

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 184 (First Edition)

SHORT TITLE: Make Car Tax Progressive

SPONSOR(S): Representative Edwards; *et al*

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
Highway Use Tax	\$2,467,910	\$2,660,407	\$2,814,710	\$2,975,149	\$3,129,856
EXPENDITURES					
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Transportation – Highway Trust Fund				
EFFECTIVE DATE:	July 1, 2001				

BILL SUMMARY: This bill deletes the \$1,500 cap on the 3% Highway Use Tax for non-commercial vehicles.

ASSUMPTIONS AND METHODOLOGY: According to the Division of Motor Vehicles, approximately 4,800 vehicles were taxed at the maximum rate of \$1,500 (corresponding to a vehicle price of \$50,000) in FY1999-2000. The tax on these vehicles totaled \$7,200,000. The actual average price of these vehicles is not available, but it is reasonable to assume that there is a gradual decline in the number of vehicles in each price bracket as the price moves higher. The number of vehicles in the price bracket from \$48,000 to \$49,000 was 390. It is assumed that there were 300 vehicles in the price bracket from \$49,000 to \$50,000 and that there is a constant percentage decline in the number of vehicles as the price bracket changes. Because the number of vehicles in each tax bracket decreases as the tax brackets increase, the average tax paid by vehicles in each bracket is something less than the midpoint of the bracket. That is, in each bracket most of the vehicles are clustered toward the lower end. It is assumed that in each \$30 tax bracket the average vehicle will have a tax due of \$10 greater than the minimum for that bracket. Using this methodology, the average value of the 4,800

vehicles that paid the maximum tax in FY1999-2000 was \$66,350 and the additional tax that would have been paid for the average vehicle was \$491 (equal to 3% of the average value in excess of \$50,000). In FY1999-00 the fiscal impact would have been the number of vehicles (4800) multiplied by the additional tax per vehicle (\$491), or \$2,358,296. This figure is used as the base and the fiscal impact is assumed to grow for the fiscal note forecast period by the same percentage as the Highway Use Tax collections as projected by the Office of State Budget, Planning and Management (see table below).

Forecast Growth Rate in Highway Use Tax

<u>Fiscal Year</u>	<u>Forecast Growth Rate</u>
FY2000-01	1.6%
FY2001-02	3.0%
FY2002-03	7.8%
FY2003-04	5.8%
FY2004-05	5.7%
FY2005-06	5.2%

FISCAL RESEARCH DIVISION 733-4910

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