

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5496-04
Bill No.: Truly Agreed To and Finally Passed SCS for HCS for HB 2140
Subject: Taxation and Revenue - Sales and Use; Motor Vehicle
Type: Original
Date: May 17, 2016

Bill Summary: This proposal modifies provisions related to local sales tax on motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$14,667,000	\$44,000,000	\$29,333,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the proposal will have an administrative impact on the department, and will impact local revenues. DOR officials noted that under the proposal, individuals will continue to pay the current local tax in municipalities that have not passed a motor vehicle sales tax, and the tax generated for those municipalities that have not passed a motor vehicle sales tax is approximately \$44 million annually. This amount will be an increase in revenue until the municipalities pass the tax or until November 2018.

DOR further noted the proposal amends and extends the deadline to have a vote on whether or not to repeal the local sales tax on motor vehicles to November 2018. If the ballot measure is rejected, it also allow local taxing jurisdiction to place the measure on the ballot in the future. If the taxing jurisdiction fails to place the measure on the ballot prior to November 2018, they may do so thereafter.

DOR noted the proposal also adds and establishes the Missouri Task Force on Fair, Nondiscriminatory Local Taxation Concerning Motor Vehicles, Boats, and Outboard Motors.

Officials from the **Office of Administration - Budget and Planning (B&P)** noted the proposal creates the Missouri Task Force on Fair, Nondiscriminatory Local Taxation Concerning Motor Vehicles, Boats, and Outboard Motors. Further the proposal changes the local sales and use tax laws regarding motor vehicles and any changes made to local rates or items taxed must be voter approved. B&P noted this proposal does not have a statewide effect on Total State Revenue and is not subject to the calculation under Article X, Section 18(e).

Oversight assumes a zero fiscal impact for state government funds and positive annual impact of \$44 million for local revenues based upon the information submitted by the DOR. If voters fail to approve the tax by November 2018, the tax ceases as of March 1, 2019. Oversight will show a range of \$29.3 million to \$44 million for FY 2019.

Oversight notes that Section 32.088 provides for the creation of the “Missouri Task Force on Fair, Nondiscriminatory Local Taxation Concerning Motor Vehicles, Trailers, Boats, and Outboard Motors”. Oversight assumes the expenses in the creation of the task force would be less than \$10,000 per year, and therefore immaterial.

Officials from the **Department of Conservation, the Joint Committee on Administrative Rules, the Department of Natural Resources, St. Louis County, St. Louis County Election Board, Callaway County, and Platte County Board of Elections,** assume no impact to their

ASSUMPTION (continued)

respective organizations

Officials from the **Office of the Secretary of State (SOS)** state 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 SOS 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to a previous version, officials from, **Jefferson City, Kansas City, and the Jackson County Election Board** assumed no fiscal impact to their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (4 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (4 Mo.)	FY 2018	FY 2019
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LOCAL GOVERNMENT

<u>Revenue - Sales & Use Tax</u>	<u>\$14,667,000</u>	<u>\$44,000,000</u>	<u>\$29,333,000</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>\$14,667,000</u>	<u>\$44,000,000</u>	<u>\$29,333,000</u>
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FISCAL IMPACT - Small Business

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

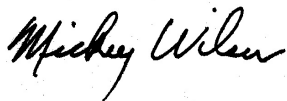
FISCAL DESCRIPTION

The proposed legislation authorizes a taxing jurisdiction to hold a vote on whether to impose a local sales tax on vehicle titling on purchases from a source other than a licensed Missouri dealer after such a tax was repealed.

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
Office of Administration - Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Joint Committee on Administrative Rules
Office of Secretary of State
Jefferson City
Kansas City
Jackson County Election Board
St. Louis County
St. Louis County Election Board
Platte County Board of Elections
Callaway County



Mickey Wilson, CPA
Director
May 17, 2016

Ross Strobe
Assistant Director
May 17, 2016