

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3397-04
Bill No.: Perfected SS for SB 696
Subject: Motor Carriers; Taxation and Revenue – Sales and Use
Type: Original
Date: April 4, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Unknown)	(\$17,982,000 to Unknown)	(\$15,835,500 to Unknown)
Total Estimated Net Effect on General Revenue Fund*	(Unknown)	(\$17,982,000 to Unknown)	(\$15,835,500 to Unknown)

* The Unknown is assumed to be a Minimal Amount.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Various State Funds	(Unknown)	(Unknown)	(Unknown)
Road Fund	\$0	\$34,315,650	\$30,219,413
School District Trust	\$0	(\$5,994,000)	(\$5,278,500)
Conservation	\$0	(\$749,250)	(\$659,813)
Parks and Soil	\$0	(\$599,400)	(\$527,850)
Total Estimated Net Effect on Other State Funds*	(Unknown)	(Unknown) to \$26,973,000	(Unknown) to \$23,753,250

* The Unknown is assumed to be a Minimal Amount.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government*	(Unknown)	(\$8,991,000 to Unknown)	(\$7,917,750 Unknown)

* The Unknown is assumed to be a Minimal Amount.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** state this proposal has no administrative impact and would have minimal fiscal impact on state revenues to their agency.

In response to a similar proposal from the current session (SB 629, LR # 3127-01), officials from the **Office of Administration – Division of Budget and Planning (BAP)** assume this bill would exempt contractors from paying sales tax on Missouri Department of Transportation (MoDOT) projects. This proposal will decrease General and Total State revenues. BAP defers to MoDOT to provide an estimate of this bill. This bill would have no impact on BAP.

In response to a similar proposal from the current session (SB 629, LR # 3127-01), officials from the **Department of Transportation (MoDOT)** assume this legislation exempts contractors from paying sales tax on materials used in MoDOT projects. Section 144.062, RSMo currently exempts sales of personal property and materials used for the purpose of constructing, repairing, or remodeling facilities for counties, other political subdivisions and certain exempt entities from the state sales tax. This bill would add the Department of Transportation as an exempt entity. Therefore, materials could be purchased by a contractor for a MoDOT project on a tax-exempt basis.

ASSUMPTION (continued)

The sales tax which contractors currently pay on materials purchased for MoDOT projects is included in the project cost which is paid by MoDOT. Assuming that contractors would reduce their project costs due to the ability to purchase materials on a tax-exempt basis, this bill would result in a cost savings for MoDOT.

The proposed legislation would result in cost savings beyond the three-year period addressed by this fiscal note. An estimate for fiscal year 2010 is \$12,142,650.

Based on the 2005-2009 Statewide Transportation Improvement Program (STIP), which does not include Amendment 3 projects; ½ construction contracts labor, ½ materials; July 1, 2007 effective date; and sales tax rate of 4.225%, the cost savings were calculated as follows:

<u>Fiscal Year</u>	<u>STIP Awards</u>	<u>% Materials</u>	<u>Materials Cost</u>	<u>Sales Tax Rate</u>	<u>Cost Savings</u>
2007	\$1,198,800,000	50%	\$599,400,000	4.225%	\$25,324,650
2008	\$1,055,700,000	50%	\$527,850,000	4.225%	\$22,301,663
2009	\$574,800,000	50%	\$287,400,000	4.225%	\$12,142,650

Oversight calculated the revenue impact to include an impact to cities and counties. Oversight assumes this proposal would create a saving of \$34.3 million in FY08 and \$30.2 million in FY09 for the Road Fund. Combined losses in the General Revenue Fund, School District Trust Fund, Conservation Fund, Parks and Soils Fund and local city/county funds equal the savings in the Road Fund for this proposal.

Oversight assumes the expansion of the sales tax exemption would lead to a reduction in sales tax revenue to the four state funds as well as local funds. Oversight has no basis for estimating the amount of the reduction resulting from this bill and therefore, has assumed an unknown amount.

This proposal will reduce General Revenue and increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Loss</u> – Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> – Exemption for MoDOT projects	\$0	(\$17,982,000)	(\$15,835,500)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(Unknown)</u>	<u>(\$17,982,000 to Unknown)</u>	<u>(\$15,835,500 to Unknown)</u>
OTHER STATE FUNDS			
<u>Savings</u> to Road Fund Exemption for MoDOT projects	\$0	\$34,315,650	\$30,219,413
<u>Loss</u> to School District Trust Fund Exemption for MoDOT projects	\$0	(\$5,994,000)	(\$5,278,500)
<u>Loss</u> to Conservation Fund Exemption for MoDOT projects	\$0	(\$749,250)	(\$659,813)
<u>Loss</u> to Parks and Soil Funds Exemption for MoDOT projects	\$0	(\$599,400)	(\$527,850)
<u>Loss</u> – Various State Funds Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO ALL OTHER STATE FUNDS*	<u>(Unknown)</u>	<u>(Unknown) to \$26,973,000</u>	<u>(Unknown) to \$23,753,250</u>

* The Unknown is assumed to be a Minimal Amount.

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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CITIES AND COUNTIES

<u>Loss</u> – Cities and Counties			
Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> to Cities			
Exemption for MoDOT projects	\$0	(\$5,394,600)	(\$4,750,650)
<u>Loss</u> to Counties			
Exemption for MoDOT projects	<u>\$0</u>	<u>(\$3,596,400)</u>	<u>(\$3,167,100)</u>
ESTIMATED NET EFFECT TO CITIES AND COUNTIES*	<u>(Unknown)</u>	<u>(\$8,991,000 to Unknown)</u>	<u>(\$7,917,750 to Unknown)</u>

*** The Unknown is assumed to be a Minimal Amount.**

FISCAL IMPACT - Small Business

Small businesses that paid sales taxes on such motor vehicles would be fiscally impacted as a result of this proposal. Also, small businesses that sell to MoDOT would be expected to be impacted as a result of this proposal.

DESCRIPTION

Under current law, an exemption from sales tax is permitted for motor vehicles licensed for a gross weight of twenty-four thousand pounds or more or trailers used by common carriers solely in the transportation of persons or property in interstate commerce. This proposal allows such sales tax exemption for motor vehicles licensed for a gross weight of twenty-four thousand pounds or more or trailers used by common carriers in the transportation of persons or property.

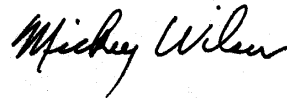
The proposal also exempts contractors from paying sales taxes on materials used in Department of Transportation projects. The sales tax exemption does not take effect until after June 30, 2007.

DESCRIPTION (continued)

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

SOURCES OF INFORMATION

Department of Revenue
Department of Transportation
Office of Administration
– Division of Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 4, 2006