

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5008-03
Bill No.: SCS for SB 707
Subject: Bonds - General Obligation and Revenue; Business and Commerce; Licenses -
Miscellaneous; Motor Vehicles; Department of Revenue; Taxation and Revenue -
Sales and Use
Type: Original
Date: February 23, 2018

Bill Summary: This proposal modifies provisions relating to vehicle sales.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Conservation Commission Fund	(\$1,097,947)	(\$1,317,537)	(\$1,317,537)
Highway Fund	(\$14,891)	(\$17,869)	(\$17,869)
Parks Fund	(\$438,956)	(\$526,747)	(\$526,747)
School District Trust Fund	(\$4,391,047)	(\$5,269,256)	(\$5,269,256)
Soil and Water Fund	(\$438,956)	(\$526,747)	(\$526,747)
State Road Fund	(\$12,822,123)	(\$15,386,548)	(\$15,386,548)
State Road Bond Fund	(\$13,173,511)	(\$15,808,213)	(\$15,808,213)
State Transportation Fund	(\$351,388)	(\$421,665)	(\$421,665)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$32,728,819)	(\$39,274,582)	(\$39,274,582)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	(\$26,677,153)	(\$32,012,584)	(\$32,012,584)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume the following regarding this proposal:

§144.025

Changes the period to claim a sales tax credit from one hundred eighty days to one year when titling a subsequent motor vehicle, trailer, boat, or outboard motor.

§301.213

Increases the required bond amount from \$25,000 to \$50,000 for a licensed dealer.

§301.550

To be eligible for license renewal, the applicant must meet the minimum requirement of six sales per year.

§301.559

Requires the applicant to include the business name, physical address, regular business hours, phone number, and email address to where the applicant may be contacted during regular business hours on the application.

§301.560

Requires the applicant maintain a working telephone number and email address during the entire registration year. Increases the required bond amount from \$25,000 to \$50,000 for a licensed dealer. This section would also remove motorcycle franchise dealers and used motorcycle dealers from the dealer license plate number provision. Provides that a motor vehicle dealer can obtain one license plate at a fee of \$50 an additional plate upon completion of 20 sales at a fee of \$10.50.

§301.562

Changes the language removing "shall" to "may" be suspended or revoked following an evidentiary hearing.

§301.566

Restructures and adds requirements for "off-premise events", including criteria that must be met in order to be approved by the Department. This section also removes the requirement to pay a permit fee of \$550 to the Motor Vehicle Commission Fund.

ASSUMPTION (continued)

Administrative Impact

To implement the proposed changes, the Department will be required to:

- Update the procedures, Department website, and correspondence letters;
- Update the Missouri Titling Manual and Dealer Licensing Manual;
- Modify title rejection verbiage that references the one hundred eighty day sales tax credit;
- Complete programming and user acceptance testing to DMVC;
- Amend and update administrative rules; and
- Train staff

FY 2019 - Motor Vehicle Bureau

Management Analysis Spec I	400 hrs. @ \$18.42 per hr.	= \$ 7,368
Admin. Office Support Asst.	45 hrs. @ \$13.78 per hr.	= \$ 620
Revenue Manager Band I	240 hrs. @ \$25.05 per hr.	= \$ 6,012
Total		= \$14,000

FY 2019 - Personnel Services Bureau

Administrative Analyst III	30 hrs. @ \$19.43 per hr.	= \$ 583
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Total Costs

\$14,583

OA-ITSD services will be required at a cost of **\$15,957** (212.76 hours x \$75 per hour) in FY 2019.

The assumed changes to the tax credit will generate additional phone calls and email correspondence to the Department's general phone line, and additional refund requests to the Department's refund section. In FY 2017, there were 151,550 total motor vehicle, ATV, trailer, boat, and outboard motor title transactions in which the sales tax credit was given, and 8,929 refunds issued. The Department assumes an increase in related phone calls and refund requests. If the increase in calls and refund requests is substantive, additional FTE will be requested through the appropriations process.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

ASSUMPTION (continued)

Revenue Impact

This proposal extends the credit period an additional one-hundred eighty days on top of the current one-hundred eighty days. The department has no way of determining how an additional one-hundred eighty days will impact the amount of sales tax credit used, therefore the department is assuming an increase of 25% of the amount of tax credits given in a fiscal year.

In FY 2017 there were 151,550* total motor vehicle, ATV, trailer, boat, and outboard motor title transactions in which the sales tax credit was given. These transactions totaled \$178,105,656 in state sales tax that would have been collected if the credit had not been used and \$106,947,704 in local sales tax.

Assuming that the amount of credit used will increase by 25%, this will result in an additional loss of \$44,526,414 in state sales tax that would have been collected and a loss of \$24,254,501 in local sales tax that would otherwise be distributed as follows:

ASSUMPTION (continued)

	FY 2019	FY 2020	FY 2021
Projected Decrease in Sales Tax	\$37,105,345	\$44,526,414	\$44,526,414
Conservation Sales Tax	\$1,097,947	\$1,317,537	\$1,317,537
Soil and Water Sales Tax	\$438,956	\$526,747	\$526,747
Park Sales Tax	\$438,956	\$526,747	\$526,747
General Revenue	\$0	\$0	\$0
State Road Bond Fund	\$13,173,511	\$15,808,213	\$15,808,213
State Transportation Fund	\$351,388	\$421,665	\$421,665
State Road Fund	\$12,822,123	\$15,386,548	\$15,386,548
School District Trust	\$4,391,047	\$5,269,256	\$5,269,256
Cities	\$2,634,851	\$3,161,821	\$3,161,821
Counties	\$1,756,567	\$2,107,880	\$2,107,880
Decrease in Local Sales Tax	\$22,280,772	\$26,736,926	\$26,736,926
Cities	\$11,140,386	\$13,368,463	\$13,368,463
Counties	\$11,140,386	\$13,368,463	\$13,368,463

*The 151,550 total motor vehicle, ATV, trailer, boat, and outboard motor title transactions in which the sales tax credit was given may include total loss tax credit under §144.027 that is not being changed under this proposal. The Department cannot separately identify those transactions where the one hundred eighty day sales tax credit was given or the total loss sales tax credit was given.

ASSUMPTION (continued)

There were 8,929 sales tax credit refunds issued in FY 2017 in the amount of \$3,992,497. Assuming a 25% increase, this would result in an additional loss of \$998,124 in State and Local sales tax.

§301.550

Motor vehicle dealers will be limited to one plate at a fee of \$50. A second plate may be issued at a fee of \$10.50 after the dealer completes twenty sales. Any subsequent plates are issued in ten sale increments.

Currently, motor vehicle dealers are issued the first plate at \$50 (there will be no change on the initial dealer plate), and a second and third plate at \$10.50, if requested, regardless of sales.

Under this proposal, if a dealer cannot meet the additional twenty-sale requirement for a second plate and another ten sales for a third plate, there may be a loss of additional dealer plate fees collected.

For licensure year 2017, 5,178 motor vehicle dealers obtained a second and third plate, with 1,845 of those selling less than 20 vehicles and 424 selling 21-30 vehicles.

1,845	Additional dealer plates (2nd plate)
x 10.50	Additional dealer plate fee of \$10.50
\$ 19,373	Loss of additional dealer plate fees

424	Additional dealer plates (3rd plate)
x 10.50	Additional dealer plate fee of \$10.50
\$ 4,452	Loss of additional dealer plate fees

The total potential revenue loss to the Highway Fund, Cities and Counties is \$23,825.

	FY 2019	FY 2020	FY 2021
Amount to Distribute	\$19,854	\$23,825	\$23,825
Highway Fund (75%)	\$14,891	\$17,869	\$17,869
Cities (15%)	\$2,978	\$3,574	\$3,574
Counties (10%)	\$1,985	\$2,382	\$2,382

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding this proposal:

§144.025

This proposal allows Missouri taxpayers one year to obtain their motor vehicle sales tax credit instead of just 180 days. This could lower the amount of sales tax collected on motor vehicles, which could decrease Total State Revenue (TSR) (State Highway Fund, Education, Conservation, Soil/Water and Parks). In addition, it could lower the amount of sales tax going to the locals.

§301.213

This language increases the motor vehicle dealer bond requirement from \$25,000 to \$50,000. These bonds are not deposited into State Treasury, and therefore do not impact TSR or the 18(e) calculation.

§301.550

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

§§301.553 and 301.557

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

§301.559

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

This proposal requires the motor vehicle dealer applicant to include his/her regular business hours, phone number, and e-mail address where he/she can be reached.

§301.560

These changes would allow motor vehicle dealer franchises to have a cell number as opposed to only a landline phone number to be used during business hours. It also requires an e-mail address to be kept on file with DOR.

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

ASSUMPTION (continued)

This language increases the motor vehicle franchise dealer (new and used), powersport dealer, wholesale motor vehicle dealer, trailer dealer, and boat dealer bond requirements from \$25,000 to \$50,000. These bonds are not deposited into state treasury, and therefore do not impact TSR or the 18(e) calculation.

Updates motorcycle franchise dealers to the newer term powersport dealers.

DOR shall issue one number plate with the dealer license number upon payment by the dealer of a \$50 fee with additional plates upon completion of the dealer's second 10-unit qualified transaction and payment of a fee of \$10.50. This will impact TSR and 18(e).

§301.562

The language change allows for the suspension or revocation of a license instead of mandating the suspension or revocation. This could potentially lower TSR if DOR decides not to suspend or revoke as many licenses as it would mean fewer reinstatement fees collected.

§§301.563 and 301.564

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

§301.566

These proposed changes restructure and add requirements for off-premise motor vehicle events. The \$500 permit fee deposited into the Motor Vehicle Commission Fund is replaced with a new participation fee based on reasonable costs not to exceed \$500 per participant. The participation fee is retained by the event host. This will lower TSR and 18(e) as the Motor Vehicle Commission Fund will no longer receive the \$500 event permit fee.

§301.568

The proposed language replaces the words "franchise" and "enfranchised" with "franchised". These changes are clean-up only.

§301.570

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

B&P defers to DOR for their fiscal impacts.

ASSUMPTION (continued)

Officials from the **Department of Corrections, Department of Public Safety - Missouri Highway Patrol, Office of the State Courts Administrator, Office of Prosecution Services, Office of the State Public Defender and State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Transportation** defer to DOR for fiscal impact.

In response to a previous version, officials from the **Joint Committee on Administrative Rules** stated that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Officials from **St. Louis County** assume the proposed \$50,000 bond will increase their Irrevocable Letter of Credit expense by \$500 for each fiscal year.

Officials from the **St. Louis County Department of Justice Services, Greene County Sheriff's Office and City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **St. Louis County Police Department, Springfield Police Department and Joplin Police Department** each assumed the proposal would have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
CONSERVATION COMMISSION FUND			
<u>Loss - Sales tax from additional 180 days</u>	<u>(\$1,097,947)</u>	<u>(\$1,317,537)</u>	<u>(\$1,317,537)</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>(\$1,097,947)</u>	<u>(\$1,317,537)</u>	<u>(\$1,317,537)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
HIGHWAY FUND			
<u>Loss - Dealer plate fees</u>	<u>(\$14,891)</u>	<u>(\$17,869)</u>	<u>(\$17,869)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>(\$14,891)</u>	<u>(\$17,869)</u>	<u>(\$17,869)</u>
PARKS FUND			
<u>Loss - Sales tax from additional 180 days</u>	<u>(\$438,956)</u>	<u>(\$526,747)</u>	<u>(\$526,747)</u>
ESTIMATED NET EFFECT ON THE PARKS FUND	<u>(\$438,956)</u>	<u>(\$526,747)</u>	<u>(\$526,747)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Loss - Sales tax from additional 180 days</u>	<u>(\$4,391,047)</u>	<u>(\$5,269,256)</u>	<u>(\$5,269,256)</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	<u>(\$4,391,047)</u>	<u>(\$5,269,256)</u>	<u>(\$5,269,256)</u>
SOIL AND WATER FUND			
<u>Loss - Sales tax from additional 180 days</u>	<u>(\$438,956)</u>	<u>(\$526,747)</u>	<u>(\$526,747)</u>
ESTIMATED NET EFFECT ON THE SOIL AND WATER FUND	<u>(\$438,956)</u>	<u>(\$526,747)</u>	<u>(\$526,747)</u>
STATE ROAD FUND			
<u>Loss - Sales tax from additional 180 days</u>	<u>(\$12,822,123)</u>	<u>(\$15,386,548)</u>	<u>(\$15,386,548)</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>(\$12,822,123)</u>	<u>(\$15,386,548)</u>	<u>(\$15,386,548)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
(continued)	(10 Mo.)		

STATE ROAD BOND FUND

<u>Loss - Sales tax from additional 180 days</u>	<u>(\$13,173,511)</u>	<u>(\$15,808,213)</u>	<u>(\$15,808,213)</u>
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ESTIMATED NET EFFECT ON THE STATE ROAD BOND FUND	<u>(\$13,173,511)</u>	<u>(\$15,808,213)</u>	<u>(\$15,808,213)</u>
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STATE TRANSPORTATION FUND

<u>Loss - Sales tax from additional 180 days</u>	<u>(\$351,388)</u>	<u>(\$421,665)</u>	<u>(\$421,665)</u>
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ESTIMATED NET EFFECT ON THE STATE TRANSPORTATION FUND	<u>(\$351,388)</u>	<u>(\$421,665)</u>	<u>(\$421,665)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		

LOCAL POLITICAL SUBDIVISIONS

<u>Loss - Cities (15%) - Dealer plate fees</u>	<u>(\$2,978)</u>	<u>(\$3,574)</u>	<u>(\$3,574)</u>
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<u>Loss - Cities - Local Sales Tax</u>	<u>(\$11,140,386)</u>	<u>(\$13,368,463)</u>	<u>(\$13,368,463)</u>
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<u>Loss - Cities (15%) - Sales tax</u>	<u>(\$2,634,851)</u>	<u>(\$3,161,821)</u>	<u>(\$3,161,821)</u>
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<u>Loss - Counties (10%) - Dealer plate fees</u>	<u>(\$1,985)</u>	<u>(\$2,382)</u>	<u>(\$2,382)</u>
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<u>Loss - Counties - Local Sales Tax</u>	<u>(\$11,140,386)</u>	<u>(\$13,368,463)</u>	<u>(\$13,368,463)</u>
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<u>Loss - Counties (10%) - Sales tax</u>	<u>(\$1,756,567)</u>	<u>(\$2,107,880)</u>	<u>(\$2,107,880)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$26,677,153)</u>	<u>(\$32,012,584)</u>	<u>(\$32,012,584)</u>
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FISCAL IMPACT - Small Business

Small dealerships could be impacted by this proposal due the increased bond amount and the revised requirements regarding dealer license plates.

FISCAL DESCRIPTION

This act modifies provisions relating to vehicle sales.

SALES TAX ALLOWANCES (Section 144.025)

This act extends, from 180 days to 1 year, the time period in which a person may apply a sales tax allowance when titling a subsequent motor vehicle, trailer, boat, or outboard motor.

MOTOR VEHICLE DEALERS (Sections 301.213, 301.550, 301.553, 301.557, 301.559, 301.560, 301.562, 301.563, 301.564, 301.566, 301.568, and 301.570)

This act raises, from \$25,000 to \$50,000, the bond required for licensure as a motor vehicle dealer.

This act also requires motor vehicle dealer license applicants to submit their regular business hours, and a phone number and email address where the applicant can be contacted during regular business hours. Applicants shall maintain a working telephone number during the entire registration year which will allow the public, the Department of Revenue, and law enforcement to contact the applicant during regular business hours, and shall maintain an email address that may be used for official correspondence with the department.

Currently, motor vehicle dealers shall receive one dealer license plate upon application for a dealer's license, and may be issued two additional plates. Thereafter, dealers may be issued an additional plate for each 10 additional vehicles sold. This act specifies that motor vehicle dealers shall receive only one plate upon application for a license, and may obtain additional plates beginning at 20 vehicle sales.

This act modifies the classifications of vehicle dealers to which the Department of Revenue shall assign certain distinctive dealer license numbers.

The act specifies that motor vehicle dealer licenses may, rather than shall, be suspended or revoked following a hearing on allegations of certain violations of the dealer licensure law.

FISCAL DESCRIPTION (continued)

This act modifies the law with regard to off-premise vehicle shows and sales. Motor vehicle dealers may participate in up to two motor vehicle sales or shows annually and conduct sales away from the dealer's registered place of business, which for purposes of this section shall be considered "off-premise events" under certain circumstances.


Such events shall be conducted for not more than 5 consecutive days, the event shall not require an unreasonably prohibitive participation fee, a majority of the dealers within a class located within a certain distance of the event participate or are notified at least 45 days in advance and have the opportunity to participate, and the organizer of the event provides a copy of the notice to the Director of the Department of Revenue. No dealer shall participate in an off-premise event more than 10 miles from its licensed location. Recreational vehicle dealers may participate even if a majority of recreational vehicle dealers in the city or town do not.

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 - Budget and Planning
Department of Public Safety - Missouri Highway Patrol
State Tax Commission
Office of the State Courts Administrator
Office of Prosecution Services
Office of the State Public Defender
Joint Committee on Administrative Rules
Department of Corrections
Department of Transportation
St. Louis County
City of Springfield
Boone County Sheriff's Department
St. Louis County Police Department
Springfield Police Department
Joplin Police Department
City of Kansas City
St. Louis County Department of Justice Services
Greene County Sheriff's Office

Ross Strope



Acting Director
February 23, 2018