

HB 2942 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 4/5

WHAT THE MEASURE DOES:

Imposes tax equal to 1.75 percent, effective beginning January 1, 2018, on rental price of construction, mining, earthmoving or industrial equipment that is mobile, owned by a qualified heavy equipment provider and held primarily for rental. Exempts from ad valorem property taxes qualified heavy equipment subject to equipment rental tax. Defines terms. Requires heavy equipment providers to register with Department of Revenue (DOR) and maintain records necessary to determine rental tax. Requires heavy equipment providers to collect rental tax and remit tax return and tax collected to DOR on a quarterly basis. Requires DOR to transfer remitted rental tax receipts to county treasurers according to the share of the moneys that are attributable to qualified heavy equipment rented out from rental locations in the county. Prior to county transfer, DOR permitted to receive up to three percent of receipts to reimburse Department for actual costs associated with administering rental tax. Requires county treasurers to distribute moneys received and attributable to each rental location, to the taxing districts in which the rental location is located. Distribution based on ratio that each taxing district's total property tax rate bears to the total tax rates for all districts in which a rental location is located. Except when necessary for administrative purposes, prohibits disclosure of rental tax receipts. Requires DOR to estimate amount of ad valorem property taxes that would be due for the property subject to rental tax for the 2018-19 property tax year for each rental location. On or before March 31, 2019, requires DOR to compare rental tax receipt revenue to estimated property taxes that would have been due and requires DOR to: if the estimated property tax exceeds the rental tax receipts, impose a supplemental tax upon the heavy equipment rental provider equal to the amount of the difference, or, if rental tax receipts exceed estimated property taxes, refund the amount of the difference to heavy equipment rental provider. Requires supplemental tax receipts to be deposited in relevant county's unsegregated tax collections account. Requires DOR to estimate, compare, impose or refund in same manner for 2019-20 property tax year. Requires DOR, in consultation with Legislative Revenue Officer, to report to interim Legislative Revenue Committees no later than July 1, 2021 regarding heavy equipment rental tax. In report, requires Legislative Revenue Officer to propose a rental tax rate that will maintain revenue neutrality with respect to replacement of the ad valorem property tax by the heavy equipment rental tax. Rental tax and associated property tax exemption exist in perpetuity.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Removes mining and earthmoving equipment from definition of qualified heavy equipment. Modifies definition of qualified heavy equipment provider. Adds definitions of rent, rental and renting. Allows Department of Revenue discretion in determining whether excess tax collected is to be refunded to heavy equipment provider, or credited to future rental tax liability of provider.

BACKGROUND: