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# Legislative Fiscal Division

## Revenue Estimate Profile

### Rental Car Sales Tax

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**Revenue Description:** Beginning July 1, 2003, a new 4% sales tax was imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. A rental vehicle is one that is used by a person other than the owner by arrangement and for consideration. Included are light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed. Vendors are allowed to claim and keep 5% of the tax as an allowance, not to exceed \$1,000 a quarter.

#### Statutory Reference:

Tax Rate (MCA) - 15-68-102(1b)

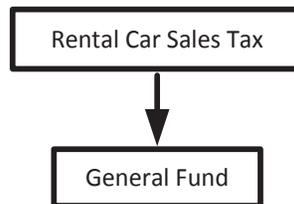
Tax Distribution MCA) - 15-68-820

Date Due - before the last day of the month following the calendar quarter (15-68-502(1))

**Applicable Tax Rate(s):** A 4% sales tax is imposed on the base rental charge for rental vehicles.

**Distribution:** All revenue from this tax is deposited into the general fund.

#### Distribution Chart:



**Summary of Legislative Action:** The 63<sup>rd</sup> Legislature did not enact legislation that impacted this source.

**Collection Frequency:** The vendor must pay the tax due by the last day of the month following a calendar quarter.

#### % of Total General Fund Revenue:

FY 2004 – 0.18%

FY 2007 – 0.16%

FY 2010 – 0.17%

FY 2005 – 0.17%

FY 2008 – 0.16%

FY 2011 – 0.18%

FY 2006 – 0.16%

FY 2009 – 0.16%

FY 2012 – 0.18%

#### Revenue Estimate Methodology:

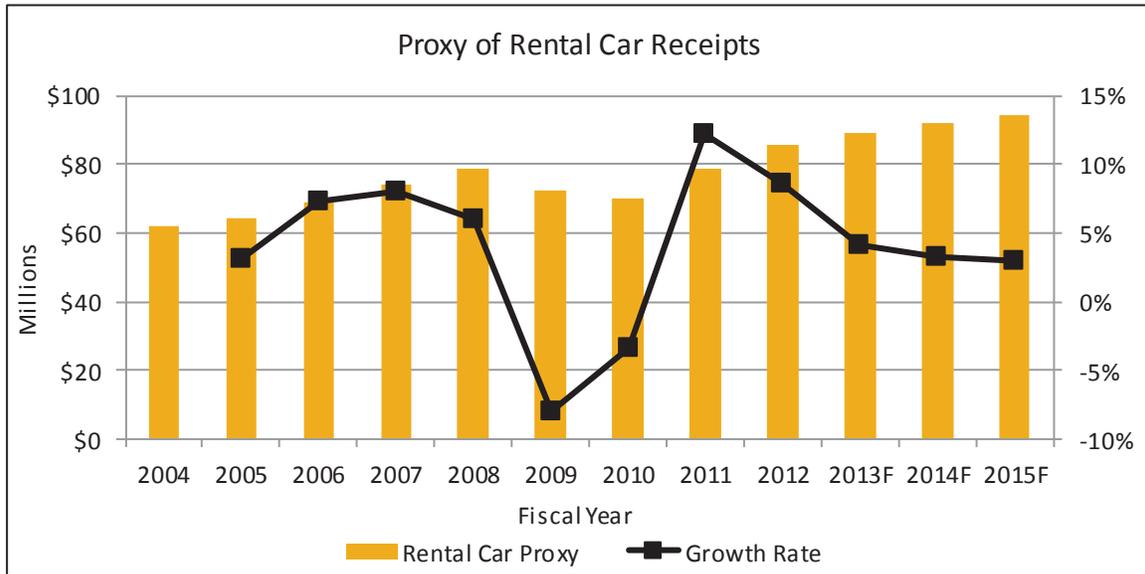
##### Data

Data for rental car sales tax is provided by the state accounting system (SABHRS) and the Institute for Tourism and Recreation Research (ITRR). The SABHRS data includes the historic tax collection observations and the ITRR data is used as an indicator for the historic growth associated with the tourism industry.

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#### Analysis

A proxy of rental car receipts is made by dividing historic tax receipts by the current tax rate. Future proxy values are modeled on Montana retail sales and then multiplied by the applicable tax rate to obtain projected tax revenues.

#### Forecast Methodology:



#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in Senate Joint Resolution 2. It does not reflect changes, if any, enacted by the 2013 Legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Taxable	Tax	Credits	Audits
	Fiscal	Millions	Millions	Sales	Rate	Millions	Millions
				Millions	Percent		
Actual	2002	0.000	0.000	0.000	0.0%	0.000	0.000
Actual	2003	0.000	0.000	0.000	0.0%	0.000	0.000
Actual	2004	2.486	2.486	62.150	4.0%	0.000	0.000
Actual	2005	2.566	2.566	64.139	4.0%	0.000	0.000
Actual	2006	2.755	2.755	68.877	4.0%	0.000	0.000
Actual	2007	2.976	2.976	74.406	4.0%	0.000	0.000
Actual	2008	3.157	3.157	78.931	4.0%	0.000	0.000
Actual	2009	2.904	2.904	72.609	4.0%	0.000	0.000
Actual	2010	2.807	2.807	70.185	4.0%	0.000	0.000
Actual	2011	3.149	3.149	78.730	4.0%	0.000	0.000
Actual	2012	3.420	3.420	85.494	4.0%	0.000	0.000
Forecast	2013	3.539	3.539	88.463	4.0%	0.000	0.000
Forecast	2014	3.632	3.632	90.793	4.0%	0.000	0.000
Forecast	2015	3.744	3.744	93.585	4.0%	0.000	0.000

$$\text{Total Tax} = \text{Taxable Sales} \times \text{Tax Rate} - \text{Credits} + \text{Audits}$$

$$\text{GF Tax} = \text{Total Tax}$$

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#### Revenue Projection:

