

Fiscal Note

BILL # SB 1146

TITLE: ~~electronic certificates of title~~
NOW: motor vehicle dealers; TPT exemption

SPONSOR: Shope

STATUS: House Engrossed

PREPARED BY: Molly Murphy

Description

Under current law, there are 4 separate transaction privilege tax (TPT) exemptions for vehicles sold to nonresidents. The bill would expand one of those exemptions. Specifically, the bill removes the requirement that a motor vehicle dealer ships or delivers the nonresident's vehicle to a destination outside the state for the sale to be exempt from TPT.

Estimated Impact

Based on an analysis prepared by the Department of Revenue (DOR), we believe that any revenue reduction of the exemption expansion would likely be limited.

Analysis

Under A.R.S. 42-5061(A)(14), sales of motor vehicles to nonresidents of Arizona for use outside of Arizona are exempt from TPT if the dealer ships or delivers the motor vehicle out of the state. DOR refers to this exemption as deduction 541.

During FY 2020, taxpayers took other deductions for the sale of motor vehicles to nonresidents:

- Deduction 580: The sale of a motor vehicle is exempt from TPT if a) the buyer is a nonresident and the state of residence does not allow a corresponding use tax exemption and b) the nonresident has secured a special ninety-day nonresident vehicle registration.
- Deduction 529: Sales of motor vehicles at auction to nonresidents for use outside of Arizona are exempt from the TPT if the vehicles are shipped or delivered outside of the state.
- Deduction 531: The sale of a motor vehicle to a nonresident is eligible for a lower TPT if the tax rate that is charged by the other state is lower than the tax rate in Arizona.

DOR believes that the bill would only create a limited number of exemptions. They instead expect that nonresidents would shift their current exemptions to the newly expanded 541 deduction because it is administratively more simple and result in a shift in usage among the existing deductions for sale of motor vehicles to nonresidents.

As a result, we expect the revenue loss relative to current law to be small.

Local Government Impact

We estimate that it is likely that this bill will result in a small reduction to TPT revenue to cities and counties, but we are unable to estimate that number.

3/24/21