

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0779-01
Bill No.: SB 150
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use
Type: Original
Date: February 3, 2015

Bill Summary: This proposal would create a sales and use tax exemption for vehicles over ten years old.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$113,510)	(\$27,348)	(\$27,348)
Total Estimated Net Effect on General Revenue	(\$113,510)	(\$27,348)	(\$27,348)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School District Trust	(\$3,700,148)	(\$4,440,177)	(\$4,440,177)
Conservation Commission	(\$924,244)	(\$1,109,093)	(\$1,109,093)
Parks, and Soil and Water	(\$739,020)	(\$886,824)	(\$886,824)
State Road Bond	(\$11,077,967)	(\$13,293,559)	(\$13,293,559)
State Transportation	(\$295,491)	(\$354,590)	(\$354,590)
State Road	(\$10,782,474)	(\$12,938,969)	(\$12,938,969)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$27,519,344)	(\$33,023,212)	(\$33,023,212)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(\$24,987,975)	(\$29,985,570)	(\$29,985,570)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would reduce Total State Revenues (TSR) and would impact the calculation required under Article X, Section 18(e) of the state constitution.

BAP officials noted the proposal would exempt motor vehicles older than ten years from sales tax on titling, but vehicles with a sales price over \$15,000 would be excluded. BAP officials deferred to DOR for more information.

Officials from the **Department of Revenue (DOR)** assume this proposal would create a local and state sales tax exemption on the titling of motor vehicles that have a model year at least ten years prior to the year if the motor vehicle being titled has a sale price of \$15,000 or less.

ASSUMPTION (continued)

Fiscal impact

DOR officials reported calendar year 2014 collections of \$37,443,480 in state sales tax on motor vehicles and \$38,516 in state sales tax on all-terrain vehicles (ATV) that were ten years old or older with a purchase price of \$15,000 or less. In addition, DOR officials reported calendar year 2014 collections of \$25,554,134 in local sales tax on motor vehicles and ATV that were ten years old or older with a purchase price of \$15,000 or less.

Administrative Impact

DOR officials assume their organization would implement the proposal by creating a new state and local tax exemption code for vehicles with a model year ten years old or older from the year of titling and a cost less than \$15,000. That exemption code would be included on the printed title, to indicate no taxes due. The purchase date and price would still need to be recorded to assess any applicable title penalties and to meet record keeping requirements.

DOR officials assume Motor Vehicle Bureau (MVB) procedures would need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY 2016. In addition, the Department's website would need to be updated requiring 10 hours by an Administrative Analyst III at a cost of \$230 in FY 2016. Finally, the Missouri Titling Manual would need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY 2016.

DOR officials also assume MVB staff would need to complete user acceptance testing requiring 80 hours for each system modification, for a total of 240 hours by a Management Analyst Specialist I at a cost of \$5,040 in FY 16.

The DOR response included a total of \$6,950 for employee overtime.

Oversight assumes this proposal could be implemented with existing DOR resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

The DOR response indicated lost revenue for various funds and entities as shown in the following tables.

<u>Projected Loss in State Sales Tax</u> <u>(Motor Vehicles)</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Conservation Commission	\$923,294	\$1,107,953	\$1,107,953
Soil & Water Fund	\$369,130	\$442,956	\$442,956
Parks Fund	\$369,130	\$442,956	\$442,956
State Road Bond	\$11,077,967	\$13,293,559	\$13,293,559
State Transportation	\$295,491	\$354,590	\$354,590
State Road	\$10,782,474	\$12,938,969	\$12,938,969
School District Trust	\$3,692,551	\$4,431,061	\$4,431,061
Cities	\$2,215,718	\$2,658,862	\$2,658,862
Counties	<u>\$1,477,145</u>	<u>\$1,772,574</u>	<u>\$1,772,574</u>
Total	<u>\$31,202,900</u>	<u>\$37,443,480</u>	<u>\$37,443,480</u>

<u>Projected Loss in State Sales Tax</u> <u>(All-Terrain Vehicles)</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
General Revenue	\$22,790	\$27,348	\$27,348
School District Trust	\$7,597	\$9,116	\$9,116
Conservation	\$950	\$1,140	\$1,140
Soil & Water	\$380	\$456	\$456
State Park	<u>\$380</u>	<u>\$456</u>	<u>\$456</u>
Total	<u>\$32,097</u>	<u>\$38,516</u>	<u>\$38,516</u>

<u>Projected Loss in Local Sales Tax</u> <u>(Motor Vehicles and All Terrain Vehicles)</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Local Governments	<u>\$21,295,112</u>	<u>\$25,554,134</u>	<u>\$25,554,134</u>

ASSUMPTION (continued)

Oversight will use the DOR estimates of revenue losses for this proposal although Oversight is not able to verify this information due to the Department of Revenue's interpretation of confidentiality laws regarding their department.

Cost of Collection - Motor vehicle sales tax.

DOR officials noted their organization is appropriated funds for the cost of collecting motor vehicle sales tax for the Department of Transportation, with expenditures from those appropriations capped at three percent of actual collections. The balance of operating cost for the Motor Vehicle and Driver Licensing Division is appropriated from the General Revenue Fund.

DOR officials assume this proposal would reduce motor vehicle sales tax collections, resulting in a reduction in highway funding for Department operations. DOR officials estimated the reduction would be \$775,463.82 in FY 2016 and \$930,556.62 in FY 2017 and FY 2018.

Oversight assumes the highway funding would be reduced but for simplicity, will not include the reduction in highway funding for DOR in this fiscal note.

Cost of Collection - Local government sales tax

Oversight notes that under state law, the Department of Revenue retains one percent of the local tax collected on the titling of motor vehicles.

Because this proposal would reduce what the Department collects, the one percent of local sales tax collections credited to the General Revenue Fund would also be reduced; however, for simplicity, Oversight will not include the reduction in sales tax withholding in this fiscal note.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$90,720 based on 1,120 hours of contract programming to update existing Motor Vehicle Bureau software.

Oversight will include the DOR estimate of IT cost in this fiscal note.

ASSUMPTION (continued)

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact to their organization, but greater than \$100,000. MDC officials stated Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to the Missouri Constitution, and exempting used vehicles from sales tax would reduce sales tax revenue to the Conservation Sales Tax funds.

MDC officials deferred to the Department of Revenue for an estimate of the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** noted this proposal would create a sales and use tax exemption for used vehicles, and stated the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would reduce the funding available in the Parks and Soils Sales Tax Funds.

DNR officials deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact of this proposal.

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

Officials from **Cole County** assume this proposal would have an unknown negative impact on their organization.

Officials from **St. Louis County** assume the sales tax loss would not be easily quantifiable but would probably be small.

Officials from the **City of Columbia** assume this proposal would have a significant but unknown impact on their organization.

Officials from the **City of Kansas City** stated they would expect a revenue reduction from this proposal as follows:

2016	\$426,667
2017	\$640,000
2018	\$640,000

ASSUMPTION (continued)

Officials from the **City of O'Fallon** assumed this proposal could impact the City's revenues somewhere between \$151,895 - \$216,993. City officials noted this legislation would limit the cost of the vehicle to \$15,000 and stated it would reduce the amount of revenue loss, but they were not sure how much that would reduce the city's losses.

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.

Officials from the **Joint Committee on Administrative Rules**, the **City of Independence**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assume this proposal would not have a fiscal impact to their organization.

ASSUMPTION (continued)

Not responding

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for fiscal information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following schools: Blue Springs Public Schools, Branson Public Schools, Caruthersville School District, Cole R-I Schools, Columbia Public Schools, Everton R-III School District, Fair Grove Schools, Fulton Public School, Harrisonville School District, Independence Public Schools, Jefferson City Public Schools, Kansas City Public Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Macon School, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Riverview Gardens School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, Springfield School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools, Warren County R-III School District and Waynesville Public School did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Computer programming Section 144.030	(\$90,720)	\$0	\$0
<u>Revenue reduction - Sales tax on ATV's</u> Section 144.030	<u>(\$22,790)</u>	<u>(\$27,348)</u>	<u>(\$27,348)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$113,510)</u>	<u>(\$27,348)</u>	<u>(\$27,348)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction - Sales tax on vehicles</u> Section 144.030	(\$3,692,551)	(\$4,431,061)	(\$4,431,061)
<u>Revenue reduction - Sales tax on ATV's</u> Section 144.030	<u>(\$7,597)</u>	<u>(\$9,116)</u>	<u>(\$9,116)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$3,700,148)</u>	<u>(\$4,440,177)</u>	<u>(\$4,440,177)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - Sales tax on vehicles Section 144.030	(\$923,294)	(\$1,107,953)	(\$1,107,953)
<u>Revenue reduction</u> - Sales tax on ATV's Section 144.030	<u>(\$950)</u>	<u>(\$1,140)</u>	<u>(\$1,140)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>\$924,244</u>	<u>(\$1,109,093)</u>	<u>(\$1,109,093)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u> - Sales tax on vehicles Section 144.030	(\$738,260)	(\$885,912)	(\$885,912)
<u>Revenue reduction</u> - Sales tax on ATV's Section 144.030	<u>(\$760)</u>	<u>(\$912)</u>	<u>(\$912)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(\$739,020)</u>	<u>\$886,824</u>	<u>(\$886,824)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
STATE ROAD BOND FUND			
<u>Revenue reduction</u> - Sales tax on vehicles Section 144.030	<u>(\$11,077,967)</u>	<u>(\$13,293,559)</u>	<u>(\$13,293,559)</u>
ESTIMATED NET EFFECT ON STATE ROAD BOND FUND	<u>(\$11,077,967)</u>	<u>(\$13,293,559)</u>	<u>(\$13,293,559)</u>
STATE TRANSPORTATION FUND			
<u>Revenue reduction</u> - Sales tax on vehicles Section 144.030	<u>(\$295,491)</u>	<u>(\$354,590)</u>	<u>(\$354,590)</u>
ESTIMATED NET EFFECT ON TRANSPORTATION FUND	<u>(\$295,491)</u>	<u>(\$354,590)</u>	<u>(\$354,590)</u>
STATE ROAD FUND			
<u>Revenue reduction</u> - Sales tax on vehicles Section 144.030	<u>(\$10,782,474)</u>	<u>(\$12,938,969)</u>	<u>(\$12,938,969)</u>
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>(\$10,782,474)</u>	<u>(\$12,938,969)</u>	<u>(\$12,938,969)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - State sales tax on vehicles Section 144.030	(\$3,692,863)	(\$4,431,436)	(\$4,431,436)
<u>Revenue reduction</u> - Local sales tax on vehicles and ATV's Section 144.030	<u>(\$21,295,112)</u>	<u>(\$25,554,134)</u>	<u>(\$25,554,134)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(\$24,987,975)</u>	<u>(\$29,985,570)</u>	<u>(\$29,985,570)</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to a small businesses which purchases a qualifying motor vehicle.

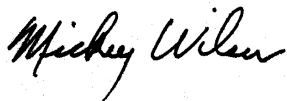
FISCAL DESCRIPTION

The proposed legislation would create a sales and use tax exemption for vehicles over ten years old if the motor vehicle has a sale price of \$15,000 or less.

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 Conservation
Department of Natural Resources
Department of Revenue
Department of Transportation
Cole County
St. Louis County
City of Columbia
City of Independence
City of Kansas City
City of O'Fallon
Platte County Board of Elections
St. Louis County Directors of Elections



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