is based on age, so it is possible that the fee may not be deductible for state Income tax purposes. The tax on other vehicles (trucks, RV's, trailers) is based on weight, and not value, and therefore may not be deductible from state Income taxes. These changes to current law could increase state General Fund tax revenues to the extent that this reduces the amount that is currently deductible from state income tax revenues. The Department of Revenue estimates any Impact to the General Fund will probably be minimal.

The Department of Motor Vehicles estimated Implementation costs of $101,000. The Vehicle Titling and Registration system needs to be redone for a one-time cost of $100,000 and registrations notices would have to be prenumbered at an ongoing cost of $1,000 per year. These funds would come out of DMV's cash fund.

An amendment adopted states that the duties of the Property Tax Administrator/Division under this bill shall be transferred to the Department of Motor Vehicles. The Property Tax Administrator/Division states that this involves one position (1.0 FTE Revenue Property Tax Analyst II) and associated operating costs detailed as follows:

Salary	$31,793
Benefits	$7,312
CDP	$2,352
Printing	$13,158
Communications & Postage	$245
Misc. Costs	$102
Total Costs	$54,962

This transfer from the Property Tax Administrator/Division to the Department of Motor Vehicles will result in the reduction to the Property Tax Administrator/Division's General Fund budget by $54,962 and also a reduction in the salary limit of $31,793. The Department of Motor Vehicles will have an increase in their Cash Fund budget and salary limit by identical amounts. It should be noted that Department of Motor Vehicles' response has different numbers on it because the DW adjusted both for the January 1, 1998, effective date and the state employee salary increases.

Impact on Local Subdivisions: The motor vehicle tax created by the schedules set out in this bill will be distributed similarly to the current tax. That is, after the county deducts one percent for costs, the proceeds will be allocated to each taxing unit in the proportion of each unit's levy to the total levy on taxable property of all the taxing units in which the motor vehicle has situs.

…. Fee Fund and requires the State Treasurer to distribute fifty percent of the funds to each county and fifty percent of the funds to each municipality in the same proportion as the most recent allocation received from the Highway Allocation Fund. Funds from the Motor Vehicle Fee Fund shall be considered local revenue available for matching state sources and all receipts from the Fund shall be used for road, bridge, and street purposes.

The fiscal impact of these changes on political subdivisions is indeterminate. The current motor vehicle tax revenues amounted to almost $152 million in 1996. If the motor vehicle tax and fee as set out in the schedules in this bill generates the some revenues as the current tax, then there will be a neutral impact from a statewide perspective.

If the motor vehicle tax and fee generates less revenues than the current motor vehicle tax revenues, then this bill could cause a tax shift to other taxable property. This tax shift will be limited by the applicable levy limits of current law (LB 1114, 1996). This shift may very between subdivisions and could impact the measure of wealth for purposes of state aid to school distributions. If the motor vehicle tax and fee generates more revenues than the current motor vehicle tax revenues, then this bill could reduce tax levies on other property, assuming no net Increase in local spending.

It should also be noted that the motor vehicle fee is restricted in its use and this differs from the current motor vehicle tax which does not have a restricted use. The fee is also only distributed to counties and municipalities, whereas, the current motor vehicle tax revenues are distributed to all subdivisions.