

Fiscal Note

BILL # SB 1372

TITLE: TPT; exemptions; motor vehicles; nonresidents

SPONSOR: Pace

STATUS: Senate Engrossed

PREPARED BY: Molly Murphy

Description

Under current law, sales of motor vehicles to non-resident of Arizona are exempt from TPT if the dealer ships or delivers the vehicle out of state. The bill would expand the exemption to include a TPT exemption if the vehicle, trailer, or semitrailer has a gross vehicle weight of more than 10,000 pounds and is used to transport property for interstate commerce.

Estimated Impact

We estimate that any General Fund revenue reduction resulting from the exemption expansion would likely be limited.

The Department of Revenue (DOR) has not provided an estimate of the bill's impact.

Analysis

Under A.R.S. 42-5061(A)(14), sales of motor vehicles to non-residents 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. This deduction applies to both state and local taxes.

The bill would expand deduction 541 to include a TPT exemption for vehicles with a gross vehicle weight of more than 10,000 pounds that are used to transport property for interstate commerce.

We believe that non-residents purchasing these large vehicles are currently having the vehicle shipped/delivered and are therefore already exempt from state and municipal TPT. By expanding the exemption, the bill is making it easier for this specific population to qualify for a TPT exemption. In the case that expanding the exemption results in additional non-residents purchasing qualifying vehicles in Arizona requesting deduction 541, there would be a reduction to General Fund revenue, but we expect any revenue reduction to be limited.

Local Government Impact

Vehicles under deduction 541 are currently exempt from local taxes. As noted above, we do not expect this provision to generate many additional uses of deduction 541 by non-residents and therefore we estimate that any reduction to TPT revenue to cities and counties would be minimal.

2/28/22

