

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0412S.01I  
 Bill No.: SJR 11  
 Subject: Constitutional Amendments; Taxation and Revenue - Property; Motor Vehicles  
 Type: Original  
 Date: February 14, 2023

Bill Summary: This proposal exempts noncommercial vehicles in excess of ten years old from property tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 or (More than \$10,000,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$10,000,000)**</b>	<b>\$0</b>	<b>\$0</b>

\*The potential fiscal impact of “(More than \$10,000,000)” would be realized **only** if a special election were called by the Governor to submit this joint resolution to voters.

\*\*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund	\$0	\$0	More than or less than (\$1,263,009)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>More than or less than (\$1,263,009)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0*</b>	<b>\$0</b>	<b>(Unknown, Could be substantial) **</b>

\*Potential costs and state reimbursements net to zero in FY 2024 if a special election is called. \*\***Oversight** notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Some taxing entities will be able to increase the tax rate levied on other property to make-up for the lost revenue from exempt assessments for motor vehicles that are at least ten years old and used solely for non-commercial purposes. Some may not be able to.

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would go to a public vote in November 2024. For the purpose of this fiscal note, B&P will assume that, if voter approved, this proposal will become effective for tax year 2025. B&P notes that property tax assessment are not completed until after August and the taxes are not due until December. Therefore, B&P assumes that the property tax exemption would begin for tax year 2025, with payments due December 31, 2025, which is in FY26.

This proposal would exempt all non-commercial motor vehicles older than ten years from property tax. Therefore, all model 2014 and older vehicles would be exempt from property tax in tax year 2025. The following tax year (2026) all model 2015 and older vehicles would become exempt from property tax.

B&P notes that currently, motor vehicles are assessed personal property tax at 33.33% of their market value and all historic motor vehicles are assessed personal property at 5% of their market value.

Based on information provided by DOR, this proposal may exempt 64.0% of motor vehicles from property taxes in tax year 2025. By tax year 2030, this proposal may exempt 88.4% of motor vehicles from property tax. B&P notes that this data is based on current registrations, for the purpose of this fiscal note, B&P will assume that the age distribution of registered vehicles will not significantly differ from the current distribution. Table 1 shows the number and percent of vehicles registered in Missouri by model year and the tax year in which they would become exempt from property tax.

Table 1: Age of Vehicles

Model Year	Registered Vehicles	% of Total Registered Vehicles	Tax Year Exempt
2011 & earlier	3,645,822	51.3%	2025
2012	277,460	3.9%	2025
2013	300,522	4.2%	2025
2014	322,288	4.5%	2025
2015	350,214	4.9%	2026
2016	351,999	5.0%	2027
2017	366,891	5.2%	2028
2018	339,365	4.8%	2029

2019	331,262	4.7%	2030
Total	6,285,823	88.4%	

Using data published by the U.S. Department of Transportation – Bureau of Transportation Statistics, B&P was able to determine the average price of new vehicles purchased between 1990 and 2019. Using the depreciation schedule allowable under IRS rules and Section 137.122, RSMo, B&P estimated the current approximate fair market value for each model year. Table 2 shows the estimated average assessed value (market value x assessment rate) under current law versus this proposal.

Table 2: Estimated Average Assessment Value

Model Year	Current	Proposed	Difference
2011 & earlier	\$874	\$0	(\$874)
2012	\$1,161	\$0	(\$1,161)
2013	\$1,179	\$0	(\$1,179)
2014	\$1,183	\$0	(\$1,183)
2015	\$1,214	\$0	(\$1,214)
2016	\$1,229	\$0	(\$1,229)
2017	\$1,238	\$0	(\$1,238)
2018	\$1,247	\$0	(\$1,247)
2019	\$1,267	\$0	(\$1,267)

B&P notes that the Blind Pension Trust Fund levies a tax on property at the rate of \$0.03 per \$100 assessed value. In addition, based on publicly available data, B&P estimates that the average local personal property tax levy is 8.5%. Table 3 shows the average estimated revenue impact per vehicle.

Table 3: Estimated Revenue Impact per Vehicle

Model Year	Assessment Value Reduction	Blind Pension Trust Fund	Local Revenue
2011 & earlier	(\$874)	(\$0.26)	(\$74.03)
2012	(\$1,161)	(\$0.35)	(\$98.34)
2013	(\$1,179)	(\$0.35)	(\$99.87)
2014	(\$1,183)	(\$0.35)	(\$100.21)
2015	(\$1,214)	(\$0.36)	(\$102.83)
2016	(\$1,229)	(\$0.37)	(\$104.10)
2017	(\$1,238)	(\$0.37)	(\$104.86)
2018	(\$1,247)	(\$0.37)	(\$105.63)
2019	(\$1,267)	(\$0.38)	(\$107.32)

Therefore, B&P estimates that proposal may reduce revenues to the Blind Pension Trust Fund by \$1,263,009 in tax year 2025 (FY26). By tax year 2030 (FY31) this proposal could reduce revenues to the Blind Pension Trust Fund by \$1,906,521.

B&P also estimates that this section may reduce total local revenues by \$359,495,231 in tax year 2025 (FY26). By tax year 2030 (FY31) this proposal could reduce revenues to local jurisdictions by \$542,021,186. Table 4 shows the estimated impact by fiscal year.

Table 4: Estimated Revenue Impact

Tax Year (Fiscal Year)	Blind Pension Trust Fund	Local Collections
2025 (FY26)	(\$1,263,009)	(\$359,495,231)
2026 (FY27)	(\$1,389,086)	(\$395,507,737)
2027 (FY28)	(\$1,519,326)	(\$432,150,833)
2028 (FY29)	(\$1,655,076)	(\$470,623,023)
2029 (FY30)	(\$1,780,641)	(\$506,470,148)
2030 (FY31)	(\$1,906,521)	(\$542,021,186)

Officials from the **Department of Revenue** note Section 6 of Article X of the Constitution of Missouri – adds language that all noncommercial motor vehicles in excess of ten years old shall be exempt from taxation.

Administrative Impact

In order to implement the proposed changes, the Department will be required to:

- Update procedures, manuals, Department website, and correspondence letters;
- Update Department system(s); and
- Train staff.

FY 2023 – Motor Vehicle Bureau

Associate Research/Data Analyst 186 hrs. @ \$19.90/hr. = \$3,701.40

Lead Administrative Support Asst. 15 hrs. @ \$14.83/hr. = \$222

Administrative Manager 23 hrs. @ \$26.96/hr. = \$2,045

FY 2023 – Strategy and Communications Office

Associate Research/Data Analyst hrs. @ \$19.90/hr. = \$

Total Cost = \$5,664

**Oversight** assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative 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.

### Revenue Impact

**DOR** notes this proposed change will affect 41,451 ATV's, 3,623 motortricycles, 108,614 motorcycles, 228 autocycles, and 3,226,599 passenger registrations. DOR assumes the total revenue impact to counties is unknown, but will be substantial.

Officials from the **Department of Social Services** note Section A. Section 6, article X of the Missouri Constitution is amended to exempt all noncommercial motor vehicles in excess of ten years old from taxation.

Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Reducing the assessment rate of property owners based on the provisions of this legislation could impact the BP fund.

According to the [Missouri Department of Revenue State Tax Commission Annual Report for 2021](#), \$24,686,570,012 of the \$128,268,819,238 Total Assessed Valuation for the State of Missouri comes from personal property. Therefore, personal property comprises 19.25% ( $\$24,686,570,012 / \$128,268,819,238 = 19.25\%$ ) of the total taxable property in Missouri.

Property Tax income for the BP fund in SFY 2022 was \$39,771,524 or approximately \$39.8 million (rounded up). 19.25% is personal property revenue; therefore, the total personal property revenue for BP is \$7,656,018 ( $\$39,771,524 * 0.1925 = \$7,656,018.37$ , rounded down). FSD made the assumption that 80% of this personal property revenue for BP is generated from motor vehicles; therefore, the total estimated personal property revenue from motor vehicles for BP is \$6,124,814 ( $\$7,656,018 * .8 = 6,124,814.40$ , rounded down).

According to the Missouri Department of Revenue, Missouri has a total of 7,108,578 registered motor vehicles and there are 3,645,822 motor vehicles that are over 10 years old. The percentage of motor vehicles in Missouri that are at least 10 years old is 51.29% ( $3,645,822 / 7,108,578 = 51.29\%$ ). FSD estimates that the current contribution to the BP fund for this classification of motor vehicles is \$3,141,417 ( $\$6,124,814 * 0.5129 = \$3,141,417.10$ , rounded down). If these motor vehicles become exempt from taxation, FSD estimates that the potential impact to the BP fund would be a decrease in the amount collected up to \$3,141,417.

Therefore, the fiscal impact to the BP fund would be a decrease of \$0 - \$3,141,417 in collections received for the BP fund beginning in SFY 2025.

Officials from the **State Tax Commission** note this proposal has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. Under the criteria of SJR 11, all non-commercial vehicles that are 10 years of age or older would be exempt from personal property taxes. The value of the vehicles that fall into this category is not known so the impact cannot be determined. Using information from the Department of Revenue information on total active vehicles by kind and model year, the total number of active cars, trucks, motorcycles, and tri-cycles is 4,905,302 and 2,474,614 are older than 10 years.

Officials from the **Gasconade County Assessor** assume this proposal would have a negative fiscal impact on their respective county of an indeterminate amount.

Officials from the **Lincoln County Assessor** the fiscal impact from this proposal is apparently taken care of with mechanisms to replace lost tax revenue.

Officials from **Office of the Secretary of State** each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$10 million based on the cost of the 2022 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY24 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet

the cost of the publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

**Oversight** has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2024. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2024 and the next scheduled general election is in November 2024 (both in FY 2025). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2024.

**Oversight** notes, per a report titled the [Impact of Transportation on Affordability: An Analysis of Auto Costs](#), the authors' estimate a car depreciates to ten percent of its market value after approximately 11 years. Based on information from the [Bureau of Transportation Statistics](#), Oversight estimates the average assessed value for vehicles over ten years old:

Year	Average New Price	Depreciation Factor	Est. Market Value (Depreciated)	Assessed Value Current 33.3%	Assessed Value Proposed 5%
2014	\$35,500	0.100	\$ 3,550	\$ 1,182	\$178

Assuming an effective tax levy of \$6.90, **Oversight** estimates the change in the tax per car in the chart below:

Years Old	Estimated Tax per Car - Current	Estimated Tax per Car - Proposed	Difference
11+ (2014 & older)	\$82	\$12	\$70

Using the potential number of cars eligible based on information available on Department of Revenue's [website](#), the revenue loss to local political subdivisions is estimated at \$269,747,520 (\$70 \* 3,853,536).

**Oversight** notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)\*.03). Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law.

Using a tax levy of .03 per \$100 of assessed value, **Oversight** estimates the change in the tax per car in the chart below:

Years Old	Estimated Tax per Car - Current	Estimated Tax per Car - Proposed	Difference
11+ (2014 & older)	\$0.35	\$0.05	\$0.30



The loss of revenue to the Blind Pension Fund is estimated at \$1,131,098 ( $\$0.30 * 3,770,326$ ).

**Oversight** notes these estimates include cars older than 10 years but assumes a ten year old average market value which could overstate the estimated impact. Due to limited data, Oversight is ultimately uncertain how much of the assessed value of motor vehicles is attributable to property in excess of ten years or how many are used solely for non-commercial purposes. Therefore, Oversight will show an impact to the Blind Pension Fund of More than or Less than the estimate provided by B&P (\$1,263,009).

**Oversight** notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Some taxing entities will be able to increase the tax rate levied on other property to make-up for the lost revenue. Therefore, the revenue lost to the all taxing entities as a whole may be less than the amount calculated above.

Some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law) rather it would result in a loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

**Oversight** assumes there could be costs for county assessors to track and implement these provisions.

**Oversight** notes the Office of Administration - Budget and Planning assumes this proposal will become effective for tax year 2025, with payments due December 31, 2025. B&P assumes this proposal will decrease revenue to the Blind Pension Trust Fund and to all local jurisdictions. Oversight does not have any information to the contrary and therefore, Oversight will reflect the estimates as provided by the Office of Administration - Budget and Planning beginning in FY 2026.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024	FY 2025	FY 2026
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	(10 Mo.)		
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs <b>if</b> a special election is called by the Governor	\$0 or (More than <u>\$10,000,000</u> )*	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<u>\$0 or (More than \$10,000,000)*</u>	<u>\$0</u>	<u>\$0</u>
<b>BLIND PENSION FUND</b>			
<u>Revenue (Loss)</u> - from a reduction in assessed value of motor vehicles - §137.115.3	\$0	\$0	More than or less than <u>(\$1,263,009)</u>
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<u>\$0</u>	<u>\$0</u>	<u>More than or less than (\$1,263,009)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$10,000,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election <b>if</b> called for by the Governor	\$0 or (More than <u>\$10,000,000</u> )	<u>\$0</u>	<u>\$0</u>
<u>Costs</u> - Assessors - to track and implement - §137.115.3	\$0	\$0	(Unknown)

Revenue (Loss) - from a reduction in assessed value of motor vehicles - §137.115.3	\$0	\$0	(Unknown, Could be substantial)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>\$0</b>	<b>(Unknown, Could be substantial)</b>

FISCAL IMPACT – Small Business

Oversight assumes there could be an impact to small businesses because taxing jurisdictions may be able to increase the levy to all other property owners to make up for the lost revenue.

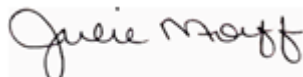
FISCAL DESCRIPTION

This resolution exempts noncommercial vehicles in excess of ten years old from property tax


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 Social Services  
 State Tax Commission  
 Office of the Secretary of State  
 Gasconade County Assessor  
 Lincoln County Assessor



Julie Morff  
 Director  
 February 14, 2023



Ross Strope  
 Assistant Director  
 February 14, 2023