

BILL # HB 2086

TITLE: motor vehicle warranties; tax refunds

SPONSOR: Huffman

STATUS: House Engrossed

REQUESTED BY: Senate

PREPARED BY: Brian Schmitz

FISCAL ANALYSIS

Description

This bill would allow a motor vehicle manufacturer that repurchases a vehicle under Arizona's "lemon" laws to apply to the Department of Revenue for a refund of sales taxes if the manufacturer has refunded the tax to the consumer.

Estimated Impact

We estimate that this bill would result in state sales tax refunds of approximately \$240,000 per year, for a General Fund cost of \$(158,100). This estimate is based on data provided by one of the main car manufacturers, which we then extrapolated to cover all automobile manufacturers. We cannot independently corroborate the figures that were provided to us. The actual impact of the bill will depend on the number of vehicles repurchased in a given year and their amount of sales tax.

The Department of Revenue does not have an estimate of this bill's impact.

Analysis

Currently when a vehicle is returned to a dealer under the state's lemon laws, the manufacturer must refund to the consumer the full purchase price, including the sales tax. The state does not reimburse the manufacturer for the sales tax refunded to the consumer. Under this bill, the manufacturer may apply to the Department of Revenue for a refund of the sales tax if the manufacturer has already refunded the tax to the consumer.

According to one of the main manufacturers, 47 of its vehicles were repurchased or replaced in 2003, and customers were refunded \$45,500 in sales tax for these lemon vehicles. The manufacturer informed us that it sells about 40,000 of the total 300,000 new vehicles sold annually in Arizona, for a market share of around 13%.

If we assume that other manufacturers have similar results in terms of the number of repurchased vehicles and sales tax refunds, then these figures can be extrapolated for all manufacturers that sell vehicles in Arizona. Thus, total sales tax refunds in 2003 are estimated to be \$341,300. This amount includes refunds of local government sales taxes as well as state sales taxes. Adjusting for this fact, state sales tax refunds in 2003 are estimated to have been \$238,900.

We estimate the annual impact of this bill would be a refund of state sales tax of approximately \$240,000 annually. Since state sales tax collections are shared with the local governments and with schools (Prop. 301), these entities would also share in the cost of the refund. Under this bill, we estimate that the General Fund would lose \$(158,100) and schools would lose \$(25,700).

Local Government Impact

As mentioned above, the local governments would share in the cost of the refund of state sales tax collections under this bill. We estimate that the counties would lose \$(34,700) and the cities would lose \$(21,500). Also, the local governments would have to refund their own sales tax collections for repurchased vehicles. We estimate the total amount of this refund to be \$(102,400).