

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2029-02  
Bill No.: Perfected HCS for HB 879  
Subject: Taxation and Revenue - Property; Property, Real and Personal  
Type: Original  
Date: April 28, 2015

---

Bill Summary: This proposal classifies short term rental merchandise as inventory and exempt from property taxes.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                 | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|  |                |                |                |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                  |                  |                  |
|--|------------------|------------------|------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2016</b>   | <b>FY 2017</b>   | <b>FY 2018</b>   |
| <b>Local Government</b>                    | <b>(Minimal)</b> | <b>(Minimal)</b> | <b>(Minimal)</b> |

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue** assume the current proposal would not fiscally impact their agency.

In response to a previous version, officials from the **State Tax Commission** assumed this proposal will not impact their agency. They also state, there could be a potential loss at the county level of a substantial nature, if items that are normally assessed such as leased vehicles, are leased in a manner that would qualify them under this proposal.

**Oversight** notes that the bill notes that the term "merchandise" shall include rentals of equipment and other merchandise offered for short term rentals (later clarified as less than 365 consecutive days) by rental companies classified under:

- 532412 - Construction, Mining, Forest Machinery and Equipment Rental & Leasing; and
- 532210 - Consumer Electronics and Appliance Rental

**Oversight** assumes the proposal would not include assets such as leased vehicles. Oversight will further assume the fiscal impact to counties will be minimal.

### House Amendment 1

**Oversight** assumes House Amendment 1 will have no fiscal impact.

### House Amendment 2

**Oversight** assumes House Amendment 2 will have no fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2016<br>(10 Mo.) | FY 2017    | FY 2018    |
|---|---------------------|------------|------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u>   | FY 2016<br>(10 Mo.)     | FY 2017                 | FY 2018                 |
|---|-------------------------|-------------------------|-------------------------|
| <b>COUNTIES</b>   |                         |                         |                         |
| <u>Loss</u> - of property taxes from merchandise held by a merchant and available for short term rental and which will subsequently or ultimately be sold | <u>(Minimal)</u>        | <u>(Minimal)</u>        | <u>(Minimal)</u>        |
| <b>ESTIMATED NET EFFECT TO COUNTIES</b>   | <b><u>(Minimal)</u></b> | <b><u>(Minimal)</u></b> | <b><u>(Minimal)</u></b> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal specifies that merchandise held by a rental company and available for short-term rentals of less than 365 consecutive days which will be ultimately sold is considered inventory and exempt from property tax.

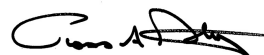
This proposal clarifies who is in business as a "rental business".

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission  
Department of Revenue

Mickey Wilson, CPA



L.R. No. 2029-02  
Bill No. Perfected HCS for HB 879  
Page 5 of 5  
April 28, 2015

Director  
April 28, 2015

Ross Strobe  
Assistant Director  
April 28, 2015