



home repair tools, lawn and garden equipment, moving equipment and supplies, and party and banquet equipment and supplies.

HB 588 defines “equipment” as equipment or machinery primarily designed and used for construction, industrial, maritime, or mining uses and rented without a driver or operator.

HB 588 requires the fee be stated separately in the rental agreement under which equipment is rented for 365 days or less and be collected from all persons renting equipment at the time of payment.

HB 588 requires the fee be used by the equipment rental companies to satisfy their tangible personal property tax liabilities. The amounts collected shall be retained by the rental company and on or before the due date, the company shall remit all amounts collected to the sheriff and the city tax collector for any city separately imposing and collecting tangible property taxes against the rental company. The total amount shall be apportioned based on the total tax bill the sheriff and city tax collector is owed.

HB 588 provides that any amounts collected that exceed the property taxes owed by the equipment rental company shall be distributed proportionately among the various taxing jurisdictions imposing tangible personal property taxes against the rental company. If the amount collected is less than the total amount of tangible personal property taxes owed to all jurisdictions imposing a tangible personal property tax against the rental company, the rental company shall pay the balance from other resources.

This Act is EFFECTIVE January 1, 2017 to coincide with the property tax calendar.

**Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost**

**The fiscal impact of HB 590 on local governments is indeterminable.** Receipts generated only from equipment rental exclusive of any peripheral fees or charges is not available. Likewise, neither is property tax receipts data for specific business types. The chart below is presented to provide simply a point of reference and reflects state wide totals for what the proposed fee would bring in for these specific business types. The figures are overstated since the revenue provided is reflective of all receipts.

NAICS CODE	Description	Revenue* State Total	Recovery Fee %	Total Fee Collected State Total
532310	General rental	\$ 63,929,000	1.50%	\$ 958,935
532412	Heavy equipment without operators	\$ 182,350,000	1.50%	\$ 2,735,250
* Includes all receipts inclusive of any and all peripheral fees and charges, and any and all sales of equipment or supplies.				

There is no apparent relationship between the personal property tax due and the 1.5% property tax recovery fee. The fee is collected in order to pay the property tax on equipment **owned by the rental company.** Property tax is passed on to the customer. Whereas, HB 590 provides that any excess fees collected over the actual property tax due is to be remitted to the county or city collecting agency, it is possible that the owner of the property will never have to make up a balance due regarding tangible property tax with funds from other sources. The local government is ensured of payment of the tangible property tax regardless if the fees collected are equal to or less than the tax; and they may benefit if the fees collected exceed the amount of personal property tax due.

**Data Source(s):** LRC Staff

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