



HB 436 also defines:

“Equipment Rental Company” as an entity engaged in a line of business described in the following North American Industry Classification Codes (NAICS):

- NAICS code 532412 comprising establishments primarily engaged in renting or leasing heavy equipment without operators that may be used for construction, mining, or forestry, such as bulldozers, earthmoving equipment, well-drilling machinery and equipment, or cranes.
- NAICS code 532310 comprising establishments primarily engaged in renting a range of consumer, commercial, and industrial equipment. Establishments in this industry typically operate from conveniently located facilities where they maintain inventories of goods and equipment that they rent for short periods of time. The type of equipment that establishments in this industry provide often includes, but is not limited to: audio visual equipment, contractors' and builders' tools and equipment, home repair tools, lawn and garden equipment, moving equipment and supplies, and party and banquet equipment and supplies.

“Rental Agreement” as an agreement under which rental equipment is rented for a period of 365 days or less or under a contract with unlimited terms.

Exemptions to this fee are the federal government, state government, or any political subdivision thereof; or nonprofit organizations exempted from income tax under Section 501(c)(3) of the Internal Revenue Code.

HB 436 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 436 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, 2019 to coincide with the property tax calendar.

**The fiscal impact of HB 436 on local governments is indeterminable.** Receipts generated only from equipment rental exclusive of any peripheral fees or charges are not available. Likewise, neither is property tax receipts data for specific business types.

There is no relationship between the personal property tax due and the 1.5% property tax recovery fee. The 1.5% fee is dependent on how many times or for how long a piece of equipment is rented. 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 436 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.

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. This is based on 2012 data, the most recent data available through the Economic Census.

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.				

**Part III: Differences to Local Government Mandate Statement from Prior Versions**

Part II pertains to the bill as introduced. No prior versions of the bill have been introduced necessitating Part III to be completed at this time.

**Data Source(s):** LRC Staff, U.S. Bureau of Census

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