

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1113 (First Edition)

SHORT TITLE: Exempt Fire and Rescue Vehicles

SPONSOR(S): Representatives Hardy, et al

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES					
Highway Trust Fund					
Fire Trucks	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
Rescue Vehicles	<u>(\$195,000)</u>	<u>(\$195,000)</u>	<u>(\$195,000)</u>	<u>(\$195,000)</u>	<u>(\$195,000)</u>
Total Revenue Loss	(\$295,000)	(\$295,000)	(\$295,000)	(\$295,000)	(\$295,000)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation					
EFFECTIVE DATE: The act becomes effective July 1, 1997.					

BILL SUMMARY: The act exempts fire trucks and rescue vehicles purchased by volunteer fire departments and volunteer rescue squads from the highway use tax.

BACKGROUND: The highway use tax is equal to 3% of the retail value of a motor vehicle for which a certificate of title is issued. (G.S. 105-187.3(a)) The tax is capped at \$1,000 for Class A and Class B commercial vehicles. These commercial vehicles have a gross vehicle weight of at least 26,001 pounds. (G.S. 20-4.01) For all other motor vehicles, the maximum tax is \$1,500. The highway use tax is deposited into the Highway Trust Fund.

ASSUMPTIONS AND METHODOLOGY:

Fire Departments

The use tax exemption in this bill is given only to volunteer, non-profit fire departments with two or fewer employees. According to Tim Bradley, Director of Fire and Rescue Services in the Department of Insurance, there are 244 municipal fire departments and 1,054 volunteer non-

profit fire departments. There are 103 volunteer fire departments with paid staff, but only 52 of those with more than 2 paid employees. That leaves 1,002 volunteer fire departments eligible for this tax exemption.

Based on conversations with Paul Miller of the N. C. State Firemen's Association and with Mr. Bradley, the average volunteer fire department has two primary fire fighting vehicles. On average, these vehicles are replaced every 20 years. Replacement costs ranges from \$50,000 for a brush truck to \$500,000 for a ladder truck. Commonly a fire department will purchase fire trucks or pump trucks at a price between \$100,000 to \$150,000.

Based on the above information, this fiscal note assumes the 1,002 volunteer fire departments own 2,004 vehicles. If replaced on a 20 year cycle, then 100 vehicles per year will be purchased. Since the average fire fighting vehicle is valued at \$100,000 or above, the maximum use tax per vehicle is \$1,000. **On 100 vehicles purchased each year for volunteer fire departments, the Highway Trust Fund will lose \$100,000.**

Rescue Squads/EMS

There are 400 volunteer rescue squads or EMS units in North Carolina, according to Gordon Joyner of the NC Association of Rescue and EMS, Inc. Each unit has two or three ambulances and rescue vehicles. The average replacement cycle for an ambulance is 5 years and for a rescue vehicle it is 7 to 10 years. Mr. Joyner estimates that volunteer rescue squads will purchase between 100 and 150 vehicles each year. In 1996, these volunteer units purchased 72 ambulances off the state contract alone. Other purchases were made directly from vendors. The average price of a rescue service vehicle is between \$75,000 to \$80,000. (Some fully equipped rescue trucks can cost \$380,000.)

This fiscal note assumes volunteer rescue squads will purchase 150 vehicles per year at a average of \$75,000 per vehicle. The vehicle purchase will include 90 ambulances and 60 rescue vehicles. Ambulances weigh less than 26,001 pounds and thus are subject to a highway use tax of \$1,500. Rescue vehicles have a gross vehicle weight of more than 26,001 pounds and are taxed at \$1000. **Exempting 150 vehicles each year for volunteer rescue squads will reduce Highway Trust Fund revenue by \$195,000.**

FISCAL RESEARCH DIVISION

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