HOUSE RESEARCH ORGANIZATION bill analysis 5/22/2001

SB 180
Fraser, et al. (Keffer)
(CSSB 180 by Keffer)

SUBJECT: Changing counties' reimbursement for motor-vehicle transactions

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Oliveira, McCall, Craddick, Hartnett, Bonnen, Y. Davis, Heflin, Keffer, Ritter

0 nays

2 absent — Hilbert, Ramsay

SENATE VOTE: On final passage, April 3 — voice vote

WITNESSES: For — Kristeen Roe and Gerald "Buddy" Winn, Tax Assessor-Collectors Association of Texas

Against — None

BACKGROUND: Counties collect motor-vehicle sales taxes and registration fees on the state's behalf and remit them to the comptroller. Sales taxes are general revenue, whereas most registration fees are deposited into the State Highway Fund.

Before 1992, counties were reimbursed for collecting vehicle sales taxes by retaining 5 percent of their monthly receipts. They were reimbursed for collecting registration fees through a formula giving them a $60,000 base amount, plus an amount figured on county road miles, plus half of fee collections up to $125,000.

In 1991, in order to increase general revenue, the 72nd Legislature enacted the comptroller's recommendation to change counties' vehicle sales-tax reimbursement method. Since 1992, counties have had to send the state all their vehicle sales-tax collections and add into the vehicle registration reimbursement formula the equivalent of 5 percent of their previous year's sales-tax collections (including penalties).

Under the current formula, county tax assessor-collectors credit to their county road and bridge funds each calendar year $60,000, plus $350 for each mile of county-maintained road up to 500 miles, plus amounts equal to 5 percent of the preceding calendar year's vehicle sales-tax collections and 5 percent of seller-financed vehicle sales taxes collected by the comptroller, plus half the fees collected up to $125,000.

DIGEST:

CSSB 180 would change the formula used to determine the amount of vehicle registration fees and vehicle sales taxes retained by county tax assessor-collectors as reimbursement for processing motor-vehicle transactions. The 5 percent sales-tax reimbursement calculation would be placed in the formula after the 50-50 fee split calculation.

If registration fee collections were insufficient to cover the amount that a county was authorized to retain for its county road and bridge fund, the comptroller would have to make up the deficiency on request of the tax assessor-collector. The bill would add this provision to the Transportation Code and repeal a substantially similar provision in the Tax Code.

The bill would take effect January 1, 2002.

SUPPORTERS SAY:

Since 1992, the motor-vehicle sales-tax reimbursement formula has penalized counties with small populations that do not register large numbers of vehicles. SB 180 would rectify this inequity.

Small counties often do not collect enough registration fees to reimburse themselves the full 5 percent for vehicle sales-tax collection. Consequently, they must wait an entire year to be reimbursed by the state. These counties do not benefit from the immediate use of funds nor from investing the 5 percent commission. Some counties actually lose part of their registration money because of the way the reimbursement is calculated.

Moving the sales-tax reimbursements to the end of the formula would allow all counties to take advantage of the 50-50 split, thereby receiving full payment of both sales taxes and registration fees. Doing so would not end the delay that some smaller counties experience, but neither would it affect reimbursement of larger counties. About 90 counties, including more than 60 with populations below 15,000, would benefit from this long overdue change in an unintentionally unfair methodology.

OPPONENTS SAY:

The bill's fiscal note estimates that the proposed reimbursement formula would cause the State Highway Fund to lose about $4.1 million over the next five years. At a time when Texas' transportation needs are going unmet, this is not the time to penalize the highway fund. This change, however well-intentioned, should be postponed.

OTHER OPPONENTS SAY:

The entire sales-tax reimbursement formula is punitive and was instituted as an accounting gimmick to generate more general revenue during an economic downturn. The Legislature should scrap this formula in favor of changing the reimbursement method back to its pre-1992 format. County roads and bridges are overburdened and deteriorating. County motorists deserve the full benefit of the original formula.

NOTES:

According to the fiscal note, the bill's net effect would be an increase in general revenue and a decrease in revenues to the State Highway Fund. Annual gains in general revenue would rise from $166,000 in fiscal 2002 to $213,000 in fiscal 2006, while annual losses to the highway fund would mount from $718,000 to $921,000. Increases to counties' road and bridge funds would rise from $552,000 to fiscal 2002 to $708,000 in fiscal 2006.

The Senate engrossed version would not have repealed Tax Code, sec. 152.121 and replaced it with a similar provision in the Transportation Code. It would have amended sec. 152.121 to allow county tax assessor-collectors to estimate that net registration fee collections were insufficient before requesting permission from the comptroller to retain funds to cover the deficiency, rather than requiring them to request money from the comptroller directly.