COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2022 REGULAR SESSION

MEASURE

2022 BR NUMBER 2018 HOUSE BILL NUMBER 591

TITLE AN ACT relating to the taxation of recreational vehicles.

SPONSOR Representative Scott Sharp

FISCAL SUMMARY

STATE FISCAL IMPACT: ☒ YES ☐ NO ☐ UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ☐ ACTUARIAL ANALYSIS
☐ LOCAL MANDATE ☐ CORRECTIONS IMPACT ☐ HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: ☒ GENERAL ☒ ROAD ☐ FEDERAL ☐ RESTRICTED _____

FISCAL ESTIMATES	2021-2022	2022-2023	2023-2024	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		($7,875,000)-GF $9,450,000-RF	($18,900,000)-GF $18,900,000-RF	($18,900,000)-GF $18,900,000-RF
EXPENDITURES				
NET EFFECT		($7,875,000)-GF $9,450,000-RF	($18,900,000)-GF $18,900,000-RF	($18,900,000)-GF $18,900,000-RF

( ) indicates a decrease/negative

PURPOSE OF MEASURE: HB 591 amends the definition of "motor vehicle" in KRS 138.450 to include "recreational vehicles" and defines "recreational vehicle" (RV) as:
"…any motor home, travel trailer, fifth wheel camper, pull-behind camper, or pop-up camping trailer, which:
(a) Contains living quarters; and
(b) Is required to be licensed in order to be used on public highways."

The effect of this amendment is to subject certain trailers to the motor vehicle usage tax (in KRS 138) and thereby exempt those trailers from sales and use tax (in KRS 139). In current statutory language, "motor vehicle" includes motor homes used for the transportation of persons or property over the public highways of the state. Insofar as motor homes are already "motor vehicles," they will not be affected by this bill. Currently, trailers are not included in the definition of motor vehicles because they cannot propel themselves "by other than muscular power," as stated in KRS 138.450.

By defining recreational vehicles to include travel trailers, fifth wheel campers, pull-behind campers, or pop-up camping trailers in the "motor vehicle" definition, these items will now no longer be subject to sales and use tax at the point of purchase, if the exemption in KRS 139.470(19) applies. The exemption is for the gross receipts from the sale of any motor vehicle defined in KRS 138.450 which is either 1. sold and registered to a Kentucky resident with the motor vehicle usage tax paid, or 2. sold to a nonresident that lives in a state that has a reciprocal agreement with Kentucky regarding taxes.

Examples:
Currently, a Kentucky resident purchasing a pull-behind camper at a dealership in Kentucky would pay sales tax at the point of sale. If the buyer were to use the camper only in Kentucky, he or she would not have to license the trailer. After HB 591, the buyer would have to pay motor vehicle usage tax and register the camper with the county clerk's office, and get a license plate.

Currently, a nonresident of Kentucky purchasing a pull-behind camper at a dealership in Kentucky would pay sales tax at the point of sale. After HB 591, the nonresident would sign a declaration stating they are taking the motor vehicle out of state, and they would not owe Kentucky motor vehicle usage tax.

Currently, a nonresident of Kentucky purchasing a pull-behind camper at a dealership in Kentucky would not pay Kentucky sales tax if the camper is delivered to an out-of-state address. They would not owe the tax before or after HB 591.

FISCAL EXPLANATION:
According to the 2017 Economic Census, retail sales of motor homes, travel trailers, and campers were approximately $320,200,000 in 2017 in Kentucky. In 2023, retail sales of motor homes, travel trailers, and campers is estimated to be approximately $353,900,000.

According to the RV Industry Association (RVIA), towable RVs represented approximately 90.6 percent of total RV shipments in 2021. This share of the total market has been relatively stable over the past 10 years with towable RVs representing between 87.3 percent and 90.6 percent of total US RV shipments. The 5-year average for towable share of the market is 89.1 percent.

Using Kentucky total retail sales of RVs and the 5 year average share of towable RVs from RVIA, it is estimated that approximately $315,200,000 of total RV sales in Kentucky are towable sales. Assuming that these sales are no longer subject to the sales tax, the estimated loss to the General Fund is approximately $18,900,000 in a full fiscal year.

Since these RVs will now be considered motor vehicles, these sales will be subject to the motor vehicle usage tax. Correspondingly, there will be an increase in the road fund. However, it is unclear how many of the RVs will be registered in Kentucky and therefore subject to the motor vehicle usage tax. If all are registered in the state, road fund revenue would increase by $18,900,000 in a full fiscal year.

DATA SOURCE(S): **LRC Staff**
PREPARER: **Katy Jenkins** **NOTE NUMBER**: **143** **REVIEW**: **JAB** **DATE**: **pet**