

LB 271 FISCAL NOTE

Doug Nichols, May 30, 1997

Revised due to amendments adopted through May 30, 1997.

	FY 1997-98		FY 1998-99	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL	(\$27,481)		(\$54,962)	
CASH	\$129,020		\$58,144	
FEDERAL				
OTHER				
TOTAL	\$101,539	\$0	\$3,182	\$0

This bill repeals provisions relating to the valuation and taxation of motor vehicles. A tax and 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, RVs, 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 DMVs 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. 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 \$27,481 in FY1997-98 and \$54,962 in FY1998-99. The Department of Motor Vehicles will have an increase in their Cash Fund budget by \$28,020 in FY1997-98 and \$57,144 in FY1998-99.

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.

This bill also creates the Motor Vehicle 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 same 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 limb of current law (LB 1114, 1996). This shift may vary 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 not 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 fees also only distributed to counties and municipalities, whereas, the current motor vehicle tax revenues are distributed to all subdivisions.