

FISCAL NOTE

HB 1858 - SB 1855

March 24, 2001

SUMMARY OF BILL:

- Expands the sales tax exemption relative to individuals who are enlisted in the armed forces and purchase an automobile in the state of Tennessee. Broadens the exemption to include all individuals who are on active duty.
- Removes the specific areas where a member of the uniformed service of the United States must be stationed in Tennessee to qualify for the sales and use tax exemption for the purchase of automobiles.
- Under existing law, TCA 67-6-303, sales of a motor vehicle sold in this state are exempt from sales tax if such vehicle is registered in this state and such vehicle is sold to a member of the uniformed service if the individual is stationed under orders of such member's branch of service at:
 - A military reservation located partially within the boundary of Tennessee and that of another state; or
 - A naval air station located entirely within this state; and
 - An air force base engineering development center located entirely within this state.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$100,000

Decrease Local Govt. Revenues - Exceeds \$5,000

Estimate assumes:

- The exemption would be provided to all members of the armed forces who are on active duty regardless of where the individual is stationed if the automobile is purchased and registered in Tennessee.
- The total decrease in state revenues is unable to be determined but is estimated to exceed \$100,000.
- The total decrease in local government revenues is unable to be determined but is estimated to exceed \$3,700.
- Average price of \$12,000 (New and Used) per vehicle sold.
- State sales tax revenue of \$720 generated per vehicle sold.
- Local sales tax cap of \$36 (average rate of 2.25% applied to the single article cap of \$1,600).

For information purposes, based on information provided by the Department of Revenue, there are approximately 2,679 active duty personnel stationed in Tennessee. The number of Tennessee residents in the military stationed outside of Tennessee is unknown.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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