

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1150

Bill Subtitle: TO AMEND THE LAW TO EXTEND THE TIME PERIOD AUTHORIZED FOR THE REGISTRATION OF A MOTOR VEHICLE; AND TO AMEND THE LAW CONCERNING TEMPORARY PREPRINTED PAPER BUYER'S TAGS.

Basic Change :

Sponsor: Rep. Cavanaugh

HB1150 extends the deadline to register a motor vehicle from 30 to 60 days. Under current law, an individual or business has 30 days to register a motor vehicle from: (1) the date the owner of a vehicle becomes a resident of the State of Arkansas; or (2) the date a resident takes title to or legal interest in a motor vehicle. When a motor vehicle is purchased from a licensed dealer, the owner of the vehicle is required to obtain a temporary preprinted paper buyer's tag, which is valid until the deadline for registration passes.

HB1150 extends the registration deadline from 30 days to 60 days in all instances and extends the validity of the temporary preprinted paper buyer's tag from 30 days to 60 days. As the deadline for a consumer to pay the required sales tax on the purchase of a motor vehicle is the same as the deadline to register a vehicle, HB1150 extends the deadline for a consumer to pay the sales tax due on the purchase of a motor vehicle from 30 days to 60 days from the date of the purchase or transfer.

Revenue Impact :

FY2024

| | | |
|---|------------------------|-----------------|
| Total Approximate State Sales and Use Tax Loss | \$ - 42,679,977 | |
| | | \$ - 28,631,698 |
| General Revenue - 4.5% | | |
| Property Tax Relief - .5% | | \$ - 3,181,300 |
| Conservation Fund - .125% | | \$ - 795,325 |
| Educational Adequacy Fund - .875% | | \$ - 5,567,275 |
| Highway Fund - .5% | | \$ - 3,181,300 |
| Educational Excellence Trust Fund - | | \$ - .000 |
| Educational Adequacy (GR Transfer) - | | \$ - .000 |
| State Central Services - | | \$ - 896,280 |
| Constitutional Officers - | | \$ - 426,800 |

Total Approximate Local City and County Sales and Use Tax Loss **\$ - 1,153,644**

FY2025

| | | |
|---|---------------|----------------|
| Total Approximate State Sales and Use Tax Loss | \$ - 0 | |
| General Revenue Gain - 4.5% | | \$ 4,406,418 |
| Property Tax Relief - .5% | | \$ - .000 |
| Conservation Fund - .125% | | \$ - .000 |
| Educational Adequacy Fund - .875% | | \$ - .000 |
| Highway Fund - .5% | | \$ - .000 |
| Educational Excellence Trust Fund - | | \$ - 4,048,522 |

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| | |
|--------------------------------------|--------------|
| Educational Adequacy (GR Transfer) - | \$ - 357,896 |
| State Central Services - | \$ - .000 |
| Constitutional Officers - | \$ - .000 |

Total Approximate Local City and County Sales and Use Tax Loss **\$ - .000**

Total Approximate Loss Licensing and Registration Fees **\$ - 3,018,209**

[HB1150 is a one-time reduction or shift in revenue. It extends the authorized time period from 30 days to 60 days for the licensing and paying state sales and use tax on motor vehicles. HB1150 does not contain an effective date. An effective date of July 1, 2023 is assumed for purposes of the revenue impact. The revenue impact reflects the maximum impact if all purchasers delayed payment of taxes and registration fees until the extended time period that would be authorized.]

Taxpayer Impact :

A taxpayer would have an additional 30 days to register a motor vehicle. The expiration date of temporary tags would also be extended by 30 days.

Resources Required :

Computer programming, manual updates and employee training would be required. The Arkansas Integrated Revenue System (AIRS) will need to be modified to accommodate this change. Total estimated project cost for requirements gathering, development, testing and training will be 500 hours for a cost of \$100,000.00. Yearly maintenance of 10 hours for a cost of \$2,000.00.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

The Motor Vehicle Manual would need to be updated. Department employees will need to be educated on changes as well as the taxpayer community.

Other Comments :

None.

Legal Analysis :

None.