

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4472-05  
Bill No.: HCS for SCS for SB 480  
Subject: Motor Vehicles; Motor Carriers; Taxation and Revenue - Sales and Use  
Type: Original  
Date: April 13, 2012

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Bill Summary: This proposal would expand the sales and use tax exemption for certain commercial vehicles. The proposal would also provide a sales tax exemption for commercial vehicle parts, and would eliminate a nuclear waste transport fee.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</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 15 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Environmental Radiation Monitoring	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Road Bond	(Unknown)	(Unknown)	(Unknown)
State Road	(Unknown)	(Unknown)	(Unknown)
State Transportation	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Less than \$100,000) to (Unknown)	(Less than \$100,000) to (Unknown)	(Less than \$100,000) to (Unknown)
Parks, and Soil and Water	(Less than \$100,000) to (Unknown)	(Less than \$100,000) to (Unknown)	(Less than \$100,000) to (Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(More than \$100,000) to (Unknown)</b>	<b>(More than \$100,000) to (Unknown)</b>	<b>(More than \$100,000) to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</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 2013</b>	<b>FY 2014</b>	<b>FY 2015</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 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Missouri Highway Patrol** assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials noted the following.

Section 144.030(4) RSMo

This proposal would provide an expanded sales tax exemption for commercial motor vehicles licensed for a weight in excess of 54,000 pounds and used for hauling property, for trailers for those vehicles, and for materials, replacement parts, and equipment for use directly upon and for the repair and maintenance or manufacture of such vehicles. The sales tax exemption would also be applied to commercial motor vehicles licensed for a weight in excess of 24,000 pounds but not already exempt as common carriers.

Vehicle exemption

DOR informed BAP that in FY 2011 there were 2,370 new vehicles registered that meet the size limits above. Sales tax in the amount of \$2.1 million was collected on those vehicles. BAP assumes this proposal would reduce state revenues by similar amounts.

Equipment Exemption

According to the Federal Motor Carrier Safety Administration , there are just less than 11 million "large trucks" registered in the United States which travel an estimate 288,005 million miles annually. BAP assumes that 2% of these truck-miles are traveled in Missouri. Based on industry information, BAP estimates the repair and maintenance cost for large trucks to be about \$0.14/mile. BAP further estimates that half this cost is labor-related, and thus no sales tax is collected.

ASSUMPTION (continued)

BAP also assumes this exemption would apply largely to vehicles not already exempt as "common carriers". Based on an estimate from DOR, BAP assumes 12% of trucks are not common carriers. Therefore, this proposal could reduce General and Total State Revenues up to the amounts in the table below.

Vehicle Miles Traveled by Large Trucks	288,055,000,000
Missouri Share	2%
Missouri Miles	5,761,100,000
Cost / Mile	\$0.07
Total Cost	\$403,277,000
Portion Not Already Exempt	12%
Cost Not Already Exempt	\$48,393,240
Revenue Losses	
General Revenue (3%)	\$1,451,797
Education (1%)	\$483,932
Conservation (0.125%)	\$60,492
Natural Resources (0.1%)	\$48,393

Section 144.030(12) RSMo

This provision would add an exemption on motor vehicles in excess of 24,000 pounds not already exempt as common carriers. This provision would reduce General and Total State Revenues, and local revenues, by an unknown amount in excess of the estimates of above.

Section 227.513 RSMo

This provision would allow the renaming of I-70, with costs to be covered by private donations. This would have no impact on General and Total State Revenues.

Section 260.392 RSMo

This provisions would exempt certain controlled shipments from paying fees into the Environmental Radiation Monitoring Fund and undergoing certain inspections. This would reduce state revenues.

ASSUMPTION (continued)

Section 301.010 RSMo

This provision would change the definition of a recreational off-road vehicle. Because of overlap with the definition of "ATV", this provision could result in the loss of certain registration fees and reduced General and Total State Revenues. BAP defers to DOR for a more detailed discussion.

Section 306.532 RSMo

These provisions would change the title requirements for outboard motors. This would not impact General and Total State Revenues.

Officials from the **Department of Revenue** (DOR) assume this proposal would make several changes in sales tax provisions.

- \* The proposal would broaden a current sales tax exemption to all motor vehicles and trailers transporting persons or property for hire that weigh in excess of 54,000 pounds, and to the materials, replacement parts, and equipment for use on those vehicles.

In FY 2011, 2,370 vehicles were registered that weighed in excess of 54,000 and DOR collected \$2.1 million in sales taxes on those vehicles. DOR officials assume Total State Revenue would be reduced by a similar amount if this provision is enacted. The majority of these funds are paid to state road and transportation funds, and cities and counties.

DOR officials are not able to identify the number of trailers that would qualify for the exemption, and assume there would be an unknown loss to Total State Revenue related to sales tax on trailers.

The Department also assumes there would be an additional reduction of approximately \$1.4 million in sales tax to the General Revenue Fund related to parts and materials used to repair or provide maintenance on those vehicles.

ASSUMPTION (continued)

- \* Currently, "all terrain vehicles", are defined in state law and required to be titled and registered, and "recreational off highway vehicles" are defined in state law but are not titled and registered.

The definition changes in this proposal could potentially result in an unknown loss of title and registration fees for all-terrain vehicles.

- \* The proposal would also change the "Year Manufactured" designation currently reflected on an outboard motor title from the year the outboard motor was manufactured to the date the outboard motor was purchased from the manufacturer by a dealer.

A new outboard motor purchased by a dealer from the manufacturer on or after July first would be labeled with the "Year Manufactured" of the next calendar year unless the manufacturer specifies the model or program year.

Administrative impact

DOR officials assume that procedures would need to be revised by the Motor Vehicle Bureau (MVB) which would include 120 additional hours of overtime by a Management Analyst Specialist I at a cost of \$3,546 in FY 2013. Further, the DOR web site would need to be updated, which would require 30 additional hours of overtime by an Administrative Analyst III, at a cost of \$957 in FY 2013.

The Application for Missouri Boat/Vessel or Outboard Motor Title and Registration form would need to be revised to include information on the change in meaning of "Year Manufactured." This would require 40 hours of additional overtime for a Management Analyst Specialist I, at a cost of \$1,182 in FY 2013.

DOR officials assume this proposal would increase the number of calls the Department receives regarding marine title transactions by 5%. In FY 2011 10,108 phone calls were received by DOR regarding marine inquiries. DOR officials stated that the number of calls specifically about outboard motors is unknown but assuming that calls would increase by 5%, there would be 505 more phone calls per year. The additional calls would require an additional 40 hrs of overtime for a Revenue Processing Tech I to answer and research associated questions at a cost of \$620 in FY 2013, \$751 in FY 2014, and \$759 in FY 2015.

ASSUMPTION (continued)

These provisions could increase the number of errors on marine outboard motor titles, which could not be processed without the additional information. Assuming the same 5% increase in activity as for phone inquiries, DOR officials assume there would be a minimal increase to the Department's processing time for those rejects.

In summary, the DOR response included additional overtime for existing personnel at a total cost of \$6,305 for FY 2013, \$751 for FY 2014, and \$759 for FY 2015.

**Oversight** assumes the additional cost to DOR could be absorbed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which result in a significant increase in the DOR workload, resources could be requested through the budget process.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would make changes to several tax provisions.

Section 144.030 RSMo - Sales Tax Exemption

This proposal would create a sales tax exemption for motor vehicles registered in excess of 54,000 pounds, the trailers pulled by such motor vehicles, and the materials, replacement parts, and equipment purchased for use directly upon, and for the repair and maintenance or manufacture of such vehicles.

Providing state and local sales and use tax exemptions as stated in this proposal would decrease the amount of funding available in the Parks Sales Tax Fund. This fund is used for the acquisition and development, maintenance and operation of state parks and historic sites.

ASSUMPTION (continued)

Section 260.392 RSMo - Radioactive Waste Transport Fee

The proposed changes would exempt all Highway Route Controlled Quantity (HRCQ) radioactive shipments from the current fee. This fee is projected to account for approximately 69% of the revenues to the Environmental Radiation Monitoring Fund (Fund 0656). The fee currently supports functions such as Missouri State Highway Patrol escorts for such vehicles, safety and radiation measurement and inspections by the Missouri Department of Health and Senior Services, equipment purchased to ensure radiation safety for the public, and training to first responders across the state that would respond to an accident involving those radioactive shipments.

Currently, most of those functions are related to or conducted on HRCQ shipments, and the services that help protect the citizens of Missouri are supported by the transport fees.

The DNR response indicated a revenue reduction of \$282,600 per year for the Environmental Radiation Monitoring Fund and unknown revenue reductions for the General Revenue Fund, Parks, and Soil and Water Fund, and for local governments for this proposal.

Officials from the **Department of Transportation** (MODOT) deferred to the Department of Revenue for an estimate of the fiscal impact of this proposal.

Officials from the **Department of Transportation, Motor Carrier Services** (MCS), provided an estimate in response to a previous version of this proposal that approximately 60% of the 6,487 companies registered with their organization were common carriers, with the balance split between contract carriers and private carriers. MCS officials estimated that there were about the same number of contract carriers as private carriers.

Officials from the **Department of Health and Senior Services** (DHSS) noted that this proposal would make certain shipments exempt from transport fee provisions of in current state law. DHSS defers to the Department of Natural Resources for an estimate of the revenue reduction to the Environmental Radiation Monitoring Fund.

ASSUMPTION (continued)

The proposal would also appear to exempt these shipments from a radiological safety inspection once they enter Missouri if they passed the North American Standard Level VI inspection at the point of origin, unless such inspection is determined to be necessary at the discretion of state safety resources. These provisions could have an unknown impact on the department's ability to meet other current requirements for "Inspections, escorts, and security for waste shipment and planning".

Currently, all HRCQ shipments coming through the state are escorted by the Missouri State Highway Patrol (MSHP) to a secure location then given a "radiological safety inspection" at that location by DHSS staff. MSHP then continues to escort the shipment to the state line.

Costs for this program are supported by the Environmental Radiation Monitoring Fund. In FY 2012 to date, DHSS has incurred expenses of \$36,783; a majority of this cost was for inspections but approximately \$5,500 was spent on developing training. DHSS officials estimated that costs for personal services, training, and equipment for future fiscal years would increase to an estimated \$100,000 as shipments increase and required training of state and local emergency responders and health officials is implemented.

Oversight assumptions

**Oversight** notes that current law provides for 50% of vehicle sales taxes to be distributed to the Road Bond Fund, 36.5% to the State Road Fund, 1% to the State Transportation Fund, and 12.5% to cities and counties. For fiscal note purposes, Oversight assumes the expanded vehicle sales tax exemption would lead to an unknown revenue reduction for those state funds and for local governments.

**Oversight** assumes the expanded vehicle sales tax exemption in this proposal would reduce revenues to the School District Trust Fund by an unknown amount, and that the revenue reduction to the Conservation Commission Fund and the Parks, and Soil and Water Fund, would be less than \$100,000 per year.

**Oversight** will indicate an unknown revenue reduction to the General Revenue Fund, for those other state funds which receive sales tax revenues, and to local governments for the sales tax exemption on commercial vehicle repair parts.

ASSUMPTION (continued)

**Oversight** will include a revenue reduction of more than \$100,000 per year for the Environmental Radiation Monitoring Fund for the elimination of the Highway Route Controlled Quantity fee. Oversight assumes that continued operation and funding for the current inspection and escort functions would be determined by the General Assembly and will not include those costs in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - Sales tax exemption on commercial vehicle parts</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<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>ENVIRONMENTAL RADIATION MONITORING FUND</b>			
<u>Revenue reduction - Transport fee elimination</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON ENVIRONMENTAL RADIATION MONITORING FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>
<b>ROAD BOND FUND</b>			
<u>Revenue reduction - Sales tax exemption on vehicles</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ROAD BOND FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

**STATE ROAD FUND**

<u>Revenue reduction</u> - Sales tax exemption on vehicles	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON STATE ROAD FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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**STATE TRANSPORTATION FUND**

<u>Revenue reduction</u> - Sales tax exemption on vehicles	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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**SCHOOL DISTRICT TRUST FUND**

<u>Revenue reduction</u> - Sales tax exemption on vehicles	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>Revenue reduction</u> - Sales tax exemption on commercial vehicle parts	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<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>
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**CONSERVATION COMMISSION  
FUND**

<u>Revenue reduction - Sales tax exemption on vehicles</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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<u>Revenue reduction - Sales tax exemption on commercial vehicle parts</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(Less than \$100,000) to (Unknown)</u></b>	<b><u>(Less than \$100,000) to (Unknown)</u></b>	<b><u>(Less than \$100,000) to (Unknown)</u></b>
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**PARKS, AND SOIL AND WATER  
FUND**

<u>Revenue reduction - Sales tax exemption on vehicles</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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<u>Revenue reduction - Sales tax exemption on commercial vehicle parts</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</b>	<b><u>(Less than \$100,000) to (Unknown)</u></b>	<b><u>(Less than \$100,000) to (Unknown)</u></b>	<b><u>(Less than \$100,000) to (Unknown)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction - Sales tax exemption on vehicles</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction - Sales tax exemption on commercial vehicle parts</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<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 affect any small business which bought or sold a commercial vehicle or repair parts, or would be involved in the transportation of nuclear waste.

FISCAL DESCRIPTION

This proposal would expand the sales tax exemption for commercial vehicles, provide a sales tax exemption for commercial vehicle parts, and would eliminate a nuclear waste transport fee.

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 the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Health and Senior Services  
Department of Natural Resources  
Department of Revenue  
Missouri Highway Patrol  
Department of Transportation



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April 13, 2012