

**EXECUTIVE AGENCY**  
**FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: February 19, 2025

Agency Submitting: Department of Taxation

<b>Items of Revenue or Expense, or Both</b>	<b>Fiscal Year 2024-25</b>	<b>Fiscal Year 2025-26</b>	<b>Fiscal Year 2026-27</b>	<b>Effect on Future Biennia</b>
General Fund Revenue (Revenue)		(\$15,078,916)	(\$20,489,337)	
Total	0	(\$15,078,916)	(\$20,489,337)	0

Explanation

(Use Additional Sheets of Attachments, if required)

Per section 1, this bill exempts replacement vehicles from the Governmental Services Fee charged and collected for the short-term lease of a passenger car. This bill will not have a fiscal impact to the Department of Taxation as it has been determined that additional resources will not be required to implement the bill. However, the bill will decrease general fund revenue.

Based on Short Term Car and Peer-to-Peer County FY 22 through 24 filings, the number of taxpayers taking this deduction is 4. However, the replacement vehicle exempt leases are roughly 25% of the total leases. Using the FY26 and FY27 Economic Forum Forecasts for STS (inclusive of Peer-to-Peer), estimated lease amounts were used to apply the 25% proportion of replacement vehicle leases then applied the 10% state tax rate to the difference for a tax estimation. With an estimated effective date of second quarter FY26, this would be a loss to the General Fund of -\$15.1M and then -\$20.5M in FY27 for total reduction in the Biennium of -\$35.6M to the General Fund. Additional negative affect to future biennia but this amount is unknown as the Economic Forum does not have a forecast beyond FY27. Future biennia STS revenues would be reduced by roughly 25%.

Name Adriane Roberts-Larson

Title Deputy Executive Director -  
Administrative Services

**GOVERNOR'S OFFICE OF FINANCE COMMENTS**

Date Tuesday, February 18, 2025

The agency's response appears reasonable.

Name Tiffany Greenameyer

Title Director, Governor's Finance Office