

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1957-02
Bill No.: SB 546
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use
Type: Original
Date: March 30, 2005

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------------------|-----------------------------|-----------------------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| General Revenue | Up to (\$6,500,000) | Up to (\$13,000,000) | Up to (\$13,000,000) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | Up to (\$6,500,000) | Up to (\$13,000,000) | Up to (\$13,000,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Transportation (MoDOT)** assume this proposal would have no fiscal impact on their agency.

Officials with the **Department of Revenue (DOR)** assume its Division of Taxation would have internal programming costs associated with the implementation of this proposal. However, DOR assumes it can manage such costs at current appropriation levels unless there is a material change in the division's other responsibilities.

In response to a similar proposal (FN #1049-04, HCS for HB 532), DOR stated that from September 1, 2003, to August 31, 2004, there were 20,767 vehicles that were manufactured in Missouri and registered as new vehicles in Missouri. The net tax paid on those vehicles was \$13,051,263.

Oversight assumes that sales of new motor vehicles manufactured in Missouri will be relatively stable over the date scope of this fiscal note. **Oversight** further assumes that not all eligible vehicle purchasers will apply for the sales tax refund; however, for purposes of this fiscal note, **Oversight** assumes this proposal would negatively impact General Revenue by up to \$13 million per year. The fiscal impact of this proposal could increase, should sales of such vehicles markedly increase as result of this act; conversely, it could decrease, should one or more

ASSUMPTION (continued)

automakers cease manufacturing in Missouri.

This legislation could decrease total state revenue.

| <u>FISCAL IMPACT - State Government</u> | FY 2006 (6 Mo.) | FY 2007 | FY 2008 |
|---|--|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Loss - General Revenue</u> | | | |
| Sales Tax Refunds | <u>Up to</u> <u>(\$6,500,000)</u> | <u>Up to</u> <u>(\$13,000,000)</u> | <u>Up to</u> <u>(\$13,000,000)</u> |
| TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>Up to</u> <u>(\$6,500,000)</u> | <u>Up to</u> <u>(\$13,000,000)</u> | <u>Up to</u> <u>(\$13,000,000)</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2006 (10 Mo.) | FY 2007 | FY 2008 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

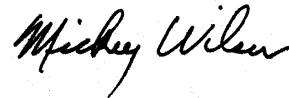
This proposal allows for a refund of the amount of sales tax paid for the purchase of a motor vehicle which is assembled and sold in Missouri on or after January 1, 2006. An individual that has paid sales tax on the purchase of a motor vehicle may receive a refund of the amount of tax paid upon application to the Department of Revenue. The refund amount shall be deducted from the General Revenue fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue
Department of Transportation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent "M" and "W".

Mickey Wilson, CPA
Director
March 30, 2005