

HB 4139 A STAFF MEASURE SUMMARY

House Committee On Revenue

Action Date: 02/22/18

Action: Do pass with amendments
and be referred to Ways and Means by prior reference. (Printed A-Eng.)

Vote: 9-0-0-0

Yeas: 9 - Barnhart, Buehler, Findley, Hernandez, Marsh, Nosse, Reschke, Smith G, Smith Warner

Fiscal: Fiscal impact issued

Revenue: May have revenue impact, but no statement yet issued

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WHAT THE MEASURE DOES:

Imposes a two percent tax on rental price of heavy equipment, and returns the revenue to the county in which it was rented. exempts from ad valorem taxes, all qualifying heavy equipment. Directs Department of Revenue to establish and administer heavy equipment rental tax and provides the DOR with up to 5% of the tax collected to establish and manage the program. Establishes that the owner of heavy equipment to pay, to the Department of Revenue, net amount if heavy equipment rental tax payable is less than estimated ad valorem tax payable. Establishes mechanism for refund to heavy equipment provider if tax revenue under this act exceeds tax payable. Requires the Department of Revenue to submit report on program on or before July 1, 2022. Redistributes total collections, net Department of Revenue fee up to 5% of total, to the counties, allocated by collections.

ISSUES DISCUSSED:

- The measure is revenue neutral, but the impact on individual counties is not certain
- The Department of Revenue interprets 'pro-rata' in the amendment to mean on an equal basis
- The department of Revenue will run a parallel program to ensure revenue neutrality until 2022, and then recommend an appropriate excise tax rate going forward

EFFECT OF AMENDMENT:

Provides 2% of gross receipts to counties that would not receive any revenue under the introduced version of the bill.

BACKGROUND:

Taxes are currently assessed contingent on where the property sits at January 1 each year. However, since the equipment is moveable and often on trucks en route, it is difficult for the owners to often know the specific location of the taxes. The tax would also be passed on directly to the renter of the equipment through the bill.