

# ***Fiscal Note & Local Impact Statement***

*122<sup>nd</sup> General Assembly of Ohio*

**BILL: Am. Sub. H.B. 39**

**DATE: June 4, 1997**

**STATUS: As Reported by Senate Highways and Transportation**

**SPONSOR: Rep. Mottley**

**LOCAL IMPACT STATEMENT REQUIRED: No Permissive**

**CONTENTS: Permits clerks of courts of common pleas to accept additional methods of payment for motor vehicle title (sales) taxes**

## ***State Fiscal Highlights***

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	Potential \$364,000 - \$486,000 loss	Potential \$364,000 - \$486,000 loss
Expenditures	- 0 -	Potential increase	Potential increase

- The bill could result in a loss of state sales tax revenue as a result of dishonored checks that are uncollectable.
- GRF expenditures could increase as a result of the Department of Taxation's efforts to collect uncollectable taxes.

## ***Local Fiscal Highlights***

LOCAL GOVERNMENT	FY 1997	FY 1998	FUTURE YEARS
<b>Counties, municipalities and townships (received from LGF and LGRAF)</b>			
Revenues	- 0 -	Potential \$18,000 - \$25,000 loss	Potential \$18,000 - \$25,000 loss
Expenditures	- 0 -	- 0 -	- 0 -
<b>Counties (General Fund)</b>			
Revenues	- 0 -	Potential \$76,000- \$102,000 loss	Potential \$76,000- \$102,000 loss
Expenditures	- 0 -	Potential minimal increase	Potential minimal increase
<b>Counties (Certificate of Title Administration Fund)</b>			
Revenues	- 0 -	Potential gain	Potential gain
Expenditures	- 0 -	Potential increase	Potential increase
<b>Regional transit authorities</b>			
Revenues	- 0 -	Potential loss	Potential loss
Expenditures	-0-	-0-	-0-



- The bill could result in a loss of county sales tax revenue as a result of dishonored checks that are uncollectable. County expenses could also increase for the clerk of courts to attempt to collect taxes that were due but not paid because the payment was returned or dishonored.
  - Collected penalties, poundage, and title fees from returned or dishonored payments collected by the clerk of courts would be paid into the County Certificate of Title Administration Fund.
  - Regional transit authorities could also lose sales tax revenues for the same reason.
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## ***Detailed Fiscal Analysis***

### **Provisions of the Bill**

The bill would allow county clerks of courts to accept additional methods of payment for motor vehicle sales taxes when a certificate of title is issued for a motor vehicle. Some of the new methods of payment allowed by the bill include: corporate, business, or personal check, credit card, electronic transfer, wire transfer, and debit card.

### **Fiscal Effects of the Bill**

According to Clerk of Courts officials in Franklin and Montgomery counties, the bill would mainly effect private individuals paying the motor vehicle sales tax, as opposed to car dealers or banks. Clerk of Courts officials said that their number one complaint from the general public was that individuals were not allowed to pay their motor vehicle sales taxes with a check.

Officials estimate that the general public pays 30% to 40% of total motor vehicle sales taxes collected each year. Clerk of Courts' officials also estimated that over 80% of private individuals, who now must pay in cash or certified check, would likely pay with a check if that option were available. However, allowing people to pay the tax with a check could result in loss of revenue due to a certain amount of the checks being dishonored and finally deemed uncollectable.

It is difficult to estimate exactly what percentage of checks would never be collected upon. However, a Montgomery county official calculated from data provided by the State of Ohio's Bureau of Motor Vehicles that the Ohio BMV does not collect on 1/5 of 1% (or 0.2%) of all the checks written to pay for the various licensing and other fees the BMV collects.

In FY1996, Franklin County received \$74 million dollars in motor vehicle sales taxes and Montgomery County received \$45 million. Assuming that the general public accounted for 30%-40% of the total motor vehicle sales taxes of each county, with 90% of the public paying with a personal check, and that both counties would have a similar bad check rate to the Ohio BMV, one could estimate that if both counties had accepted personal checks from private individuals in FY1996, then Franklin County could have lost between \$40,500 to \$54,000 in tax revenue, while Montgomery County could have lost between \$24,300 and \$32,400.

In FY1996, the total dollar amount for motor vehicle sales taxes collected by Ohio counties was approximately \$141,888,000. Utilizing the same assumptions from above, it can be estimated that Ohio's counties could have lost between \$76,619 and \$102,159 in FY1996.

In FY 1996, the State of Ohio generated approximately \$709,440,000 in motor vehicle sales tax revenues. Again, utilizing the same assumptions as above, Ohio could have lost between \$383,097 and \$510,797 in motor vehicle sales tax revenue if payment by check were permitted. Of these amounts, 4.2 percent would be lost by the Local Government Fund and 0.6 percent by the Local Government Revenue Assistance Fund. Combined these funds would lose \$18,389 to \$24,518. This leaves a potential annual GRF loss of \$364,708 to \$486,279.

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