

BILL # SB 1056

TITLE: vehicle transfer tax; DPS funding

SPONSOR: Mead

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Tony Vidale

FISCAL ANALYSIS

Description

This bill would require a tax of 5% of the vehicle sales price be imposed on the titling or registration of any vehicle that is transferred from a person other than a retailer. The bill exempts vehicles with a sales price less of than \$750, government entities, dealers, towing or wrecking companies, acquisitions by insurance companies or lienholders, certain commercial entities, and transfers between immediate family members. The bill also establishes the non-appropriated Public Safety Enhancement Fund, which may be used by the Department of Public Safety (DPS) on communication equipment purchases, peace officer salaries, and recruiting and hiring additional peace officers. All monies collected from the transfer tax will be deposited into this new fund.

Estimated Impact

JLBC Staff estimates that SB 1056 could deposit \$32.4 million in FY 2005 and \$34.4 million in FY 2006 into the newly established Public Safety Enhancement Fund. This estimate is speculative due to a lack of data on the sales price of vehicles purchased by persons other than retailers and the number of transfers that would be exempt under the provisions of this bill.

The Department of Transportation (ADOT) does not have a revenue estimate for this proposal, since they do not track the sales price of used vehicles nor the type of purchasers exempted by the bill. ADOT estimates expenditures of \$246,800 from the State Highway Fund for programming and an undetermined amount for staffing and training costs.

Analysis

SB 1056 would require ADOT's Motor Vehicle Division to collect a vehicle transfer tax from buyers at the time of application for transfer of title or registration. According to a national marketing and advertising firm, an average of 748,600 used cars trade hands annually in Arizona. Of this amount, approximately 184,200 of these vehicle transfers take place between individual consumers. It is unknown, however, how many of these "consumer to consumer" vehicle sales would be exempt from the vehicle transfer tax under the provision of this bill. In addition, no data is available on the sales price per used vehicle.

A similar vehicle transfer tax, enacted by the Legislature in 1984 and repealed in 1986, raised \$11.4 million in FY 1984 and \$13.8 million in FY 1985. The JLBC estimate is based on vehicle transfer tax collections in FY 1985, adjusted for population growth, a higher sales tax rate (5%), and inflation using an index for consumer purchases of used automobiles from the U.S. Bureau of Economic Analysis. This estimate assumes a similar number of exemptions will be claimed by transferees. The 1984 transfer tax law applied a 4% tax and required an affidavit of sales price, signed by the buyer and seller. SB 1056 contains no administrative provisions that require the transferee to certify a sales price or exemption status. As a result, revenue collections could be lower than the JLBC Staff estimate if transferees do not accurately report the sales price or exemption status for taxing purposes.

ADOT estimates programming costs of \$246,800 to incorporate the new tax into all title and registration programs and the "ServiceArizona" program. The department also believes there will be staffing and training costs but cannot provide an estimate because the number of transactions are unknown.

Local Government Impact

None