

## FISCAL NOTE

### Financial Impact – Yes.

Regardless of the outcome of this proposal, government revenues will be impacted in some manner. According to data provided by the Department of Taxation from Fiscal Year 2003, State government revenues will likely decrease by more than \$8.5 million if the proposal is approved. Conversely, if the proposal is not approved, revenues received by local governments will likely increase by more than \$22.1 million.

The table below indicates the increase or decrease in revenue that could result from each of the proposals described in the above explanation:

Subject	State Revenue Loss if Question is Approved	Local Revenue Gain if Question is Not Approved
Motor Vehicle Trade-Ins and Occasional Sales	-\$6,636,000	\$17,440,000
Ophthalmic or Ocular Devices	-\$1,338,000	\$3,485,000
Farm Machinery and Equipment	-\$440,000	\$1,013,000
Works of Fine Art for Public Display	Indeterminate	Indeterminate
Aircraft and Aircraft Parts and Machinery	-\$69,000	\$171,000
Professional Racing Vehicles and Parts	-\$4,000	\$12,000
<b>Total</b>	<b>-\$8,487,000</b>	<b>\$22,121,000</b>

The impact of the question on the average voter would depend on the extent to which the voter participates in transactions affected by the proposal. An explanation of the manner in which each proposal could impact voters is set forth below:

#### Motor Vehicle Trade-Ins and Occasional Sales

Currently, a person who applies the trade-in value of his vehicle to the purchase of a new vehicle is required to pay the portion of the Sales and Use Tax that is distributed at the State level (2 percent) on the entire sales price of the new car without a deduction for the trade-in allowance. However, that person is authorized to deduct from the sales price the trade-in allowance for the purposes of the portion of the Sales and Use Tax that is distributed at the local level (currently between 4.5 percent and 5.5 percent). If the question is approved, the purchaser of a new car will be able to deduct a trade-in allowance from the sales price of the new car for the purposes of the portion of the Sales and Use Tax that is distributed at the State level and the portion that is distributed at the local level. If the question is not approved, the purchaser of a new car will be required to pay the portion of the Sales and Use Tax that is distributed at the State level and the portion that is distributed at the local level on the entire sales price of the new car without a deduction for the trade-in allowance.

Currently, the purchaser of a motor vehicle that is sold by someone who is not in the business of selling such vehicles may be exempt from the requirement to pay the portion of the Sales and Use Tax that is distributed at the State level (2 percent); however, such a purchaser would be required to pay the portion of the Sales and Use Tax that is distributed at the local level (currently between 4.5 percent and 5.5 percent) unless the vehicle is a used vehicle and the sale is between certain family members. If the question is approved, occasional sales of vehicles would be exempt from the State and local portions of the Sales and Use Tax only if the vehicle is a used vehicle and the sale is between certain family members. If the question is not approved, occasional sales of vehicles would be exempt from both the State and local portions of the Sales and Use Tax regardless of whether the vehicle was used or whether the sale is between family members.

#### Aircraft and Aircraft Parts and Machinery

Currently, gross receipts from the sale or use of aircraft, aircraft engines or component parts of aircraft or aircraft engines and machinery, tools and other equipment and parts used to repair or remodel aircraft are exempt from the portion of the Sales and Use Tax that is distributed at the local level (currently between 4.5 percent and 5.5 percent). In comparison, only the gross receipts from the sale or use of aircraft and major components of aircraft are exempt from the portion of the Sales and Use Tax that is distributed at the State level (2 percent). If the question is approved, the aircraft exemption would be expanded to ensure that the component parts of aircraft engines and machinery, tools and other equipment and parts used to repair or remodel aircraft are exempt from both the State and local portions of the Sales and Use Tax.

#### Other Proposals Set Forth in the Question

Currently, the gross receipts from the sale or the use of the following items are exempt from the portion of the Sales and Use Tax that is distributed at the local level (currently between 4.5 percent and 5.5 percent), but are not exempt from the portion of the Sales and Use Tax that is distributed at the State level (2 percent):

- Ophthalmic or ocular devices or appliances prescribed by a physician or optometrist;
- Farm machinery and equipment employed for the agricultural use of real property;
- Works of fine art for public display; and
- Engines and chassis of professional racing vehicles that are owned, leased or operated by professional racing teams.

If this question is approved, the exemption would be expanded to include the portion of the tax that is distributed at the State level and would decrease the cost of those items by 2 percent. If the question is not approved, the exemption would be eliminated from the portion of the tax that is distributed at the local level and the cost for these items would increase by between 4.5 percent and 5.5 percent.