

**DEPARTMENT OF TAXATION
2012 Fiscal Impact Statement**

1. Patron Edward T. Scott

3. Committee Senate Finance

4. Title Machinery and Tools Tax: Motor Vehicle Cleaning

2. Bill Number HB 298

House of Origin:

Introduced

Substitute

Engrossed

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would create a separate class of property for purposes of the Machinery and Tools Tax for machinery and tools used by a motor vehicle cleaning business directly in cleaning motor vehicles. Localities would be authorized to levy a tax on this separate class of property at a different rate from that levied on other machinery and tools, but which would not exceed the rate for the general class of machinery and tools.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

This bill would have no impact on state revenues. To the extent that localities exercise the option to levy the Machinery and Tools Tax on machinery and tools used directly in cleaning motor vehicles at a lower rate than that levied on other machinery and tools, this bill would result in a decrease in local revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Machinery and Tools Tax

Generally, machinery and tools used in manufacturing, mining, water well drilling, processing or reprocessing, radio and television broadcasting, dairy, dry cleaning or a laundry business are segregated as a separate class of tangible personal property and

are subject to local taxation only. The tax rate imposed on machinery and tools may not exceed that imposed on other classes of tangible personal property.

As established in a 1950 opinion of the Tax Commissioner, machinery and tools used in the manufacturing business are those machinery and tools (1) actually and directly used in manufacturing processes and (2) those machinery and tools used in the manufacturing business that are necessary in the particular manufacturing business and are used in connection with operation of machinery that is actually and directly used in manufacturing processes.

Proposal

This bill would create a separate class of property for purposes of the Machinery and Tools Tax for machinery and tools used by a motor vehicle cleaning business directly in cleaning motor vehicles. Localities would be authorized to levy a tax on this separate class of property at a different rate from that levied on other machinery and tools, but which would not exceed the rate for the general class of machinery and tools.

The effective date of this bill is not specified.

Similar Legislation

House Bill 512 and Senate Bill 549 would reclassify as intangible personal property and exempt from state and local taxation, i) machinery and equipment used by farm wineries; and ii) machinery and tools that have not been in service for more than three years.

cc : Secretary of Finance

Date: 2/15/2012 AM
DLAS File Name: HB298FE161