

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3372-02  
Bill No.: SB 725  
Subject: Boats and Watercraft; Motor Vehicles; Taxation and Revenue - Sales and Use  
Type: Original  
Date: February 7, 2008

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Bill Summary: Would modify provisions regarding sales taxation of trade-in or exchange transactions.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
Road	(Unknown)	(Unknown)	(Unknown)
Road Bond	(Unknown)	(Unknown)	(Unknown)
Transportation	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would

Officials from the **Department of Revenue (DOR)** assume this proposal would result in an unknown decrease in state and local sales/use tax paid on units that are purchased within 180 days of a trade-in to a dealership, sales between individuals, or total loss payments by an insurance company.

ASSUMPTION (continued)

The current trade-in tax credit may only be used at the time of titling one vehicle or multiple vehicles titled at the same time, and any unused credit can not be refunded or used on another purchase at a later date. The proposed legislation would allow unused credit to be used towards another purchase provided it is purchased within 180 days.

The current trade-in tax credit may be applied to multiple vehicles, but the trade-in and purchase must happen on the same day at the same dealership. Any remaining credit can not be used at a later date or refunded. The proposal allow any remaining credit to be used on other vehicles purchased within 180 days.

The current total loss tax allowance can only be used towards the purchase of one like (replacement) unit, i.e. boat for boat, motor vehicle for motor vehicle, etc. The proposal would allow for the credit to be used towards subsequent units purchased within 180 days.

DOR assumes there would be a need to:

- \* Revise policies and procedures and the DOR website ;
- \* Update the Titling Tips publication to notify licensed Missouri dealers of the change, (these costs will be absorbed);
- \* Make small revisions to the DOR-5049 and the DOR-1957 to reflect the change;
- \* Update The TRIPS program to reflect remaining tax credit on the TRIPS titling receipt; and
- \* Process any additional refunds (see Taxation's fiscal note).

DOR Business Tax would require 1 Tax Processing Technician I for every 3,900 additional refunds generated.

DOR submitted a cost estimate for 1 additional Tax Processing Technician Tech I and associated equipment and expenditures totaling \$36,726 for FY 2009, \$38,723 for FY 2010, and \$39,884 for FY 2011.

**Oversight** assumes this proposal would result in a relatively low number of additional transactions and that the cost could be absorbed with existing resources. If unexpected additional costs are incurred or if multiple proposals are implemented which generate additional transactions, resources could be requested through the budget process.

ASSUMPTION (continued)

**Oversight** assumes this proposal would result in an unknown reduction of sales tax revenues to the state General Revenue Fund as well as to other state funds that receive support from sales tax collections, and to local governments.

**This proposal could reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales taxes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales taxes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction - DOR</u>			
Sales taxes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - DOR	(Unknown)	(Unknown)	(Unknown)
Sales taxes			
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>ROAD FUND</b>			
<u>Revenue reduction</u> - DOR	(Unknown)	(Unknown)	(Unknown)
Sales taxes			
<b>ESTIMATED NET EFFECT ON ROAD FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>ROAD BOND FUND</b>			
<u>Revenue reduction</u> - DOR	(Unknown)	(Unknown)	(Unknown)
Sales taxes			
<b>ESTIMATED NET EFFECT ON ROAD BOND FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>TRANSPORTATION FUND</b>			
<u>Revenue reduction</u> - DOR	(Unknown)	(Unknown)	(Unknown)
Sales taxes			
<b>ESTIMATED NET EFFECT ON TRANSPORTATION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction</u> - cities and counties			
Sales taxes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

This proposal would have a fiscal impact on small businesses which buy and sell equipment that is subject to sales tax.

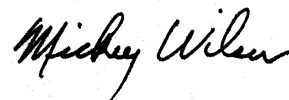
FISCAL DESCRIPTION

This proposal would modify provisions regarding sales taxation of trade-in or exchange transactions.

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

Office of Administration  
    Division of Budget and Planning  
Department of Revenue



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