
Detailed Fiscal Analysis

This bill makes several changes in the law governing motor vehicle dealer franchises, including:

1. Notice to the Motor Vehicle Dealers' Board would no longer be required when the dealership is relocating within two miles of its existing location or within the dealer's area of responsibility. This area of responsibility is generally within a ten-mile radius. Currently, the law requires notice to be given when the dealership is relocating over one mile from its existing location.
2. The dealer and the manufacturer may enter into an agreement concerning the termination of a franchise. This agreement is to be submitted for approval to the Dealers' Board and would be enforceable by the Dealers' Board.
3. The manufacturer is given the right of first refusal over sales and transfers of auto dealerships. The manufacturer is granted the right to reject sales and transfers of auto dealerships to parties it deems to be unqualified.

The practical effect of these provisions to state government is the limitation of protests and hearings to the Dealers' Board and subsequent curtailing of litigation from these three factors. This may potentially result in a negligible decrease in expenditures to the GRF. Currently, the Dealers' Board handles approximately twelve total protest cases per year, and it is likely that some protests may be eliminated by the provisions of this bill.

The bill could potentially have the effect of facilitating movement of motor vehicle dealerships. However, this is determined to be an indirect effect because this bill is not anticipated to be the principal cause of dealer movement. Rather, dealer movement is generally determined to result from economic and market influences. LBO also assumes that dealer movement is an infrequent occurrence: Of the 1200 new car dealerships statewide, approximately 120 attempts to move are estimated to be made annually. The vast majority of these moves do not involve protests to the Dealers' Board. The Board estimates that of the approximately eight protests they receive yearly which specifically concern movement of dealerships, five protests succeed. Most moves under current law occur without protest, and this bill is not expected to increase the numbers of protests.

Furthermore, this bill does not extend the distance to which a dealership may move without filing with the Dealers' Board without restriction. Under the bill, dealers may move within approximately ten miles of their current location (roughly the dealer's area of responsibility) without filing. It is likely that many dealers who move would remain in the same jurisdictions for tax purposes.

Indirectly, some tax implications could occur from movement of auto dealerships. In general, motor vehicle dealerships are subject to a variety of taxes briefly outlined below:

State taxes: Corporate franchise taxes and state income taxes. Auto dealerships, as corporations operating in Ohio, are compelled to pay corporate franchise taxes. They must also pay state income taxes on their net earnings. The amount and distribution of these taxes would not be changed if a dealership moves within the state.

State taxes with a local component: Sales and use taxes. Sales tax would apply to the sale, lease, and rental of automobiles in Ohio. The use tax would apply to sale, lease, or rental of automobiles from outside Ohio for use in Ohio. The state tax rate is five percent, and the county component of sales and use taxes is permissive to counties. Such county rates vary, up to one percent.

Local taxes: Municipal income taxes, personal property taxes, and real estate taxes. Municipalities tax the profits of auto dealerships for municipal income taxes. The personal property tax is a tax on auto inventories, required by *all* local taxing districts. Dealerships must also pay real estate taxes, which are collected by local governments.

Of the taxes discussed above, sales and use taxes and personal property taxes represent the largest shares of taxes paid by auto dealerships to local governments. The distribution of taxes among jurisdictions may be indirectly affected by this bill in a few cases of dealership movement. Auto dealership moves are expected to continue to be primarily driven by market conditions. Currently, the majority of moves appear to be unchallenged, and this is not expected to change under the provisions of this bill.

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