

Date of State Budget Office Approval: Thursday, March 01, 2012

Date Requested: Thursday, February 16, 2012

Date Due: Sunday, February 26, 2012

Impact on Expenditures

FY 2012 n/a
 FY 2013 n/a
 FY 2014 n/a

Impact on Revenues

FY 2012 n/a
 FY 2013 \$(1,925,750)
 FY 2014 \$(1,942,082)

Explanation by State Budget Office:

This act amends Rhode Island General Law Chapter 44-18 entitled "Sales 1 and Use Taxes – Liability and Computation" by adding Rhode Island General Law Section 44-18-8.1 titled "Excise tax not subject to sales or use tax". This new section would not allow any sales or use tax to be imposed on "the excise tax paid to the cities and towns by the purchasers or lessees of motor vehicles."

Comments on Sources of Funds:

All sales and use taxes are considered to be general revenues.

Summary of Facts and Assumptions:

This act takes effect upon passage but the assumed implementation date is July 1, 2012.

The fiscal impact is based on FY 2011 municipal data. The average property tax rate of \$29.10 per \$1,000 of vehicle value and the average excise tax exemption of \$2,233 have been calculated from the property tax data and motor vehicle exemption survey for all municipalities and towns in Rhode Island published by the Division of Municipal Finance, Rhode Island Department of Revenue. These values are used to estimate the fiscal impact of the act on a statewide basis.

The Division of Motor Vehicles reported a total of 778,055 passenger and commercial vehicles registered in Rhode Island for February 2012. Of this total, 38,897 were leased vehicles. The following assumptions and calculations are made to estimate the fiscal impact of the act for FY 2011:

Estimated Average Vehicle Value: \$25,000.00
 Less Avg. Excise Tax Exemption Amount: \$2,233.00
 Difference: \$22,767.00
 Property Tax at \$29.10 per \$1,000 of Vehicle Value: \$662.46
 (i.e., (\$22,767/\$1,000)*\$29.10)
 Number of Leased Vehicles Registered in RI: 38,897
 Estimated Property Tax: \$25,767,758
 (i.e., 38,897*662.46)
 Sales Tax Portion of Property Tax: \$1,803,743

(i.e., \$25,767,758*0.07)

According to the November 2011 Revenue Estimating Conference, the estimated growth rate for sales and use taxes in FY 2012 is 3.95 percent. Applying this growth rate to the FY 2011 estimate yields an estimate of \$1,874,944 for FY 2012. Similarly by applying the November 2011 Revenue Estimating Conference FY 2013 sales and use tax growth rate of 2.71 percent yields an estimated \$1,925,750 in revenue foregone. Finally, for the FY 2014 fiscal impact estimate, the Budget Office's sales and use tax projected growth rate (excluding the Governor's sales tax initiatives proposed in the FY 2013 Budget) of 0.85074 percent was applied to yield \$1,942,082.

Summary of Fiscal Impact:

FY 2012: Not applicable given the assumed implementation date of the act.

FY 2013: A revenue loss of \$1,925,750 is forecast.

FY 2014: A revenue loss of \$1,942,082 is forecast.

Fiscal Advisor's Approval:

Signature:

