

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0590S.01I
Bill No.: SB 273
Subject: Taxation and Revenue - Sales and Use; Motor Vehicles
Type: Original
Date: January 20, 2021

Bill Summary: This proposal requires certain financing entities to remit motor vehicle sales tax on behalf of the purchaser.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(Greater than \$250,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	(Greater than \$250,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume for the State of Missouri to create a system to operate nationwide so out-of-state lenders can comply with the provisions of this legislation, the cost would be unknown, but would be significant. DOR estimates this system will cost more than \$250,000 to create.

Oversight does not have information to the contrary and therefore, Oversight will reflect a “Greater than \$250,000” cost to DOR for the creation of a new system.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal may reduce Total State Revenue (TSR).

This proposal will not impact the calculation under Article X, Section 18(e).

Beginning January 1, 2022, this proposal would require financing entities to pay state and local taxing authorities directly for motor vehicle sales taxes if such taxes were included in their financing of a motor vehicle. B&P notes that this proposal does not allow such financial institutions to take a 2% timely filing discount.

However, some dealerships provide dealership financing. Subsection 144.070.10, RSMo, grants dealerships a 2% timely filing discount if they collect and remit sales taxes themselves. If this proposal increases the number of dealerships that remit sales taxes on motor vehicles or the amount of sales tax remittances from a dealership, then TSR may be reduced.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they 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, they

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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost – DOR – to create a new system for compliance of out-of-state dealerships</u>	(Greater than <u>\$250,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(Greater than <u>\$250,000</u>)	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Moto vehicle dealerships could be impacted as a result of this proposal.

FISCAL DESCRIPTION

This act requires financing entities that extend financing to cover state and local sales taxes owed on the purchase of a motor vehicle to remit the amount of such state and local sales taxes to the appropriate taxing authority on behalf of the purchaser. The financing entity and purchaser shall be jointly liable to the taxing authority for the amount of sales tax owed.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 0590S.01I

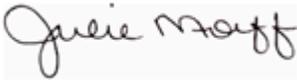
Bill No. SB 273

Page 5 of 5

January 20, 2021

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Office of the Secretary of State
Joint Committee on Administrative Rules



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January 20, 2021