



State Fiscal Note for Bill
Number: 2014-H-7429

Date of State Budget Office Approval:

Date Requested: Wednesday, March 19, 2014

Date Due: Saturday, March 29, 2014

Impact on Expenditures

FY 2014	N/A
FY 2015	N/A
FY 2016	\$27,900,000

Impact on Revenues

FY 2014	N/A
FY 2015	N/A
FY 2016	\$0

Explanation by State Budget Office:

This bill would amend RIGL 44-34.1-1 entitled "Motor Vehicle and Trailer Excise Tax Elimination Act of 1998" by increasing each year the motor vehicle and trailer excise local exemption and State reimbursement by \$500 until it reaches \$6,000 by FY 2023. The legislation would raise the State's reimbursement rate from the current rate of \$500 per vehicle to \$1,000 in FY 2015. Each year thereafter, the State's reimbursement would increase by \$500 through FY 2023. The reimbursement amounts distributed to municipalities are subject to appropriation of the Motor Vehicle Excise Tax Phase-Out program by the General Assembly.

Comments on Sources of Funds:

The Motor Vehicle Excise Tax Phase-Out state aid program is funded entirely with general revenue. It is assumed that any additional appropriations to this program would be funded with general revenue.

Summary of Facts and Assumptions:

This bill would take effect upon passage, which assumes July 1, 2014.

The 1998 General Assembly enacted the Motor Vehicle Excise Tax Phase-Out legislation to phase-out the excise tax on motor vehicles and trailers over an original seven-year period. There have been various changes to the legislation since its inception. For FY 2011 and thereafter, the General Assembly enacted legislation that mandates a \$500 exemption for which the State will reimburse municipalities an amount subject to appropriation. The legislation further allows municipalities to provide an additional exemption. However, that additional exemption will not be subject to reimbursement.

According to the Division of Municipal Finance, the \$500 reimbursement rate per vehicle would amount to approximately \$34.3 million in total appropriations if the General Assembly were to fully fund the program in FY 2014. However, the General Assembly has enacted an appropriated level of \$10.0 million for this program annually since FY 2011. The Governor has proposed keeping this program level funded with \$10.0 million in his revised FY 2014 and FY 2015 Budgets.

The distribution of funds from this program to municipalities is based on valued assessments from the previous fiscal year. Therefore, the fiscal impact of this bill wouldn't result until FY 2016. Distributions are made from two categories: exemption(s) and CPI. If the program were to be fully funded in FY 2014, it would cost the State \$34.3 million, of which \$6.4 million would come from the \$500 exemption reimbursement and \$27.9 million from the CPI calculated payment based on local assessed values. The calculated CPI rate is fixed, so therefore most of the

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Wednesday, April 02, 2014

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increased cost to the State would come from the exemption reimbursement portion of the program.

The Division of Municipal Finance estimates that increasing the exemption from \$500 to \$1,000 for FY 2015 would increase the exemption reimbursement portion of the program from \$6.4 million to roughly \$10.0 million, although this is difficult to estimate. This assumes that all local exemptions and tax rates would stay the same. The vendor that the Division uses to calculate these distributions could provide a more accurate estimate, but this analysis would be an additional cost to the State.

*Summary of Fiscal
Impact:*

FY 2014 & FY 2015: Not applicable. Legislation would take effect upon passage, which assumes July 1, 2014. The assessments on vehicles and the funding distributed to municipalities would not be impacted until FY 2016.

FY 2016: Net additional expenditures would be an estimated \$27.9 million. This estimate is contingent on how much the General Assembly appropriates for the program. Currently, the program is funded at \$10.0 million, but would cost the State an additional \$24.3 million if the General Assembly were to fully fund it in FY 2014 (\$34.3 million total cost as the enacted FY 2014 Budget is \$10.0 million). The Division of Municipal Finance estimates that increasing the exemption from \$500 to \$1,000 for FY 2015 would increase the exemption reimbursement portion of the program from \$6.4 million to roughly \$10.0 million in FY 2016, although this is difficult to estimate. This assumes that all local exemptions and tax rates would stay the same. There would be an estimated cost of at least \$120.0 million annually by FY 2023 to fully implement this program and exemption schedule.

Budget Office Signature:

James A. Mullany

Fiscal Advisor Signature:

*See attached
Comments*

House Fiscal Advisor Comments H 7429:

While the fiscal impact total appears correct, it appears that intent of the legislation was to provide the aid to cities and towns in FY 2015 not beginning in FY 2016 as suggested by the fiscal note.