

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0061S.01I
Bill No.: SB 66
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use
Type: Original
Date: January 30, 2023

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 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 or at full implementation of the act.

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Beginning January 1, 2024, 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 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.

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

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

This language requires financing entities to remit tax due if the amount of financing included a tax amount. This language includes lenders throughout the United States, not just Missouri.

Currently the Department's motor vehicle titling and registration system(s) does not have the capability to handle collection of tax from financial entities. The system(s) also does not have the capability of pending transactions (tax submitted from the financial entity waiting on the owner to title and register the vehicle). To create these modifications to the current system(s) would require a significant re-write of the system. Even though the Department is currently in the process of implementing an integrated system, the new system does not include this type of processing and pending transactions for financial entities. The cost to include these types of changes cannot be determined at this time but could be significant (in excess of \$100,000).

To avoid duplicative technology development and associated costs to the state, it is recommended a delayed effective date be added to this bill to correlate with the installation of the new system.

This legislation could result in delays for vehicle purchasers since they will no longer be able to take the title to a license office and get license plates right away if the lender has any delays in remitting tax to the Department. Currently, statute requires taxes on motor vehicles to be paid at time of titling. The lienholders would also have to submit the title paperwork with the tax.

Oversight assumes the cost to include these changes in the new system may exceed the \$250,000 threshold; therefore, Oversight will reflect a “Greater than \$250,000” cost to DOR for the needed changes to the system.

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 (SOS)** note 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 \$5,000. 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
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 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

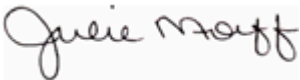
FISCAL DESCRIPTION

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.

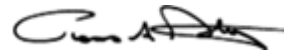
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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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Director
January 30, 2023



Ross Strobe
Assistant Director
January 30, 2023