

Fiscal Note

BILL # HB 2730

TITLE: rental vehicle license surcharge; exceptions

SPONSOR: Thorpe

STATUS: House Engrossed

PREPARED BY: Jordan Johnston

Description

The bill would exempt all-terrain vehicles (ATVs), off-highway vehicles and off-road recreational vehicles, and motor vehicles owned by a government entity from a rental vehicle surcharge. In addition, the bill would not require a person to remit uncollected surcharges that were required to be remitted prior to the effective date of this bill.

Estimated Impact

The bill would result in an ongoing loss of Vehicle License Tax (VLT) revenues due to the elimination of the rental surcharge. The Arizona Department of Transportation (ADOT) estimates that about \$21,000 was collected from this rental surcharge last year.

The bill would also result in a one-time loss of uncollected surcharges required to be remitted prior to the effective date of this bill. Given a lack of ADOT input on this impact, it is not practical to estimate the one-time cost of this bill in a timely fashion.

Analysis

A.R.S. § 28-5810 currently requires a person engaged in the business of renting ATVs and other similar vehicles to collect a 5% surcharge on each rental contract of 180 days or less. The business owner may retain the surcharges to the extent that the collection covers the cost of their VLT. Any surcharges collected in excess of the amounts necessary to pay their VLT are deposited into the Highway User Revenue Fund (HURF).

The bill would also retroactively exempt any person renting off-road vehicles who failed to collect surcharges from remitting previously uncollected surcharges. By exempting this remittance, the bill will result in one-time loss to VLT revenues as well as foregone loss of future VLT revenues.

ADOT has stated that in FY 2019, the department collected about \$21,000 from off-road vehicle surcharges. The department estimates approximately 111,200 registered off-road vehicles in the state. In addition, ADOT stated they do not believe any government entities currently pay the rental surcharge, and the exemption of such rental surcharges would therefore have no impact on revenues. ADOT did not provide any information regarding any potential impact the bill could have on uncollected rental surcharges.

Local Government Impact

Depending on the effect this legislation could have on VLT revenues, the bill would have an impact on local governments. After accounting for statutory distributions, including those for the Highway User Revenue Fund, local governments receive approximately 67% of any surcharge monies. Given the estimated loss, both the ongoing loss and one-time loss to local governments is estimated to be minimal.

3/6/20

JLBC