

FISCAL NOTE

Bill #: SB0212

Title: Equalized treatment between in-state and out-of-state owners of rental vehicles

Primary

Sponsor: Dale Mahlum

Status: Second Reading

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>	
Expenditures:			
General Fund	\$23,789	\$16,562	
State Special Revenue		858,000	
Revenue:			
General Fund		\$134,000	
Main Street Program (DOC)(02)		\$100,000	
Montana Heritage and Preservation Account(02)		\$758,000	
Net Impact on General Fund Balance:	(\$23,789)	\$117,438	

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. This proposal is effective January 1, 2000, and applies to all rental vehicles rented and to motor vehicle taxes and fees paid after December 31, 1999.
2. Total rental vehicle agency sales are \$30,352,000 in calendar year 2000 and \$31,533,000 in calendar 2001 (MDOR sales tax model).
3. Ten percent (10%) of total sales pertain to gas, insurance, or vehicles rented pursuant to a contract for insurance.
4. The rental vehicle surcharge rate provided for in the proposal is 6%.
5. The above assumptions result in annualized surcharge revenue of \$1,639,000 in calendar 2000 and \$1,703,000 in calendar 2001.

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6. The first reimbursement to rental vehicle owners from the rental surcharge suspense account will occur on April 1, 2001; distribution of the remaining funds in the account will occur on May 1, 2001.
7. The rental vehicle surcharge is remitted on a quarterly basis; this results in a total of \$1,655,000 available for reimbursement and subsequent distribution on April 1, 2001 (three-quarters of CY2000 annualized amount plus one-quarter of CY2001 annualized amount).
8. Total motor vehicle taxes and fees currently paid by rental car agencies at the time of registration is \$1,000,000 (based on the fiscal note for SB395, 1997 legislative session). Based on the formula in the bill exempting tax and fees paid on vehicles rented pursuant to a contract of insurance, 95% of this amount will be subject to the reimbursement. This results in a total reimbursement of \$313,000 ($\$1,000,000 \times 0.95 \times 0.33 = \$314,000$).
9. The net amount to be distributed to other programs after the reimbursement of taxes and fees to rental car agencies is \$1,341,000. Based on language in the bill, this amount would be distributed \$100,000 to the Main Street Program in the Department of Commerce; \$758,000 to the Montana Heritage and Preservation Account; \$349,000 to the general funds of county governments; and \$134,000 to the state general fund.

Administrative Impacts:

10. The Department of Revenue would require an additional 0.5 FTE to operate this program. Total administrative costs would increase \$23,789 in fiscal 2000, and \$16,562 in fiscal 2001, as detailed below.
11. The voter approval required under CI-75 for this surcharge and related costs of submitting to the electorate are covered in SB211.

FISCAL IMPACT:

Department of Revenue

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
FTE	0.50	0.50
<u>Expenditures:</u>		
Personal Services	\$14,072	\$13,990
Operating Expenses	2,672	2,572
Equipment	<u>7,045</u>	<u>0</u>
TOTAL	\$23,789	\$16,562

Funding:

General Fund (01)	\$23,789	\$16,562
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Revenues:

General Fund (01)	\$134,000
Main Street Program (DOC) (02)	100,000
Montana Heritage and Preservation Account (02)	758,000

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$23,789)	\$117,438
Main Street Program (DOC) (02)		\$100,000
Montana Heritage and Preservation Account (03)		\$758,000

(continued)

ASSUMPTIONS:

Department of Commerce

1. The Main Street Program would require a 1.0 FTE grade 16, estimated personal services costs is \$37,066 in FY01.
2. Operating expenses are estimated to be \$11,500 in FY01. The program would require an additional computer and other related equipment estimated at \$2,750 in FY01.
3. Approximately four to five grants would be awarded in FY2001 and subsequent years to selected communities for Main Street program activities.
4. Revenues to fund the Main Street program are shown under Department of Revenue section of this fiscal note.

FISCAL IMPACT:

Department of Commerce

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
FTE		1.00
<u>Expenditures:</u>		
Personal Services		\$37,066
Operating Expenses		11,500
Equipment		2,750
Grants		<u>48,684</u>
TOTAL		\$100,000
 <u>Funding:</u>		
State Special Revenue (02)		\$100,000

ASSUMPTIONS:

Montana Historical Society

1. Based on 1998 car rental gross amounts per
2. Assuming this passes referendum per CI-75
3. \$100,000 transferred to Department of Commerce for administration of Montana Main Street Program is shown in Department of Commerce section of this fiscal note. Revenue to Heritage and Preservation account of Historical Society is shown in Department of Revenue section of this fiscal note.

FISCAL IMPACT:

Montana Historical Society

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Expenditures:</u>		
Operating Expenses		578,000
Equipment		<u>180,000</u>
TOTAL		758,000
 <u>Funding:</u>		
State Special Revenue (02)		758,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

(continued)

Under the proposal, county governments would share in equal proportions 26% of the funds remaining after reimbursement of taxes and fees to rental car agencies. In fiscal 2001, this is estimated to be a total of \$349,000 for a distribution of about \$6,230 to each county.

LONG-RANGE IMPACTS:

The intent of this proposal is to spur rental car agencies to register vehicles located in Montana with the State of Montana. Currently, many rental car agencies register their vehicles in other states, where the cost of registration is below that in Montana. To the extent that the proposal is successful in shifting the registration of vehicles to Montana from other states, the amount of the reimbursement to rental car agencies will increase, perhaps significantly, resulting in a reduction in the amounts distributed to the Montana heritage and preservation account, county governments, and the state general fund.

TECHNICAL NOTES:

1. The effective date of the bill is January 1, 2000. The bill requires the owner or operator of rental vehicles to report to the Department of Revenue on or before February 15 *of each year* the amount of taxes and fees paid in the previous calendar year, the amount of surcharge collected, etc. This would indicate that rental agencies would be required to file on February 15, 2000 for a prior calendar year in which no surcharge had been collected