COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0917H.10C
Bill No.: HCS for SS No. 2 for SCS for SB 96
Subject: Political Subdivisions; Economic Development; Taxation and Revenue - General
Type: #Updated
Date: May 3, 2023

#Updated the impacts to the Blind Pension Fund and to local political subdivisions from §137.115, as an updated local personal property tax rate and current depreciation schedule data was obtained by the Office of Administration - Budget and Planning (pages 2-6, 54, 56 and 57)

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
General Revenue	($529,531,932)*	(Unknown, less than $1,000,589,986)	(Unknown, less than $997,638,171)	(Unknown, less than $1,353,212,854)**/***
Total Estimated Net Effect on General Revenue	**($529,531,932)***	**(Unknown, less than $1,000,589,986)**	**(Unknown, less than $997,638,171)**	**(Unknown, less than $1,353,212,854)**/*****

*The impact for FY 2024 is smaller because it reflects a partial year
**The fully implemented fiscal impact would be realized if the two proposed general revenue growth dependent reductions are triggered (§143.071.5 & §143.071.6), eventually reducing the corporate income tax rate to 0%.
***The provisions within §§142.815, 142.822 & 142.824 would be fully implemented in FY 2027.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
State Road Fund*	(Unknown, could exceed $95,186,004 to $172,732,753)	(Unknown, could exceed $117,961,122 to $187,302,515)	(Unknown, could exceed $168,484,856 to $256,465,881)	(Unknown, could exceed ($193,575,690 to $286,773,850)*
#Blind Pension Fund	$0	#Could exceed ($2,499,449)	#Could exceed ($2,499,449)	#Could exceed ($2,499,449)
#Total Estimated Net Effect on <u>Other</u> State Funds	**(Unknown, could exceed $95,186,004 to $172,732,753)**	**(Unknown, could exceed $120,460,571 to $189,801,964)**	**(Unknown, Could exceed $170,984,305 to $258,965,330)**	**(Unknown, could exceed ($196,075,139 to $289,273,299)***

* The provisions within §§142.815, 142.822 & 142.824 would be fully implemented in FY 2027.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY Unknown)
Total Estimated Net Effect on FTE	**0**	**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	Fully Implemented (FY Unknown)
#Local Government	**Could exceed ($35,020,850 to $63,702,525)**	**#Could exceed ($606,215,702 to $631,862,519)**	**#Could exceed ($624,902,563 to $657,443,490)**	**#Could exceed ($634,182,772 to $668,653,326)**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints relative to the complexity of this proposal, **Oversight** has performed limited analysis of agency responses and of the bill. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Oversight will continue to review to determine if an updated fiscal note should be prepared.

§§67.1421 & 238.225 – Special Taxing Districts

Officials from the **City of Kansas City** state this proposal could have a negative fiscal impact on Kansas City in an indeterminate amount if the legislation makes it more difficult to establish community improvement districts and thereby impedes economic development.

Oversight assumes this could possibly make it harder to establish a Community Improvement District and/or a Transportation Development District. However, Oversight assumes this to be a potential *indirect* impact and will not show it on the fiscal note.

Officials from the **Office of Administration - Budget and Planning** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these sections of the proposal.

In response to a previous version, officials from the **Missouri Department of Transportation** and the **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for these sections of the proposal.

§§137.073, 137.115, 138.060 – Motor Vehicle Assessment Valuations

#Officials from the **Office of Administration - Budget and Planning (B&P)** note for tax year 2023, this proposal would require county assessors to use a national publication other than the currently required NADA guide when determining the market value for motor vehicles. The STC shall determine which publication all assessors will use and the assessors may then use the values published in any of the three previous October issues.

#For tax years beginning with 2024, each county assessor must use the MSRP and then depreciate the motor vehicle value following the proposed 10-year depreciation schedule. B&P notes that the definition of motor vehicle includes all property required to be licenses and registered plus farm tractors and machinery which are capable of moving on the roads at low speeds. For used vehicles, county assessors are to take the 2023 market value and apply the appropriate depreciation rate(s) going forward.

#Using sales data published by the U.S. Bureau of Transportation Statistics, B&P was able to determine the average price for new vehicles from 1990 – 2021. B&P then used published articles to estimate the average sales price for new vehicles in 2022 and 2023. Based on research, B&P was able to obtain a depreciation schedule similar to the one historically shown in the NADA publications. In addition, DOR provided data to B&P with the number of motor vehicles registered in Missouri by model year. Table 1 shows the comparison between the estimated current depreciation schedules used in NADA versus the proposed schedule for model years 2003 - 2023. B&P notes that the amounts shown are the percentage of market value remaining after depreciation.

#Table 1: Proxy and Proposed Depreciation Schedule

Model Year	Current Remaining Value	Proposed Remaining Value	Difference		Model Year	Current Remaining Value	Proposed Remaining Value	Difference
2023	85.0%	85.0%	0.0%		2012	26.1%	0.1%	(26.0%)
2022	75.0%	75.0%	0.0%		2011	23.5%	0.1%	(23.4%)
2021	67.5%	67.5%	0.0%		2010	21.2%	0.1%	(21.1%)
2020	61.7%	54.7%	(7.0%)		2009	19.1%	0.1%	(19.0%)
2019	54.7%	49.7%	(5.0%)		2008	17.2%	0.1%	(17.1%)
2018	49.2%	44.2%	(5.0%)		2007	15.4%	0.1%	(15.3%)
2017	44.3%	39.9%	(4.4%)		2006	13.9%	0.1%	(13.8%)
2016	39.9%	24.8%	(15.1%)		2005	12.5%	0.1%	(12.4%)
2015	35.9%	16.8%	(19.1%)		2004	11.2%	0.1%	(11.1%)
2014	32.3%	12.8%	(19.5%)		2003	10.0%	0.1%	(9.9%)
2013	29.0%	10.0%	(19.0%)					

**2002 and older estimates calculated, but not shown.*

#B&P then took the original sales data and applied the current depreciation schedule and the proposed schedule to determine the difference in market values. B&P notes that motor vehicles are then assessed at 33.33% of their market value, while farm machinery is assessed at 12% of market value. Table 2 shows the estimated average current and proposed assessed values for model years 2003 – 2023.

#Table 2: Estimated Current and Proposed Average Assessed Value

Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference	Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference
2023	$14,213	$14,213	$0	2012	$3,028	$12	($3,016)
2022	$11,909	$11,909	$0	2011	$2,789	$12	($2,777)
2021	$10,218	$10,218	$0	2010	$2,500	$12	($2,488)
2020	$8,065	$7,150	($915)	2009	$1,669	$9	($1,660)
2019	$6,922	$6,290	($632)	2008	$1,516	$9	($1,507)
2018	$6,130	$5,507	($623)	2007	$1,382	$9	($1,373)
2017	$5,482	$4,937	($545)	2006	$1,243	$9	($1,234)
2016	$4,901	$3,046	($1,855)	2005	$1,032	$8	($1,024)
2015	$4,353	$2,037	($2,316)	2004	$898	$8	($890)
2014	$3,818	$1,513	($2,305)	2003	$762	$8	($754)
2013	$3,416	$1,178	($2,238)				

**2002 and older estimates calculated, but not shown.*

#Using data published by STC, B&P estimates that the statewide average personal property tax rate is 6.8%. B&P notes that the Blind Pension Trust Fund levies a statewide property tax of $0.03 per $100 value. Table 3 shows the estimated state and local revenue impact by model year.

#Table 3: Estimated Revenue Impact by Model Year

Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss	Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss
2023	93,124	$0	$0	2011	233,800	($194,054)	($43,718,262)
2022	250,577	$0	$0	2010	204,757	($153,568)	($34,300,893)
2021	281,533	$0	$0	2009	170,742	($85,371)	($19,083,833)
2020	287,551	($77,639)	($17,716,017)	2008	241,668	($108,751)	($24,522,052)
2019	331,860	($63,053)	($14,120,643)	2007	244,129	($100,093)	($22,569,726)
2018	338,301	($64,277)	($14,191,727)	2006	234,404	($86,729)	($19,476,628)
2017	366,085	($58,574)	($13,435,320)	2005	221,323	($68,610)	($15,260,221)
2016	348,732	($195,290)	($43,556,627)	2004	214,644	($57,954)	($12,861,468)
2015	348,451	($240,431)	($54,340,933)	2003	179,193	($41,214)	($9,097,629)

2014	318,691	($219,897)	($49,464,030)
2013	297,730	($199,479)	($44,864,934)
2012	273,170	($245,853)	($55,475,364)
2002 and older	1,403,602	($238,612)	($54,529,938)
#Total Estimated Impact		**($2,499,449)**	**($562,586,245)**

#Therefore, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by up to $2,499,449 and local revenues by up to $562,586,245. B&P notes that this provision would affect tax year 2024 assessments, which are not collected until FY25.

<u>#B&P notes the following about the above estimates:</u>

- Sales date reflects actual sales and not MSRP. B&P notes that MSRP is typically higher (sometimes significantly) than the original actual sales price paid. Therefore, it is possible that newer vehicles could be assigned a higher market value (and hence assessed value and property tax liability) than they would under current law. This would result in a lower revenue loss than the amount shown above.
- This proposal would set all older vehicles (model year 2023 and prior) to their tax year 2023-estimated market value. B&P notes that tax year 2023 assessments are not yet complete. Therefore, in order to provide estimates, B&P applied the depreciation schedule to each model year's average original sales price. B&P notes that 2023 determined market values could vary significantly from the proxy value that B&P has estimated. This could result in a larger or smaller revenue loss than the amounts shown above.
- The historical depreciation schedule is based on pre-COVID depreciation patterns. B&P is unable to determine how quickly motor vehicle depreciation will return to pre-COVID levels. Therefore, actual revenue loss could be different from the amount shown above.
- These estimates are based on averages. These estimates do not include farm tractors or machinery. B&P does not have depreciation data on farm tractors or machinery. The composition of vehicle types, model years, etc. in any given location could result in significantly different revenue impacts than the estimates shown above.

#**Oversight** notes officials from the Office of Administration - Budget and Planning assume the proposal will have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect B&P's estimated impact in the fiscal note.

#**Oversight** notes B&P's estimated impact <u>does not</u> include farm tractors or machinery. Oversight is unable to estimate the quantity and current value of farm machinery that may be impacted by this proposal. Oversight notes per the STC website, agricultural property makes up 1.45% of the total assessed value, or about $1,959,656,045. Oversight will show a negative unknown impact for this provision.

Oversight notes this section of the proposal has an emergency clause.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. 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 an actual loss of revenue.

Officials from the **State Tax Commission (STC)** assume this has an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The bill would require additional FTE for the State Tax Commission to receive the Manufacturer Suggested Retail Price (MSRP) from a vendor and then configure that data to fit the multiple assessment programs used in the state. The cost of the data as well as the cost of licensing for each county in the state has been estimated to be less than $200,000. The bill allows for all currently assessed vehicles to use a previously assessed value in the depreciation schedule, but the MSRP would have to be obtained for each new vehicle and used vehicles purchased from outside of the state by Vehicle Identification Number. The current system uses average trade in value listed in the October issue of the National Automobile Dealers Association guide and that value will be less than the starting value of MSRP in most cases which could cause an increase in assessments. The use of a depreciation schedule would require that the vehicle values decrease each year regardless of the true market values which could cause a decrease in the assessments generated. The depreciation schedule stopping after 10 years would cause a reduction due to approximately 50% of vehicles being removed from assessment and that would lead to approximately a 20% reduction of the total assessment for motor vehicles. The impact varies by county as the percentage of real and personal property in each county depends on several factors. The range of personal property assessed value compared to the total assessed value goes from 15.8% to 46.5% with the average being 29.5% in 2022, so the higher percentages would be impacted at greater amounts. The bill also includes farm machinery which would follow the same pattern as the motor vehicles. Farm machinery and equipment accounts for small percentage of the total personal property but it would have a greater impact on rural counties. The bill also requires all of the software used in the counties to meet minimum standards which could require a cost to some counties for upgrades.

Oversight will reflect this fiscal impact to the STC starting in FY 2024.

Officials from the **Department of Social Services** assume Section 137.115.9 is amended to require the assessors to use a nationally recognized automotive trade publication to determine the value of motor vehicles for the tax year ending on or before December 31, 2023. The state tax commission shall determine which publication shall be used. Beginning January 1, 2024, assessors are required to use the manufacturer’s suggested retail price for all manufactured motor vehicles as acquired annually by the state tax commission for the original value in money of all motor vehicle assessment valuations. A fifteen-year depreciation schedule shall be applied to each manufacturer’s suggested retail price.

Blind Pension (BP) is funded from 0.03% of each $100 assessed valuation of taxable property. Assessing vehicles based on the suggested depreciation schedule could impact the amount received for the BP fund. According to the 2022 State Tax Commission Annual Report, $20,659,394,897 of the $135,215,666,531 total assessed valuation for the State of Missouri comes from vehicles including recreational vehicles. Therefore, approximately $6,197,818 [($20,659,394,897/100)*0.03 = $6,197,818.47, rounded down] in property tax revenue is collected from motor vehicles.

Motor vehicles are currently assessed based on a recommended guide of information for determining the true value of a motor vehicle and includes vehicles that are greater than fifteen years of age in the assessment. According to the State Tax Commission, the proposed change to assess vehicles based on a depreciation schedule could result in a reduction in tax revenue from motor vehicles of up to 20%. Therefore, FSD estimates that the potential impact to the BP fund would be a decrease of up to $1,239,564 ($6,197,818*0.20 = $1,239,563.60, rounded up).

Tax Collection Year	True Value of Motor Vehicles Assessed at Current Rate of 33 1/3%	Assessment Rate	Assessed Value of Motor Vehicles	Tangible Personal Property Tax Collections for the BP fund (0.03% of each $100 assessed)	Percentage Reduction in Motor Vehicle Assessment	Reduction in Collections for the BP Fund
2025	$61,984,383,129	33 1/3%	$20,659,394,897	$6,197,818	20%	$1,239,564

According to the 2022 State Tax Commission Annual Report, $509,487,451 of the $135,215,666,531 total assessed valuation for the State of Missouri comes from Farm Machinery total assessed valuation for the State of Missouri comes from vehicles including recreational vehicles. Therefore, approximately $152,846 [($509,487,451/100)*0.03 = $152,846.24, rounded down] is collected in the BP fund from Farm Machinery tax revenue. The State Tax Commission is unable to identify the age of farm machinery or provide an estimate on the effect of exempting farm machinery that is greater than fifteen years of age from taxation; therefore, the effect is unknown. The Family Support Division (FSD) assumes that it will result in a reduction in tax revenue from farm machinery of up to 20%. Therefore, FSD estimates that the tax revenue from farm machinery collected in the BP fund could decrease up to $30,569 ($152,846*0.20 = $30,569.20, rounded down).

Tax Collection Year	True Value of Farm Machinery Assessed at Current Rate of 12%	Assessment Rate	Assessed Value of Motor Vehicles	Tangible Personal Property Tax Collections for the BP fund (0.03% of each $100 assessed)	Percentage Reduction in Motor Vehicle Assessment	Reduction in Collections for the BP Fund
2025	$4,245,728,758	12%	$509,487,451	$152,846	20%	$30,569

Therefore, FSD estimates that the fiscal impact to the BP fund as a result of this legislation would be $1,270,133 ($1,239,564 + $30,569) in SFY 25 and ongoing.

In response to similar provisions in SB 8 (2023), officials from the **Office of Administration - Budget and Planning (B&P)** noted that this proposal would change the assessment method for motor vehicles. Therefore, all model 2014 and older vehicles would be assigned a taxable value of $1 in tax year 2024. The following tax year (2025), all model 2015 and older vehicles would be assigned a taxable value of $1. **Oversight notes this proposal also has a 10 year depreciation schedule but ends with a depreciated value of 99.9% - instead of a $1 as in SB 8, however, it is the best estimate that we have.**

Based on information provided by DOR, this proposal may reduce the market value for 64.0% of motor vehicles in tax year 2024. By tax year 2029, this proposal may reduce the market value for 88.4% of motor vehicles. 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%	2024
2012	277,460	3.9%	2024
2013	300,522	4.2%	2024
2014	322,288	4.5%	2024
2015	350,214	4.9%	2025
2016	351,999	5.0%	2026

2017	366,891	5.2%	2027
2018	339,365	4.8%	2028
2019	331,262	4.7%	2029
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. B&P then adjusted the market value by the assessment percentage in order to determine the final assessed value. B&P notes that in order to prevent double counting with the estimated loss under Section 137.115.1, B&P assumed a 31% assessment percentage for this provision. Table 2 shows the estimated average assessed value (market value x assessment rate) under current law versus this proposal.

Table 2: Estimated Assessed Value

Model Year	Current*	Proposed	Difference
2011 & earlier	$813	$1	($812)
2012	$1,080	$1	($1,079)
2013	$1,096	$1	($1,095)
2014	$1,100	$1	($1,099)
2015	$1,129	$1	($1,128)
2016	$1,144	$1	($1,143)
2017	$1,152	$1	($1,151)
2018	$1,160	$1	($1,159)
2019	$1,178	$1	($1,177)

*Assumes 31% assessment percentage to prevent double counting the loss impact from Section 137.115.1

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	($812)	($0.24)	($68.78)
2012	($1,079)	($0.32)	($91.40)
2013	($1,095)	($0.33)	($92.75)
2014	($1,099)	($0.33)	($93.09)
2015	($1,128)	($0.34)	($95.54)
2016	($1,143)	($0.34)	($96.82)
2017	($1,151)	($0.35)	($97.49)
2018	($1,159)	($0.35)	($98.17)
2019	($1,177)	($0.35)	($99.70)

*Assumes 31% assessment percentage to prevent double counting the loss impact from Section 137.115.1

Therefore, B&P estimates that proposal may reduce revenues to the Blind Pension Trust Fund by $1,169,311 in tax year 2024 (FY25). By tax year 2029 (FY30) this proposal could reduce revenues to the Blind Pension Trust Fund by $1,771,196.

B&P also estimates that this section may reduce total local revenues by $333,994,687 in tax year 2024 (FY25). By tax year 2029 (FY30) this proposal could reduce revenues to local jurisdictions by $503,645,163. Table 4 shows the estimated impact by fiscal year.

Table 4: Estimated Revenue Impact for MVs

Tax Year (Fiscal Year)	Blind Pension Trust Fund	Local Collections
2024 (FY25)	($1,169,311)	($333,994,687)
2025 (FY26)	($1,288,384)	($367,454,133)
2026 (FY27)	($1,408,064)	($401,534,676)
2027 (FY28)	($1,536,476)	($437,302,880)
2028 (FY29)	($1,655,254)	($470,618,342)
2029 (FY33)	($1,771,196)	($503,645,163)

B&P notes that these estimates do not include the proposed depreciation schedules. Therefore, actual losses could be significantly higher than the amounts shown above.

Farm Machinery Property Tax Assessment

Also in response to Perfected SB 8, the **Office of Administration - Budget and Planning** noted that this proposal would become effective August 28, 2023, which is the middle of tax year 2023. However, assessments are done as of January 1st and it is unlikely that assessors would have enough time to switch to this new method before tax bills are required to be sent. Therefore, for the purpose of this fiscal note B&P will assumes that the depreciation schedule will not become effective until tax year 2024.

Based on data published by STC, the assessed value for farm machinery was $509,487,451 in tax year 2022. Assuming a similar property tax levy is applied to farm machinery and all agricultural products, B&P estimates that total taxes paid on farm machinery was $34,441,560 for tax year 2022.

For the purpose of this fiscal note, B&P will assume that the age distribution of farm machinery is similar to the age distribution of motor vehicles registered in Missouri. Using the estimated impact from the changes to motor vehicles, B&P estimates that in tax year 2024 this proposal could reduce tax collections on farm machinery by 24.0%. By tax year 2029, this proposal could reduce tax collection on farm machinery by 36.2%.

Therefore, B&P estimates that proposal may reduce revenues to the Blind Pension Trust Fund by $18,909 in tax year 2024 (FY25). By tax year 2029 (FY30) this proposal could reduce revenues to the Blind Pension Trust Fund by $43,593.

B&P also estimates that this section may reduce total local revenues by $8,230,682 in tax year 2024 (FY25). By tax year 2029 (FY30) this proposal could reduce revenues to local jurisdictions by $12,411,600. Table 5 shows the estimated impact by fiscal year.

Table 5: Estimated Revenue Impact for Farm Machinery

Tax Year (Fiscal Year)	Blind Pension Trust Fund	Local Collections
2024 (FY25)	($28,909)	($8,230,682)
2025 (FY26)	($31,805)	($9,055,276)
2026 (FY27)	($34,755)	($9,895,137)
2027 (FY28)	($37,851)	($10,776,657)
2028 (FY29)	($40,735)	($11,597,707)

2029 (FY33)	($43,593)	($12,411,600)

B&P notes that these estimates do not include the proposed depreciation schedules. Therefore, actual losses could be significantly higher than the amounts shown above.

Summary

B&P estimates that this proposal could decrease TSR and the Blind Pension Trust Fund by an amount that could exceed $1,619,298 in FY25. By FY30, this proposal could decrease TSR and the Blind Pension Trust Fund by an amount that could exceed $2,235,867. This proposal could also reduce local funds by an amount that could exceed $454,625,745 in FY25. By FY30, this proposal could decrease local funds by an amount that could exceed $628,457,139. Table 6 shows the total proposal impact to state and local funds.

Table 6: Total Impact by Fiscal Year

State Funds	FY25	FY26	FY27
Blind Pension Trust Fund			
Personal Property Assessment Reduction	($421,078)	($421,078)	($421,078)
MVs 10yrs and Older	($1,169,311)	($1,288,384)	($1,408,064)
Farm Machinery 10yrs and Older	($28,909)	($31,805)	($34,755)
Total Blind Pension Trust Fund (TSR)	**($1,619,298)**	**($1,741,267)**	**($1,863,897)**
Local Funds			
Local Property Tax			
Personal Property Assessment Reduction	($112,400,376)	($112,400,376)	($112,400,376)
MVs 10yrs and Older	($333,994,687)	($367,454,133)	($401,534,676)
Farm Machinery 10yrs and Older	($8,230,682)	($9,055,276)	($9,895,137)
Total Local Property Tax	**($454,625,745)**	**($488,909,785)**	**($523,830,189)**

Table 6: Total Impact by Fiscal Year

State Funds	FY28	FY29	FY30
Blind Pension Trust Fund			
Personal Property Assessment Reduction	($421,078)	($421,078)	($421,078)
MVs 10yrs and Older	($1,536,476)	($1,655,254)	($1,771,196)
Farm Machinery 10yrs and Older	($37,851)	($40,735)	($43,593)
Total Blind Pension Trust Fund (TSR)	**($1,995,405)**	**($2,117,067)**	**($2,235,867)**

Local Funds			
Local Property Tax			
Personal Property Assessment Reduction	($112,400,376)	($112,400,376)	($112,400,376)
MVs 10yrs and Older	($437,302,880)	($470,618,342)	($503,645,163)
Farm Machinery 10yrs and Older	($10,776,657)	($11,597,707)	($12,411,600)
Total Local Property Tax	**($560,479,913)**	**($594,616,425)**	**($628,457,139)**

Oversight notes the Personal Property Tax Reduction is not in this bill; therefore, we will not use those estimates. However, this estimate is the best that we have and will use them in the fiscal note (instead of an "unknown – substantial" loss).

In response to similar legislation from this year, Perfected HCS No. 2 for HB 713, officials from the **Cape Girardeau County Assessor** assume this revision will result in an annual net loss of property tax revenue of $1.5 million or greater to Cape Girardeau County alone.

Officials from the **Lincoln County Assessor** assume by using the 10-year depreciation schedule on vehicles this will create a serious fiscal impact. Lincoln County has over 65% of its vehicles older than 10 years and the value after 10 years will be basically zero, the fiscal impact could more than likely be in the $100k's of tax revenue lost. This will affect taxing entities that have had higher total assessed values drop dramatically and therefore open the possibility of raising tax rates on real property to offset revenue losses.

Officials from the **County Employees' Retirement Fund (CERF)** assume this proposal would likely result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how changes to motor vehicle assessments would impact contribution revenue but CERF assumes there would be a negative impact.

In response to similar legislation from this year, Perfected HCS No. 2 for HB 713, officials from the **City of Springfield** stated this proposal would have a negative fiscal impact on their respective city of an indeterminate amount.

Officials from the **City of Kansas City** state this section could have a substantial negative fiscal impact.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. 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 an actual 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 notes this part of the proposal has an emergency clause.

Oversight notes this proposal would impact the assessed value of personal property over time. Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2025.

<u>§§142.815, 142.822 & 142.824 – Motor Fuel Tax Exemption</u>

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

<u>Motor Fuel Refund Period Change (§142.822.2)</u>
SB 262 adopted in 2021, created a provision that would increase the motor fuel tax rate over a period of five years. At the time, motor fuel (gasoline and diesel) were taxed at $0.17 per gallon. SB 262 would allow the motor fuel rate to increase each year on July 1st until the highest rate of $0.295 was reached. At that time, the motor fuel rate would remain $0.295 into the future.

The rate is currently increasing as follows:

FY Tax Rate	Refund Can Be Claimed (July to Sept)	Tax Increase	Total Motor Fuel Tax	Fully Implemented (FY 2027)
FY 2022	FY 2023	$0.025	$0.195	
FY 2023	FY 2024	$0.05	$0.220	
FY 2024	FY 2025	$0.075	$0.245	
FY 2025	FY 2026	$0.1	$0.270	
FY 2026+	FY 2027+	$0.125	$0.295	$0

SB 262 also contained a provision that created a refund program for highway users who did not want to pay the increased motor fuel rate. While they would still be required to pay the tax at the fuel pump they could request from DOR that the increased amount be refunded to them. The refund period was established starting July 1- Sept 30th of the following fiscal year. Since the rate hike is for the full fiscal year (July to June) the refund period also covered that same fiscal year. In order to receive the refund a taxpayer completes a form with the statutorily required information and the extra motor fuel tax is refunded.

This proposal changes the refund period. Instead of claiming the credit from July to Sept after the fiscal year ends, this proposal moves the refund period to January 1st to April 15th of each year. Filing at this time of year, will result in refund claim forms having 2 separate motor fuel rates on them. This will start on January 1, 2024.

Timing of Refund Claims

Date of Purchase	Fuel Tax Rate	Current Refund Timing		Proposed Refund Timing	
		Date	Fiscal Year	Date	Fiscal Year
10/2021 - 12/2021	$0.025	7/2022 - 9/2022	FY 2023	7/2022 - 9/2022	FY 2023
1/2022 - 6/2022	$0.025	7/2022 - 9/2022	FY 2023	7/2022 - 9/2022	FY 2023
7/2022 - 12/2022	$0.050	7/2023 - 9/2023	FY 2024	1/2023 - 4/2023	FY 2024
1/2023 - 6/2023	$0.050	7/2023 - 9/2023	FY 2024	7/2023 - 9/2023	FY 2024
7/2023 - 12/2023	$0.075	7/2024 - 9/2024	FY 2025	1/2024 - 4/2024	FY 2024
1/2024 - 6/2024	$0.075	7/2024 - 9/2024	FY 2025	1/2025 4/2025	FY 2025
7/2024 - 12/2024	$0.100	7/2025 - 9/2025	FY 2026	1/2025 - 4/2025	FY 2025
1/2025 - 6/2025	$0.100	7/2025 - 9/2025	FY 2026	1/2026 - 4/2026	FY 2026
7/2025 - 12/2025	$0.125	7/2026 - 9/2026	FY 2027	1/2026 - 4/2026	FY 2026
1/2026 - 6/2026	$0.125	7/2026 - 9/2026	FY 2027	1/2027 - 4/2027	FY 2027
7/2026 - 12/2026	$0.125	7/2027 - 9/2027	FY 2028	1/2027 - 4/2027	FY 2027

<u>This part of the proposal will not result in any additional gains or losses to the motor fuel funds than what was projected in SB 262. It changes the timing of the refunds and not who or how</u>

many taxpayers may qualify for the refund. So the impact below shows how much of the refunds will now shift to another fiscal year (refund period).

DOR notes that the first refund period was completed from July 2022 to September 2022 for the increase that occurred from October 1, 2021 to June 30, 2022. That increase was $0.025. So it will not be impacted. DOR records indicate $423,947 in refunds were claimed, while receiving an additional $70,621,241 from the increased motor fuel rate. Therefore, DOR refunded approximately 0.6% ($423,947/$70,621,251) of the additional revenue.

DOR has done revenue estimates for SB 262, that were updated using the FY 2022 motor fuel gallons sold data for this fiscal note. Additionally, for SB 262, DOR had assumed a low range of refunds at 15% (based on another state with a similar program). DOR assumes that given the increasing price of the fuel tax and current economic conditions, more than the 0.6% refunds currently requested could be received in the upcoming fiscal years. For this fiscal note, DOR is showing the refund claims ranging from the current 0.6% to the 15% under SB 262 for the shift in the refund period.

Estimated Cash Flow Impact from Refund Claim Due to Date Timing

	FY 2024		FY 2025		FY 2026	
State Fund	**Low**	**High**	**Low**	**High**	**Low**	**High**
State Road Fund	($513,112)	($12,821,146)	($171,037)	($4,273,715)	($171,037)	($4,273,715)
Local Funds						
CART	($84,347)	($2,107,586)	($28,116)	($702,529)	($28,116)	($702,529)
Other	($105,434)	($2,634,482)	($35,145)	($878,161)	($35,145)	($878,161)
Total Local	($189,781)	($4,742,068)	($63,260)	($1,580,689)	($63,260)	($1,580,689)

This proposal will result in the Department needing to change the forms and the computer program to accept more than one tax rate at a time. This is estimated to cost **$10,000**. Having more than one motor fuel tax rate on the refund claim form may slow down the processing of the forms. DOR needs one Associate Customer Service Representative ($32,100) for every 6,000 claims processed at a single rate per year. Additionally, records indicate the average time to process a refund request was 19 days. If it is determined that additional FTE are needed to help process the refunds, DOR will seek those through the appropriation process.

Currently, taxpayers are allowed to submit these forms electronically or a hard copy mailed. Should the forms be mailed to DOR separate than their tax return, DOR assumes no additional impact. However, if a taxpayer mails their claim form with their individual income tax return, this could slow down the processing of the returns and require additional temporary staff ($12,750) to help sort out those claim forms.

SB 262 requires all refund requests to be processed within 45 days or DOR must pay interest on the claim. If moving the deadline results in slower processing times, this could result in an unknown amount of interest being paid.

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

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

This proposal would change the timing for motor fuel tax refund claims for the additional fuel tax passed in SB 262 (2021). Currently, motor fuel tax refund claims must be made on a fiscal year basis (July through June motor fuel tax purchases) and refund claims must be made between July 1 and September 30 of the following fiscal year.

This proposal would change the refund claims to tax year (January through December) with claims to be made from January 15 through April 15 of the tax year following the year in which the motor fuel purchases were made. Table 1 shows the change in the refund due date depending on when the motor fuel is purchased.

Table 1: Timing of Refund Claims

Date of Purchase	Fuel Tax Rate	Current Refund Timing		Proposed Refund Timing	
		Date	Fiscal Year	Date	Fiscal Year
10/2021 - 12/2021	$0.025	7/2022 - 9/2022	FY 2024	7/2022 - 9/2022	FY 2024
1/2022 - 6/2022	$0.025	7/2022 - 9/2022	FY 2024	7/2022 - 9/2022	FY 2024
7/2022 - 12/2022	$0.050	7/2023 - 9/2023	FY 2025	1/2023 - 4/2023	FY 2024
1/2023 - 6/2023	$0.050	7/2023 - 9/2023	FY 2025	1/2024 - 4/2024	FY 2025

7/2023 - 12/2023	$0.075	7/2024 - 9/2024	FY 2026	1/2024 - 4/2024	FY 2025
1/2024 - 6/2024	$0.075	7/2024 - 9/2024	FY 2026	1/2025 - 4/2025	FY 2026
7/2024 - 12/2024	$0.100	7/2025 - 9/2025	FY 2026	1/2025 - 4/2025	FY 2026
1/2025 - 6/2025	$0.100	7/2025 - 9/2025	FY 2026	1/2026 - 4/2026	FY 2026
7/2025 - 12/2025	$0.125	7/2026 - 9/2026	FY 2027	1/2026 - 4/2026	FY 2026
1/2026 - 6/2026	$0.125	7/2026 - 9/2026	FY 2027	1/2027 - 4/2027	FY 2027
7/2026 - 12/2026	$0.125	7/2027 - 9/2027	FY 2028	1/2027 - 4/2027	FY 2027

B&P notes that this part of the proposal would not change the number of taxpayers that qualify for the motor fuel tax refund, only the timing of the refund claims. Therefore, this proposal will not result in additional gains or losses beyond those already estimated in the TAFP fiscal note for SB 262 (2021).

The first round of refund claims were received between July 2022 and September 2022. B&P notes that the $0.025 increase in the fuel tax during FY 2022 generated refund claims of $423,947. Using the number of gallons sold, B&P estimates that the additional tax generated $70,621,251 in additional motor fuel revenue. Therefore, B&P estimates that highway use refund claims were approximately 0.6% ($423,947 / $70,621,251) of the additional fuel tax revenue.

However, as the fuel tax increases over the remaining years, it is likely that fuel tax refunds will also increase. Therefore, based on this new information, B&P has updated the refund estimates for SB 262 (2021). B&P will show refund claims ranging between 0.6% and 15% of the additional revenue generated.

While this proposal will not increase the overall number of refunds, this proposal will have a cash flow impact in FY 2024 through FY 2026 for all state and local fuel tax funds by moving some motor fuel refund claims into an earlier fiscal year. Using updated refund estimates for SB 262 (2021), B&P estimates that this proposal could increase refunds by $702,893 to $17,563,213 in FY 2024, depending on the number of qualifying taxpayers that make refund claims. In FY 2025 and FY 2026, refund claims may increase by $234,298 to $5,854,404 each year. There will no longer be a cash flow impact by FY 2027. Table 2 shows the estimated impacts by fund.

Table 2: Estimated Cash Flow Impact from Refund Claim Due Date Timing

State Fund	FY 2024		FY 2025		FY 2026	
	Low	**High**	**Low**	**High**	**Low**	**High**
State Road Fund	($513,112)	($12,821,146)	($171,037)	($4,273,715)	($171,037)	($4,273,715)
Local Funds						
CART	($84,347)	($2,107,586)	($28,116)	($702,529)	($28,116)	($702,529)
Other	($105,434)	($2,634,482)	($35,145)	($878,161)	($35,145)	($878,161)
Total Local	($189,781)	($4,742,068)	($63,261)	($1,580,690)	($63,261)	($1,580,690)

Oversight assumes this part of the proposal will not increase or decrease revenue; rather, only the timing of the motor fuel tax refunds will change. Oversight will reflect the cash flow estimates as provided by DOR and B&P as the estimates have been updated to reflect the actual amount that was refunded (0.6%) in FY 2022. Oversight will range the cash flow impact as DOR and B&P have indicated (from a low of 0.6% (actual) to an estimated 15%. Oversight notes, once all of the tax increases have gone into effect, there will be no further fiscal impact due to cash flow changes.

Section 142.815, 142.822 & 142.824 Motor Fuel Refund for Charity

Currently, taxpayers who purchase motor fuel for non-highway use (farms, boats) are allowed to claim a refund of the motor fuel tax they pay.

The taxpayer submits their receipts to the Department showing the gallons purchased with a refund request form. Once processed, the Department sends the taxpayer a refund of their motor fuel tax paid.

Starting October 1, 2023, this provision will allow the non-highway use taxpayer to provide their receipts to a federally qualified tax exempt entity (charity) who would claim the refund on the taxpayer's behalf. This is established as a way of donating money for the taxpayer to the charity. This provision then allows the taxpayer to receive a subtraction against their Missouri adjusted gross income of the amount donated. This subtraction is only allowed if the taxpayer does not claim the refund amount as a charitable contribution on their federal income tax form.

In FY 2022 the Department processed $9,146,015 in non-highway refund claims. The motor fuel rate at the time started at $0.17 per gallon and then increased to $0.195 per gallon. DOR estimates that refund claims were made for 49,071,081 gallons.

SB 262 adopted in 2021, established an increasing motor fuel tax rate of $0.025 per year until the rate increases $0.12 per gallon for a total of $0.295 per gallon. Accounting for the SB 262 increases, DOR estimates the total non-highway use refund claims could total $14,468,143 by tax year 2026. The estimated amount of non-highway related motor fuel tax refunds through the implementation of SB 262 is:

Estimated Refunds by Year

Fiscal Year	Non-Highway Use Refunds
2023	$10,788,751
2024	$12,013,963
2025	$13,242,931
2026	$14,468,143
2027	$14,468,143

The Department is unable to determine how many of these taxpayers will choose to donate their receipts to a charity and then claim the deduction. For fiscal note purposes, DOR will show the loss up to the total amount estimated to be refunded.

The Department notes that deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, DOR will show the estimated impact to general revenue from the deduction throughout the implementation of SB 262 and with the individual income tax rate reductions scheduled under SB 3 (2022).

Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)				
	2023 (FY24)	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY 28)
4.95%	($534,043)	($594,691)	($655,525)	($716,173)	($716,173)
4.35%		($522,607)	($576,068)	($629,364)	($629,364)
4.25%			($562,825)	($614,896)	($614,896)
4.15%				($600,428)	($600,428)
4.05%					($585,960)

This is a new subtraction that would need to be added to the MO-A form. This would require computer programming changes, form changes and website changes. These changes are estimated to cost $7,193. Additionally, this could result in additional errors and correspondence generated. Should the number of errors and correspondent justify the additional FTE, the Department will seek the additional FTE through the appropriation process.

- 1 FTE Associate Customer Service Representative ($31,200) for every 14,700 errors created
- 1 FTE Associate Customer Service Representative for every 5,700 pieces of correspondence generated

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the programming and personnel 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. **For fiscal note purposes, Oversight will assume 20% of these refunds will be donated. Therefore, Oversight will use 20% of DOR's estimates.**

DOR notes Section 142.822 will allow a taxpayer who purchases motor fuel for use on the highway to donate their increased motor fuel tax receipts to a charity. However, they are not granted a deduction for doing so.

Since the fiscal note for SB 262 assumed all eligible taxpayers would receive a refund of the increased motor fuel rate, and this proposal just changes who claims the refund, this is not expected to result in any additional fiscal impact from who claims the refund.

However, a person who donates to a charity has the ability to claim a deduction on their federal and state tax returns. If this proposal encourages more people to claim the federal charity deduction that could lower their federal adjusted gross income that is reported on their Missouri tax return. That in turn could lower the amount of taxes DOR receives. <u>It is unknown how many people would do this. This could result in a $0 to Unknown loss.</u>

<u>Section 142.822 Motor Fuel Refund</u>
SB 262 adopted in 2021 established an increasing motor fuel tax rate over the next five years. As part of the increasing rate, a procedure was established that allowed taxpayers to receive a refund of the increased motor fuel amount if they did not wish their increased motor fuel tax they paid to go to road improvements. To receive the refund a taxpayer had to submit an application with certain required information.

The application required:
The VIN number of the vehicle that bought the fuel
Date of sale of the fuel
Name and address of the purchaser of fuel
Name and address of the seller of the fuel
Number of gallons purchased
Number of gallons purchased and charged Missouri fuel tax

These records were to be maintained a minimum of three years for the Department to be able to do audits if needed.

This proposal changes the required information needed for claiming a refund. It removes the date of sale and name and address of the seller as required information. It only requires that the total number of gallons purchased be submitted. And it also only requires records to be maintained if provided.

In SB 262 the Department noted by receiving the originally required data the Department would ensure that each purchase was made in Missouri and charged the appropriate motor fuel tax and be able to ensure the same gallons were not reported by more than one vehicle. The Department would be able to audit to ensure more refunds were not paid out than actually purchased.

The changes proposed in this bill may increase the original refund estimates. No longer requiring proof of the sale date, or the address of the seller, may allow taxpayers to report gallons purchased in other states in their total gallons purchased. This could result in additional refunds paid out than actual motor fuel tax received.

No longer requiring that taxpayers keep records, may result in the Department being unable to audit records to ensure the appropriate number of gallons were refunded.

The Department is unable to determine the potential increased refunds that could be paid out under this proposal. It is unknown but could be expected to exceed $100,000 annually.

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

<u>Donation of Motor Fuel Tax Refund (Sections 142.815, 142.822, and 142.824)</u>

<u>Non-Highway Use Motor Fuel Tax Exemption and Refund</u>
Sections 142.815 and 142.824 would allow taxpayers to donate their motor fuel tax refund, for non-highway use, to a non-profit entity beginning October 2023. B&P notes that the information requirements are not changed under this proposal, only who would receive the refund.

Section 142.815 would grant taxpayers a deduction for any refund claims they donated to charity. B&P notes that such taxpayer would only be allowed to claim the deduction in this section if they did not take the charitable deduction on their itemized federal and state income tax returns.

In FY 2022, total non-highway use refund claims were $9,146,015. B&P notes that these refunds were granted both before and after the motor fuel tax increased from $0.17 to $0.195 per gallon. Using the distribution of gallons sold between the two tax rate periods, B&P estimates that refund claims were made for 49,071,081 gallons.

B&P notes that under SB 262 (2021), the motor fuel tax is scheduled to increase by $0.025 per year, for five years, until the total motor fuel tax is $0.295. Accounting for the increases scheduled to occur under SB 262 (2021), B&P estimates that total non-highway use refund claims could total $14,468,143 by fiscal year 2026. Table 1 shows the estimated amount of non-highway related motor fuel tax refunds through the implementation of SB 262 (2021).

Table 1: Estimated Refunds by Year

Fiscal Year	Non-Highway Use Refunds
2023	$10,788,751
2024	$12,013,963
2025	$13,242,931
2026	$14,468,143
2027	$14,468,143

B&P is unable to determine how many non-highway use refund claims may be donated to a non-profit entity. <u>Therefore, B&P will reflect the loss as "up to" the total amount claimed</u>.

B&P notes that deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 3 (2022).

Therefore, B&P estimates that this proposal could reduce Total State Revenue (TSR) and General Revenue (GR) by up to $534,043 in FY 2024 (tax year 2023, top tax rate 4.95%). Once SB 3 (2022) and SB 262 (2021) fully implement, this proposal could reduce TSR and GR by up to $651,066 annually. Table 2 shows the estimated impact by top tax rate and year.

Table 2: Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)				
	2023 (FY24)	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY 28)
4.95%	($534,043)	($594,691)	($655,525)	($716,173)	($716,173)
4.80%		($576,670)	($635,661)	($694,471)	($694,471)

4.70%		($622,418)	($680,003)	($680,003)
4.60%			($665,535)	($665,535)
4.50%				($651,066)

Section 142.822 – Increased Motor Fuel Tax Refund
Section 142.822 would allow taxpayers to donate their motor fuel tax refund, for non-highway use, to a non-profit entity beginning October 2023. B&P notes that the information requirements are not changed under this proposal, only who would receive the refund. B&P further notes that taxpayers are not granted an additional income tax deduction for any refunds donated. However, individuals could claim the donated refunds on their itemized federal and state income tax returns, under the existing charitable contribution itemized deduction. In addition, it is unknown if the ability to donate the fuel tax refund would encourage more refund claims than what would have otherwise occurred.

Therefore, B&P estimates that this provision could have an unknown negative impact on TSR and GR through potential charitable itemized deductions. This provision could also reduce the State Road Fund, as well as local fuel tax funds, through increased motor fuel tax refund claims.

Information Required for Motor Fuel Tax Refund (Section 142.822)
This proposal removes certain requirements currently necessary in order to claim the additional motor fuel tax under 142.803.3. Taxpayers would no longer be required to provide the date of sale, seller's name and address, as well as each fuel tax receipt.

B&P notes that this proposal would essentially prohibit DOR from completing any motor fuel tax refunds under this section, as taxpayers would no longer be required to keep or provide supporting documentation.

B&P notes that the estimates provided for SB 262 (2021) included the possibility that 100% of qualifying purchases were refunded. Therefore, while this provision makes it easier to claim the motor fuel tax refunds, no additional revenue loss is expected beyond what B&P originally estimated.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR and B&P.

Section 142.822.10 Mobile App

This proposal requires the Department to create a mobile application that will allow claims to be submitted on a person's phone at the time of motor fuel purchase. This proposal requires that the person be able to demonstrate the purchase at the pump. This will require the Department to create a mobile application that can interact with the current motor fuel system.

This proposal states the development and maintenance of the application should be paid out the fuel tax road fund. The Constitution designates how that money may be spent and the Department is unable to determine if this would be an approved expense.

It should be noted that this does not require the Department to refund the payment at the time of submission. DOR assumes the database will hold the submissions and DOR will refund during the approved period.

The Department estimates this system would cost at least **$500,000**.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimate for the mobile application as provided by the DOR to the State Road Fund.

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

<u>Mobile Rebate Application (Section 142.822)</u>
Section 142.822.10 requires DOR to develop a mobile application that allows users to submit a refund claim at the time of fuel purchase, rather than making an annual claim for all purchases at once. B&P notes that if refund claims are made at the time of purchase, rather than on an annual basis, this could result in a cash flow impact where refunds that would have been claimed in year 2 are now claimed in year 1.

While this provision will not increase the overall number of refunds, it could have a cash flow impact in FY 2024 through FY 2026 for all state and local fuel tax funds by moving some motor fuel refund claims into an earlier fiscal year. However, there will no longer be a cash flow impact by FY 2027, once SB 262 (2021) has fully implemented.

In response to similar legislation from this year, Perfected HB 519, B&P defers to DOR for the costs to develop and maintain a mobile application.

<u>Section 144.822.4(2) Income Tax Refund for Motor Fuel - Standard Refund</u>

DOR officials also note this proposal also adds a process by which a taxpayer can decide to file for a flat rate standard motor fuel refund amount rather than fill out the itemized refund form above. This standard refund would be claimed on their income tax return and would be subject to the following limits.

Standard Refund Amount

Tax Year	Refund

2023	$30
2024	$45
2025	$60
2026	$75

DOR records indicate that in tax year 2020, there were 3,250,763 Missouri individual income tax returns filed. Assuming that individuals who currently file the detailed refund form will continue to do so because of the size of their return exceeding the standard refund amount offered, DOR can assume there will be a potential 3,235,232 (3,250,763 income tax returns – 15,531 itemized returns) additional filers. This could result in the following estimated income tax claims per year.

Standard Income Tax Claims by Year

Tax Year	Fiscal Year	Refund Claim
2023	2024	$97,056,960
2024	2025	$145,585,440
2025	2026	$194,113,920
2026	2027	$242,642,400

This proposal in Section 142.822.5 requires both the itemized refund request and the standard refund request to be paid out of the money collected from the additional tax.

This proposal will require the Department to modify its MO-1040 and MO -1040P forms, website and individual income tax computer system. These changes are estimated to cost $7,193.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the programming 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. Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following:

This proposal would allow individuals to either claim an itemized (receipts required) or standard (no receipts required) motor fuel tax rebate refund. B&P notes that individuals cannot claim both and the total amount of refunds granted cannot exceed the amount of revenues generated under Section 142.803. In addition, all refund claims must be paid from the motor fuel tax fund that receives collections under Section 142.803.

Standard Income Tax Refunds
This proposal would allow taxpayers to take a standard refund, rather than the itemized receipt required rebate, beginning with tax year 2023. The standard refund would be claimed at the time an individual files their annual tax return. Table 3 shows the amounts of the standard refund by tax year.

Table 3: Standard Refund Amount

Tax Year	Refund
2023	$35
2024	$45
2025	$65
2026	$75

B&P notes that in tax year 2020, there were 3,250,763 Missouri individual income tax returns filed. Assuming that individuals who currently itemize their fuel tax returns continue to do so, B&P estimates that the standard refund may be claimed on 3,235,232 (3,250,763 income tax returns – 15,531 itemized returns). Table 4 shows the estimated income tax claims per year.

Table 4: Income Tax Claims by Year

Tax Year	Fiscal Year	Refund Claim
2023	2024	$113,233,120
2024	2025	$145,585,440
2025	2026	$210,290,080
2026	2027	$242,642,400

Summary
B&P estimates that this proposal could increase refunds from the State Road Fund by $83,173,290 to $95,481,323 in FY 2024, depending on the number of qualifying taxpayers that make refund claims. Once SB 262 (2021) fully implements, this proposal could increase refund claims from the State Road Fund by $65,513,448.

Table 5: Standard and Itemized Refund Impact

State Fund	**FY 2024** Low	**FY 2024** High	**FY 2025** Low	**FY 2025** High
State Road Fund				
Standard Refund	($82,660,178)		($106,277,371)	
Itemized Rebate	($513,112)	($12,821,146)	($171,037)	($4,273,715)
Total State Road Fund	($83,173,290)	($95,481,323)	($106,448,409)	($110,551,086)
Local Funds				
CART				
Standard Refund	($13,587,974)		($17,470,253)	
Itemized Rebate	($84,347)	($2,107,586)	($28,116)	($702,529)

Total CART	($13,672,322)	($15,695,560)	($17,498,369)	($18,172,781)
Other Fuel Funds				
Standard Refund	($16,984,968)		($21,837,816)	
Itemized Rebate	($105,434)	($2,634,482)	($35,145)	($878,161)
Total Other Local	($17,090,402)	($19,619,450)	($21,872,961)	($22,715,977)
Total Local	($30,762,724)	($35,315,010)	($39,371,329)	($40,888,758)

Table 5: Standard and Itemized Refund Impact

State Fund	**FY 2026** Low	**FY 2026** High	**FY 2027** Low	**FY 2027** High
State Road Fund				
Standard Refund	($153,511,758)		($177,128,952)	
Itemized Rebate	($171,037)	($4,273,715)	$0	$0
Total State Road Fund	($153,682,796)	($157,785,474)	($177,128,952)	($177,128,952)
Local Funds				
CART				
Standard Refund	($25,234,810)		($29,117,088)	
Itemized Rebate	($28,116)	($702,529)	$0	$0
Total CART	($25,262,925)	($25,937,338)	($29,117,088)	($29,117,088)
Other Fuel Funds				
Standard Refund	($31,543,512)		($36,396,360)	
Itemized Rebate	($35,145)	($878,161)	$0	$0
Total Other Local	($31,578,657)	($32,421,673)	($36,396,360)	($36,396,360)
Total Local	($56,841,582)	($58,359,011)	($65,513,448)	($65,513,448)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR and B&P.

Section 142.822.8 Weight Restriction Removed

SB 262 contained a provision that would not allow a vehicle over 26,000 pounds to qualify for the refund. This proposal removes that restriction and would allow them to qualify for the refund of the increasing fuel tax rate. To qualify, those vehicles over 26,000 pounds must provide documentation proving their motor vehicle is owned and licensed in Missouri by a corporation or sole proprietor and that the vehicle only operated in Missouri. Should it operate outside the state, the miles and fuel must be separated by what was used in Missouri and what was used outside Missouri.

This provision would become effective August 28, 2023, but due to the previous provision moving the refund filing period this will have a fiscal impact starting in FY 2024.

For the fiscal note of SB 262, the Department projected the motor fuel increase and the amount expected to be refunded if 15% of all taxpayers (low) applied for the refund and if 100% of the taxpayers (high) applied for the refund.

This range was based on a similar program in South Carolina that capped the number of participants at 15% and the total amount that could be claimed. DOR used information on the number of actual vehicles and their average miles driven to estimate the refund amount.

While the first year of the program did not find the 15% filing for the refund, changes in the economic conditions and the increasing amount of the tax, indicates more taxpayers may claim the refund in the future. Therefore, for the purpose of this fiscal note, DOR will continue to use that same 15%-100% participation. Additionally, these heavier vehicles tend to use more fuel, which may encourage more participation in the refund program.

Based on information from its Motor Vehicle Databases, DOR was able to determine there are approximately 1.2 million vehicles that were ineligible for the refund based on their vehicles weight. However, DOR was unable to determine how many of them would still not meet the requirements of this proposal. For fiscal note purposes, DOR will assume <u>all</u> meet the new requirements and DOR notes the impact will be less than projected should some vehicles still not qualify.

DOR's FY 2022 motor fuel collections show there were 4,323,936,974 gallons of gasoline and diesel purchased in FY 2022. Using these numbers, DOR was able to calculate newer revenues and potential refunds to SB 262. DOR was able to calculate the potential refunds by removing the current qualifying vehicles. These are the updated revenue and refund potential amounts.

Table 1: Estimated Additional Refunds

		FY 2024	FY 2025	FY 2026	FY 2027
Estimated Collections (prior FY)		$216,196,849	$324,295,273	$432,393,697	$540,492,122
Estimated Current 100% Potential Refunds	-	$156,117,452	$234,176,179	$312,234,905	$390,293,631
Remaining Collections (for non-qualifying MVs)		$60,079,396	$90,119,094	$120,158,792	$150,198,491
Estimated Low Additional Refund (15%)		($9,011,909)	($13,517,864)	($18,023,819)	($22,529,774)
Estimated High Additional Refund (100%)		($60,079,396)	($90,119,094)	($120,158,792)	($150,198,491)
Estimated Refunds for every 1% uptake		($600,794)	($901,191)	($1,201,588)	($1,501,985)
Estimated Refunds for every 5% uptake		($3,003,970)	($4,505,955)	($6,007,940)	($7,509,925)

This has the potential to increase the amount of the refunds each year.

Motor fuel tax is distributed 73% to the State Road Fund, 15% to the Counties and 12% to the Cities. If a refund is claimed, the refund is withheld from the distribution in the same percentage. Therefore the funds would be impacted as follows:

	FY 2024		**FY 2025**	
	Low	High	Low	High
Counties	($1,892,501)	($12,616,673)	($1,892,501)	($12,616,673)
Cities	($2,365,626)	($15,770,842)	($2,365,626)	($15,770,842)
Total Local	($4,258,127)	($28,387,515)	($4,258,127)	($28,387,515)
State Road Fund	($11,512,714)	($76,751,429)	($11,512,714)	($76,751,429)

	FY 2026		**FY 2027**	
	Low	High	Low	High
Counties	($2,433,216)	($16,221,437)	($2,703,573)	($18,023,819)
Cities	($3,041,519)	($20,276,796)	($3,379,466)	($22,529,774)
Total Local	($5,474,735)	($36,498,233)	($6,083,039)	($40,553,593)
State Road Fund	($14,802,061)	($98,680,408)	($16,446,735)	($109,644,898)

The Department already has the forms and processes set up to handle these refunds. No additional fiscal impact is expected.

Summary
This proposal will have the following revenue impact:

Consolidated Impact

	FY 2024		**FY 2025**	
State Fund	Low	High	Low	High
General Revenue				
Charity Deduction	($522,607)	($522,607)	($562,825)	($562,825)
Creation of the APP	($500,000)	($500,000)		
Total General Revenue	($1,022,607)	($1,022,607)	($562,825)	($562,825)
State Road Fund				
Standard Refund	($70,851,581)	($70,851,581)	($106,277,371)	($106,277,371)
Itemized Rebate	($513,112)	($12,821,146)	($171,037)	($4,273,715)
Weight Limit Removed	($11,512,714)	($76,751,429)	($11,512,714)	($76,751,429)
Total State Road Fund	($82,877,407)	($160,424,156)	($117,961,123)	($187,302,515)
Local Funds				
Counties				
Standard Refund	($11,646,835)	($11,646,835)	($17,470,253)	($17,470,253)
Itemized Rebate	($84,347)	($2,107,586)	($28,116)	($702,529)
Weight Limit Removed	($1,892,501)	($12,616,673)	($1,892,501)	($12,616,673)
Total Counties	($13,623,683)	($26,371,094)	($19,390,870)	($30,789,454)
Cities				
Standard Refund	($14,558,544)	($14,558,544)	($21,837,816)	($21,837,816)
Itemized Rebate	($105,434)	($2,634,482)	($35,145)	($878,161)

Weight Limit Removed	($2,365,626)	($15,770,842)	($2,365,626)	($15,770,842)
Total Cities	($17,029,604)	($32,963,868)	($24,238,587)	($38,486,819)
Total Local	($30,653,287)	($59,334,962)	($43,629,456)	($69,276,273)

Consolidated Impact

	FY 2026		**FY 2027**	
State Fund	Low	High	Low	High
General Revenue				
Charity Deduction	($600,428)	($600,428)	($585,960)	($585,960)
Total General Revenue	($600,428)	($600,428)	($585,960)	($585,960)
State Road Fund				
Standard Refund	($141,703,162)	($141,703,162)	($177,128,952)	($177,128,952)
Itemized Rebate	($171,037)	($4,273,715)	$0	$0
Weight Limit Removed	($14,802,061)	($98,680,408)	($16,446,735)	($109,644,898)
Total State Road Fund	($156,676,260)	($244,657,285)	($193,575,687)	($286,773,850)
Local Funds				
Counties				
Standard Refund	($23,293,670)	($23,293,670)	($29,117,088)	($29,117,088)
Itemized Rebate	($28,116)	($702,529)	$0	$0
Weight Limit Removed	($2,433,216)	($16,221,437)	($2,703,573)	($18,023,819)
Total Counties	($25,755,002)	($40,217,636)	($31,820,661)	($47,140,907)
Cities				

Standard Refund	($29,117,088)	($29,117,088)	($36,396,360)	($36,396,360)
Itemized Rebate	($35,145)	($878,161)	$0	$0
Weight Limit Removed	($3,041,519)	($20,276,796)	($3,379,466)	($22,529,774)
Total Cities	($32,193,752)	($50,272,045)	($39,775,826)	($58,926,134)
Total Local	($57,948,754)	($90,489,681)	($71,596,487)	($106,067,041)

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

This proposal would allow motor fuel tax refund claims on fuel purchased for vehicles heavier than 26,000 pounds, if such vehicles are owned by a corporation or sole proprietorship located in Missouri. B&P notes that the language specifically lists corporations and sole proprietors; therefore, it is unclear whether other pass-through entities such as partnerships or LLCs would also qualify under this provision.

B&P notes that this proposal would become effective August 28, 2023, which is during the motor fuel refund request window of July 1, 2023 through September 30, 2023 for fuel tax purchases between July 2022 and June 2023. For the purpose of this fiscal note, B&P will assume that refund claims will increase from the repeal of Section 142.822.6 during the FY 2024 refund claim period. However, B&P acknowledges that not all newly qualifying taxpayers would have kept their fuel receipts because they do not qualify under current law.

B&P further notes that for the TAFP SB 262 (2021) fiscal note, B&P assumed that the amount of refunds would range between 15% and 100% of all qualified taxpayers, whose vehicles weighed less than 26,000 pounds. Therefore, under this proposal, B&P assumes that refund claims will still range between 15% and 100%; however, the number of qualifying vehicles would increase with the removal of the weight limit. In addition, B&P notes that heavier vehicles tend to use more motor fuel than lighter vehicles, which may incentivize a higher uptake in refund claims.

Using FY 2022 motor fuel tax collections, B&P estimates that there were 4,323,936,974 gallons of gasoline and diesel purchased during FY 2022. B&P then updated the TAFP SB 262 (2021) fiscal estimates for both revenues and potential refunds, under current law, using the newer gallons sold data. B&P then determined the amount of refunds that could remain after accounting for all currently qualifying vehicles. Table 1 shows the updated revenue and refund estimates.

Table 1: Estimated Additional Refunds

		FY 2024	FY 2025	FY 2026	FY 2027
Estimated Collections (prior FY)		$216,196,849	$324,295,273	$432,393,697	$540,492,122
Estimated Current 100% Potential Refunds	-	$156,117,452	$234,176,179	$312,234,905	$390,293,631
Remaining Collections (for non-qualifying MVs)		$60,079,396	$90,119,094	$120,158,792	$150,198,491
Estimated Low Additional Refund (15%)		($9,011,909)	($13,517,864)	($18,023,819)	($22,529,774)
Estimated High Additional Refund (100%)		($60,079,396)	($90,119,094)	($120,158,792)	($150,198,491)
Estimated Refunds for every 1% uptake		($600,794)	($901,191)	($1,201,588)	($1,501,985)
Estimated Refunds for every 5% uptake		($3,003,970)	($4,505,955)	($6,007,940)	($7,509,925)

Therefore, B&P estimates that this proposal could increase motor fuel tax refunds by up to $9.0 million to $60.1 million in FY 2024. Once fully implemented, this proposal could increase motor fuel tax refunds by up to $22.5 million to $150.2 million annually.

However, as noted before, it is unknown how many additional refund claims will be made. B&P estimates that every 5% increase in refund claims could increase refund amounts by $7.5 million once fully implemented.

B&P notes that motor fuel tax collections are distributed 73% to the State Road Fund, 12% to the County Aid Road Trust Fund, 15% to other local funds. Therefore, B&P estimates that this proposal could reduce revenues to the State Road Fund by up to $6.6 million to $43.9 million and local revenues by up to $2.4 million to $16.2 million in FY 2024. Once TAFP SB 262 (2021) has fully implemented, this proposal could reduce revenues to the State Road Fund by up to $22.5 million to $150.2 million and local revenues by $6.1 million to up to $40.6 million annually. Table 2 shows the estimated impact by fund.

Table 2: Estimated Impact By Fund

	FY 2024		FY 2025	
State Fund	Low (15%)	High (100%)	Low (15%)	High (100%)
State Road Fund	($6,578,694)	($43,857,959)	($9,868,041)	($65,786,939)
Local Funds				
CART	($1,081,429)	($7,209,528)	($1,622,144)	($10,814,291)
Other	($1,351,786)	($9,011,909)	($2,027,680)	($13,517,864)
Total Local	($2,433,215)	($16,221,437)	($3,649,824)	($24,332,155)

Table 2 (cont.): Estimated Impact By Fund

	FY 2026		FY 2027	
State Fund	Low (15%)	High (100%)	Low (15%)	High (100%)
State Road Fund	($13,157,388)	($87,715,919)	($16,446,735)	($109,644,898)
Local Funds				
CART	($2,162,858)	($14,419,055)	($2,703,573)	($18,023,819)
Other	($2,703,573)	($18,023,819)	($3,379,466)	($22,529,774)
Total Local	($4,866,431)	($32,442,874)	($6,083,039)	($40,553,593)

Bill Summary
In response to similar legislation from this year, Perfected HB 519, B&P estimates that this proposal could decrease state revenues by $95,220,047 to $172,766,796 and local funds by $35,020,850 to $63,702,525 in FY 2024. Once SB 3(2022) and all other provisions have implemented, this proposal may decrease state revenues by $194,226,753 to $287,424,916 and local revenues by $71,596,487 to $106,067,041. Table 1 shows the estimated impact by fiscal year.

Table 1: Estimated Summary Impact

State Fund	FY 2024 Low	FY 2024 High	FY 2025 Low	FY 2025 High	FY 2026 Low	FY 2026 High
General Revenue - Donations	($534,043)		($576,670)		($635,661)	
State Road Fund						
Standard Refund	($82,660,178)		($106,277,371)		($153,511,758)	
Itemized Rebate	($513,112)	($12,821,146)	($171,037)	($4,273,715)	($171,037)	($4,273,715)
Weight Limit + Timing	($11,512,714)	($76,751,429)	($11,512,714)	($76,751,429)	($14,802,061)	($98,680,408)
Total State Road Fund	($94,686,004)	($172,232,753)	($117,961,122)	($187,302,515)	($168,484,856)	($256,465,881)
Total State Impact	**($95,220,047)**	**($172,766,796)**	**($118,537,792)**	**($187,879,185)**	**($169,120,517)**	**($257,101,542)**
Local Funds						
CART						
Standard Refund	($13,587,974)		($17,470,253)		($25,234,810)	
Itemized Rebate	($84,347)	($2,107,586)	($28,116)	($702,529)	($28,116)	($702,529)
Weight Limit + Timing	($1,892,501)	($12,616,673)	($1,892,501)	($12,616,673)	($2,433,216)	($16,221,437)
Total CART	($15,564,822)	($28,312,233)	($19,390,870)	($30,789,455)	($27,696,142)	($42,158,776)
Other						
Standard Refund	($16,984,968)		($21,837,816)		($31,543,512)	
Itemized Rebate	($105,434)	($2,634,482)	($35,145)	($878,161)	($35,145)	($878,161)
Weight Limit + Timing	($2,365,626)	($15,770,842)	($2,365,626)	($15,770,842)	($3,041,519)	($20,276,796)
Total Other	($19,456,028)	($35,390,292)	($24,238,587)	($38,486,819)	($34,620,176)	($52,698,469)
Total Local	**($35,020,850)**	**($63,702,525)**	**($43,629,456)**	**($69,276,273)**	**($62,316,317)**	**($94,857,244)**

Table 1: Estimated Summary Impact

	FY 2027		FY 2028		FY 2029	
State Fund	**Low**	**High**	**Low**	**High**	**Low**	**High**
General Revenue - Donations	($680,003)		($665,535)		($651,066)	
State Road Fund						
Standard Refund	($177,128,952)		($177,128,952)		($177,128,952)	
Itemized Rebate	$0	$0	$0	$0	$0	$0
Weight Limit + Timing	($16,446,735)	($109,644,898)	($16,446,735)	($109,644,898)	($16,446,735)	($109,644,898)
Total State Road Fund	($193,575,687)	($286,773,850)	($193,575,687)	($286,773,850)	($193,575,687)	($286,773,850)
Total State Impact	**($194,255,690)**	**($287,453,853)**	**($194,241,222)**	**($287,439,385)**	**($194,226,753)**	**($287,424,916)**
Local Funds						
CART						
Standard Refund	($29,117,088)		($29,117,088)		($29,117,088)	
Itemized Rebate	$0	$0	$0	$0	$0	$0
Weight Limit + Timing	($2,703,573)	($18,023,819)	($2,703,573)	($18,023,819)	($2,703,573)	($18,023,819)
Total CART	($31,820,661)	($47,140,907)	($31,820,661)	($47,140,907)	($31,820,661)	($47,140,907)
Other						
Standard Refund	($36,396,360)		($36,396,360)		($36,396,360)	
Itemized Rebate	$0	$0	$0	$0	$0	$0
Weight Limit + Timing	($3,379,466)	($22,529,774)	($3,379,466)	($22,529,774)	($3,379,466)	($22,529,774)
Total Other	($39,775,826)	($58,926,134)	($39,775,826)	($58,926,134)	($39,775,826)	($58,926,134)
Total Local	**($71,596,487)**	**($106,067,041)**	**($71,596,487)**	**($106,067,041)**	**($71,596,487)**	**($106,067,041)**

NM:LR:OD

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR and B&P.

Official from the **Missouri Department of Transportation (MoDOT)** assume the expansion of the motor fuel tax refund to motor vehicles that exceed 26,000 pounds would create an unknown negative fiscal impact if Missouri-based motor carriers licensed under the International Fuel Tax Agreement (IFTA) are included.

IFTA takes into account both gallons purchased, and gallons consumed within the state when determining a motor carrier's fuel tax owed. It is unclear if the language "delivered into a motor vehicle" is intended to apply to fuel purchased in Missouri, consumed in Missouri, or both.

Because IFTA is administered by MoDOT's Motor Carrier Services Division and other refunds are issued by the Department of Revenue, refunds could be issued more than once. The easing of reporting information for a refund would not satisfy the audit requirements for IFTA.

Allowing only Missouri-based carriers to be eligible for refunds for motor vehicles over 26,000 pounds may create an unfair interstate commerce practice.

MoDOT defers to DOR for the fiscal impacted expected from motor fuel tax refunds.

In response to similar legislation from this year, Perfected HB 519, officials from the **Missouri Department of Conservation** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for MDC for these provisions of the proposal.

§143.011 Individual Income Tax Rate Reduction

Officials from the **Department of Revenue (DOR)** notes the current individual income tax rate for tax year 2023 is 4.95% per SB 3 (2022) and is projected to be 4.8% for tax years 2024 & 2025. Per SB 3, the individual income tax rate is then scheduled to drop over a period of years to 4.5% based on certain state revenue growth. The Department is unable to determine when these scheduled drops in the rate will actually occur, but for fiscal note purposes only, DOR will assume they will drop over the next consecutive years.

This provision changes the rate for tax year 2024 to 4.5% and then allows the rest of the SB 3 rate reductions to continue for tax year 2024 and beyond. Therefore, the current and proposed rates are:

Current and Proposed Income Tax Rates

Tax Year	Current (assumed) Rate	Proposed Rate
2024	4.8%	4.35% (4.5% - .15%)
2025	4.8%	4.35%
2026	4.7%	4.25%
2027	4.6%	4.15%
2028+	4.5%	4.05%

The Department used its internal Income Tax Model that contains confidential taxpayer data to estimate the fiscal impact. The model calculates the calendar/tax year impact, then converts the data to fiscal year using a 42% in the first year and 58% in the second year split for conversion. The loss to General Revenue is projected as follows:

By Tax Year

Tax Year	Loss To General Revenue
2024	($505,699,033)
2025	($503,748,664)
2026	($507,041,169)
2027	($508,067,496)
2028	($508,814,511)

By Fiscal Year

Fiscal Year	Loss to General Revenue
2024	($211,574,439)
2025	($504,879,878)
2026	($505,131,516)
2027	($507,472,226)
2028	($508,381,243)
2029	($508,814,511)

This provision will require modification to the MO-1040 form and to the MO-1040P form. Additionally DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

At this time, the Department believes it can handle this work with existing resources. However, should DOR reach the number of errors or correspondence to justify additional FTE from this proposal or in combination with other proposals that will pass, DOR will seek the required number of FTE through the appropriation process. The Department is providing the number of errors or correspondence that require additional FTE.

1 FTE Associate Customer Service Rep for every 14,700 errors created
1 FTE Associate Customer Service Rep for every 5,700 pieces of correspondence generated

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would reduce the top income tax rate to 4.5% starting tax year 2024. B&P notes that this proposal retains the income tax reductions that are scheduled to occur under current law.

Based on current revenue forecasts and average revenue growth, B&P estimates that revenues in FY23, FY25, FY26, and FY27 will reach the SB 3 (2022) growth trigger requirement for reductions to the top rate of tax. Therefore, the top rate of tax is estimated to be reduced in tax years 2024 (0.15%), 2026 (0.1%), 2027 (0.1%), and 2028 (0.1%) under SB 3 (2022). Table 1 shows the current versus proposed individual income tax.

Table 1: Current Top Tax Rate vs Proposed Rate

Tax Year	Current	Proposed
2023	4.95%	N/A
2024	4.80%	4.35%
2025	4.80%	4.35%
2026	4.70%	4.25%
2027	4.60%	4.15%
2028	4.50%	4.05%

**Assumes SB 3 (2022) reductions are triggered for tax years: 2024, 2026, 2027, and 2028.*

Using tax year 2020 data, the most recent complete tax year available, and accounting for the changes in individual income tax law created by SB 3 (2022), B&P estimates that this section may reduce tax collections by $514.7M for calendar year 2024. Once SB 3 (2022) has fully implemented, B&P estimates this provision could reduce tax collections by $517.9M annually. Table 2 shows the assumed top tax rates and estimate impact by calendar year.

Table 2: Impact by Tax Year

Tax Year	GR Impact
2024	($514,725,108)
2025	($512,772,465)
2026	($516,077,095)
2027	($517,108,521)
2028	($517,857,688)

However, because this proposal would take effect January 1, 2024 individuals will adjust their withholdings and declarations during FY24. Based on actual collections data, B&P estimates that 42% of individual income taxes are paid during fiscal year 1 and 58% are paid during fiscal year 2. Therefore, B&P estimates that this provision will reduce TSR and GR by $216.2M in FY24. Once SB 3 (2022) has been fully implemented in FY29, and annually thereafter, this proposal may reduce TSR and GR by $517.9M. Table 3 shows the estimated impact from this section by fiscal year.

Table 3: Impact by Fiscal Year

Fiscal Year	GR Impact
2024	($216,184,545)
2025	($513,904,998)
2026	($514,160,410)
2027	($516,510,294)
2028	($517,423,171)
2029	($517,857,688)

Section 143.071 Corporate Income Tax Rate Reduction

Officials from the **Department of Revenue (DOR)** note the current corporate tax rate is 4% a year. The FY 2022 net collections were $711.1 million. Starting January 1, 2024, this proposal will reduce the corporate tax rate to 2% for tax year 2024. Since this proposal is effective January 1, 2024 it is assumed only 6 months of collections will be impacted in FY 2024.

Then starting in tax year 2026, this proposal provides that another 1% reduction can occur if the amount of revenue received in FY 2025- 2026 exceeds the FY 2024-2025 collections by $50 million. If it does, the 1% rate reduction will occur starting the following tax year. Therefore, the earliest this reduction could occur is tax year 2027.

Additionally in Section 143.071.6, this proposal establishes a procedure by which the corporate tax rate could be reduced to zero. It says that if the FY 2028 net general revenue collections are greater than $250 million over the FY 2027 net general revenue collections then the corporate rate will be reduced to zero. At this time, the Department is unable to predict if reducing the corporate rate to 1% would increase revenue by the $250 million for the trigger.

This provision then allows a final reduction to 0% if it meets the $250 million trigger. This will result in a loss to general revenue.

Corporate Rate Reduction	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	($177,765,669)	($355,531,338)	(355,531,338)	($444,414,173)	($533,297,007)	($711,062,676)

This provision in Section 143.071.8(1) states that upon the corporate tax rate being eliminated, corporations would no longer be allowed to claim tax credits. Many of the state tax credits are allowed to be sold, transferred and assigned and it is assumed corporations would continue that practice. Additionally, some companies may choose to no longer participate in tax credit programs, freeing up credits for other organizations to claim.

Per Section 148.720 whenever there is a reduction in the corporate tax rate there shall be a proportional decrease in the financial institutions tax. However, section 143.071.8(2) states this proposal will not cause a reduction or elimination of the financial institutions tax under Chapter 148. Therefore this provision will not have a fiscal impact.

This provision will result in changes needing to be made to computer programs and forms. These changes are estimated at $7,193.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 143.071.4 will reduce the corporate income tax 2%, starting with tax year 2024.

Section 143.071.5 would reduce the corporate income tax rate by an additional 1%, when net corporate income tax collections exceed the amount of net corporate income tax collections in FY25. B&P notes that because the rate reduction could not start until the calendar year after the trigger was met, tax year 2027 (FY26 vs FY25 corporate revenues) is the first possible year for the reduced rate. For the purpose of this fiscal note, B&P will assume the reduction is triggered for tax year 2027.

Section 143.071.6 would allow an additional 1% reduction, taking the corporate tax rate to 0%, beginning as early as the year after a reduction is triggered under subsection 5. In order for the additional rate reduction to occur, net GR in the immediately preceding fiscal year must exceed the net GR in the fiscal year in which the tax reduction under subsection 5 is triggered, by at least $250 million. For the purpose of this fiscal note, B&P will assume that the additional rate reduction occurs as early as tax year 2028.

Table 4 shows the proposed corporate tax rates.

Table 4: Proposed Corporate Tax Rate

Tax Year	Current	Proposed
2023	4.00%	N/A
2024	4.00%	2.00%
2025	4.00%	2.00%
2026	4.00%	2.00%
2027	4.00%	1.00%
2028	4.00%	0.00%

*Assume Section 143.071.5 triggered for tax year 2027.
Assumes Section 143.071.6 triggered for tax year 2028.

B&P notes that under Section 148.720, RSMo, the financial institutions tax (formerly known as the bank franchise taxes) (Sections 148.030, 148.140, and 148.620, RSMo.) shall be reduced by a proportional amount to any reduction in the corporate income tax. However, **Section 143.071.8(2)** states that the proposed tax rate reductions and elimination under Section 143.071 shall not impact the financial institutions tax.

In FY22, net corporate tax collections were $711,062,676 at a tax rate of 4.0%.

B&P estimates that reducing the corporate income tax could reduce GR by $355.5 million beginning with tax year 2024. Once fully implemented, B&P estimates this provision could reduce corporate income tax collections by $711.0 million annually. Table 5 shows the estimated impact by tax year.

Table 5: Estimated Impact by Tax Year

Tax Year	GR Impact
2024	($355,531,338)
2025	($355,531,338)
2026	($355,531,338)
2027	($533,297,007)
2028	($711,062,676)

* Assume Section 143.071.5 triggered for tax year 2027. Assumes Section 143.071.6 triggered for tax year 2028.

However, because this proposal would take effect January 1, corporations would adjust their declarations payments during FY24. Based on historic remittance patterns, B&P notes that corporate income tax collections are split approximately 50/50 between fiscal years. Table 6 shows the estimate impact on general revenue by fiscal year.

Table 6: Corporate Income Tax Reduction by Fiscal Year

Fiscal Year	GR Impact
FY24	($177,765,669)
FY25	($355,531,338)
FY26	($355,531,338)
FY27	($444,414,173)
FY28	($622,179,842)
FY29	($711,062,676)

* Assume Section 143.071.5 triggered for tax year 2027. Assumes Section 143.071.6 triggered for tax year 2028.

Therefore, B&P estimates that this proposal could reduce TSR and GR by $177.8 million in FY24. Once fully implemented, this proposal could reduce TSR and GR by $711.0 million annually.

B&P notes that **Section 143.071.8(1)** would prevent the use of corporate tax income tax credits once the corporate income tax has been eliminated. B&P notes that the average amount of tax credits taken against corporate income tax was $92,343,664 from FY20 – FY22. However, B&P also notes that corporations could still sell or transfer tax credits. B&P further assumes that this would not impact withholding retention tax credits as they are not taken against corporate income tax, but are instead a retention of employee's individual income tax.

In addition, the use of net collections to estimate the potential impact from this proposal already includes the potential that corporate tax credits would no longer be redeemed. Therefore, removing the $92.3 million in corporate tax credits from the estimated impact would double count the potential revenue gain.

Section 143.125 Social Security Benefit Tax Exemption

Officials from the **Department of Revenue (DOR)** note this provision is changing the taxability of social security payments. Some social security benefits are taxable depending on the amount of income a person has at the federal level, while other amounts are not. Generally, at the federal level if a taxpayer's income is under $25,000 and they file as an individual or $35,000 if they file a combined return, the social security benefits are not taxable. For any income over those amounts then social security benefits are taxable and the taxable portion is calculated into the taxpayer's federal adjusted gross income (FAGI).

Under Missouri law, if social security benefits are included in a taxpayer's FAGI, and the taxpayer's MAGI is over $85,000 for an individual or $100,000 for those that file combined, their social security is taxable in Missouri. If a taxpayer has a MAGI of less than $85,000 for an individual or $100,000 for those filing combined, then they are allowed to deduction up to the social security maximum from their Missouri taxable income.

The maximum social security benefits a person receives is based on when they start to take the social security benefits and how much they paid into the system through the years. A person can take early social security benefits at 62 receiving a lesser amount of benefits. Social security benefits are considered full benefits starting at age 67, based on the year of a person's birth. The maximum social security benefits are given when a person does not take social security until they reach 70. The maximum social security benefit for 2023 is $43,524. It should be noted that social security annually adjusts the benefit numbers.

This provision starting January 1, 2024, will remove the MAGI limitation determining the taxable portion of social security. If a taxpayer included any portion of their social security benefits into their FAGI they will be allowed a deduction from their Missouri return up to the $43,524 limit of what they claimed in the FAGI.

While currently SB 3 adopted in 2022 set the individual income tax rate at 4.95% in tax year 2023 with the rate scheduled to continue to reduce over a period of several year, this bill is changing those rates. For fiscal note purposes, DOR will show the loss at each of this year's individual income tax rates for the implementation period. This will result in a loss to general revenue. DOR estimates the loss to general revenue:

Estimated Loss of Social Security Benefits					
Retirement Income	4.50%	4.35%	4.25%	4.15%	4.05%
Social Security	($144,686,314)	($139,863,436)	($136,648,185)	($133,432,934)	($130,217,682)

Therefore, it could result in a loss to general revenue.

Table 2: Estimated Loss by Fiscal Year of Social Security Benefits

	Tax Year (Fiscal Year)			
Tax Rate	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY28)
4.50%	($144,686,314)	($144,686,314)	($144,686,314)	($144,686,314)
4.35%	($139,863,436)	($139,863,436)	($139,863,436)	($139,863,436)
4.25%		($136,648,185)	($136,648,185)	($136,648,185)
4.15%			($133,432,934)	($133,432,934)
4.05%				($130,217,682)

This provision will require modification to the MO-1040, MO-A, and the MO-1040P forms. Additionally DOR will need to modify their website and their individual income tax computer system. These changes are estimated to cost $7,193.

At this time, the Department believes it can handle this work with existing resources. However, should DOR reach the number of errors or correspondence to justify additional FTE from this proposal or in combination with other proposals that will pass, DOR will seek the required number of FTE through the appropriation process. The Department is providing the number of errors or correspondence that require additional FTE.

1 FTE Associate Customer Service Rep for every 14,700 errors created
1 FTE Associate Customer Service Rep for every 5,700 pieces of correspondence generated

Officials from **B&P -** This section would eliminate the income limits for the individual income tax exemption for social security payments beginning with tax year 2024. Currently taxpayers who are married filing joint may exempt 100% of their social security income, if their Missouri Adjusted Gross Income (MAGI) equal to or less than $100,000. All other taxpayers may exempt 100% of social security income if their MAGI is equal to or less than $85,000.

This proposal would allow all taxpayers, regardless of income, to subtract up to the maximum social security benefit. To prevent double counting the potential revenue impact, B&P will reflect the potential impact under the proposed income tax brackets found in Section 143.011.

Based on data published by the IRS, B&P estimates that this section may exempt $689,197,344 in social security payments for taxpayers filing single, $172,665,756 for taxpayers filing head of household, and $2,353,388,312 for married filing joint taxpayers; for a total of $3,215,251,412 in income exempted under this section.

However, exemptions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from this proposal and SB 3 (2022).

B&P estimates that this section could reduce TSR and GR by $144,686,314 (top tax rate 4.5%) or by $139,863,436 (top tax rate 4.35%) in FY25. Once this proposal and SB 3 (2022) have fully implemented, this section could reduce TSR and GR by $130,217,682 annually.

Table 7: Social Security Subtraction by Fiscal Year

	Tax Year (Fiscal Year)			
Tax Rate	2024 (FY25)	2025 (FY26)	2026 (FY27)	2027 (FY28)
4.50%	($144,686,314)	($144,686,314)	($144,686,314)	($144,686,314)
4.35%	($139,863,436)	($139,863,436)	($139,863,436)	($139,863,436)
4.25%		($136,648,185)	($136,648,185)	($136,648,185)
4.15%			($133,432,934)	($133,432,934)
4.05%				($130,217,682)

<u>**Responses regarding the proposed legislation as a whole for §§143.011, 143.071 & 143.125**</u>

In response to similar legislation from this year, **Perfected HCS for HB Nos. 816 & 660**, officials from the **DOR** noted this proposal will impact general revenue, from the income tax rate changes, the corporate tax rate changes, and the increased social security exemption. This is estimated to result in a loss.

Impact to State & Local Funds			
	FY 2024	FY 2025	FY 2026
State Funds			
General Revenue	($529,203,544)	($1,000,274,652)	($997,311,039)

	FY 2027	FY 2028	FY 2029
State Funds			
General Revenue	($1,085,319,333)	($1,171,895,932)	($1,172,329,200)

Oversight will note the one-time cost, estimated at **$21,579** associated with the updates of DOR's income tax system for all sections within the proposal, in the fiscal note beginning FY 2024.

In response to similar legislation from this year, Perfected HCS for HB Nos. 816 & 660, **B&P** estimated that this proposal could TSR and GR by $533,813,650 in FY24. Once the individual and corporate income tax changes have fully implemented, this proposal may reduce TSR and GR by $1,181,372,377. Table 8 shows the estimated impact by provision and fund.

Table 8: Summary Impact

State Funds	FY 2024	FY 2025	FY 2026
General Revenue			
Individual Income Tax*	($216,184,545)	($513,904,998)	($514,160,410)
Corporate Income Tax**	($177,765,669)	($355,531,338)	($355,531,338)
Social Security Subtraction*	($139,863,436)	($139,863,436)	($136,648,185)
Total GR Impact	**($533,813,650)**	**($1,009,299,772)**	**($1,006,339,933)**
Total State Revenue Impact	**($533,813,650)**	**($1,009,299,772)**	**($1,006,339,933)**

*Assumes SB 3 (2022) reductions are triggered for tax years: 2024, 2026, 2027, and 2028.
**Assume Section 143.071.5 triggered for tax year 2027.
Assumes Section 143.071.6 triggered for tax year 2028.

Table 9: Summary Impact

State Funds	FY 2027	FY 2028	FY 2029
General Revenue			
Individual Income Tax*	($516,510,294)	($517,423,171)	($517,857,688)
Corporate Income Tax**	($444,414,173)	($622,179,842)	($711,062,676)
Social Security Subtraction*	($133,432,934)	($130,217,682)	($130,217,682)
Total GR Impact	**($1,094,357,400)**	**($1,269,820,694)**	**($1,359,138,046)**
Total State Revenue Impact	**($1,094,357,400)**	**($1,269,820,694)**	**($1,359,138,046)**

*Assumes SB 3 (2022) reductions are triggered for tax years: 2024, 2026, 2027, and 2028.
**Assume Section 143.071.5 triggered for tax year 2027.
Assumes Section 143.071.6 triggered for tax year 2028.

Oversight is unsure when the two triggers for the corporate income tax reduction would occur. For simplicity, Oversight will show them as fully implemented in an unknown fiscal year.

§321.246 – Emergency Services

Officials from the **Office of Administration - Budget and Planning (B&P)** note **§321.246.1** of the proposal updates this statute to reflect Clay County's new standing as a charter county. The proposal corrects the reference to first class counties and counties with a charter form of government. The first two county changes identify Jackson County with the reference to the "county with a charter form of government" and removes "of the first classification". The updated reference intended for Clay County now reads as "a county with a charter form of government" and removes "of the first classification".

Officials from the **Office of Administration - Budget and Planning (B&P)** note **§321.246.4** of the proposal removes the word "district" from the name of fire protection sales tax trust fund, which aligns the name with the statutory name in section 321.242.

B&P defers to the fire protection districts for the fiscal impact.

In response to similar legislation from this year, HCS for HB 648, officials from the **Department of Revenue (DOR)** noted this is updating a jurisdictions description in statute. This will not have a fiscal impact on DOR.

In response to similar legislation from this year, HCS for HB 648, officials from the **City of Kansas City** and **Jackson County** each assumed the proposal will have no fiscal impact on their respective cities/counties. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section of the proposal.

In response to similar legislation from this year, HCS for HB 648, officials from the **City of Springfield** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in this section of the fiscal note.

<u>§408.900 – Digital Mining</u>

Officials from the **Office of Administration - Budget and Planning** assume this proposal would allow anyone to run a node or series of nodes for the purpose of home digital asset mining. While the Public Service Commission can set rates reflective of cost to serve, they cannot establish a rate schedule for digital asset mining that is discriminatory. However, the provisions of this section do not have a fiscal impact on GR or TSR.

In response to similar legislation from this year, **SB 536**, officials from the **City of Kansas City** and the **City of Springfield** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies for this section of the proposal.

<u>Responses regarding the proposed legislation as a whole</u>

Officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Missouri Highway Patrol**, the **Office of Administration**, the **Platte County Board of Elections**, the **St. Louis County Board of Elections** and the **Joint Committee on Administrative Rules** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
GENERAL REVENUE				
Costs – State Tax Commission – §137.115 – Software/programming and additional FTE costs p. 5-8	(Unknown, less than $200,000)	(Unknown, less than $200,000)	(Unknown, less than $200,000)	(Unknown, less than $200,000)
Loss – decrease in state taxes paid due to the ability to donate motor fuel tax refunds to charity and claim as a deduction on state taxes (§§142.815, 142.822 & 142.824) p. 15	($106,809)	($115,334)	($127,132)	($136,001)
Costs – §144.020 - DOR – sales tax computer updates p.44	($21,579)	$0	$0	$0
Revenue Reduction - §143.071 - Individual Income Tax Rate Reduction p. 38-41	($211,574,439)	($504,879,878)	($505,131,516)	($508,381,243)
Revenue Reduction - §143.071 - Corporate Income Tax Rate Reduction p. 38-41	($177,765,669)	($355,531,338)	($355,531,338)	($711,062,676)
Revenue Reduction - §143.125 Social Security	($139,863,436)	($139,863,436)	($136,648,185)	

Benefit Tax Exemption p. 42-46				($133,432,934)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($529,531,932)**	**(Unknown, less than $1,000,589,986)**	**(Unknown, less than $997,638,171)**	**(Unknown, less than $1,353,212,854)**
#BLIND PENSION FUND				
Revenue Loss - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method p. 6	$0	#($2,499,449)	#($2,499,449)	#Could exceed ($2,499,449)
Revenue Change - §137.115.9 – farm machinery - reduction in property taxes from change in personal property assessed valuation method p. 6	$0	#(Unknown)	#(Unknown)	#(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**#Could exceed ($2,499,449)**	**#Could exceed ($2,499,449)**	**#Could exceed ($2,499,449)**
STATE ROAD FUND				
Cost – DOR – development of app to claim motor fuel tax refunds at the pump (§142.822) p.19	Could exceed ($500,000)	$0	$0	$0

Cash Flow – timing of the motor fuel tax refunds – moved up to CY instead of FY p. 10	($513,112 to $12,821,146)	($171,037 to $4,273,715)	($171,037 to $4,273,715)	$0
Loss – increase in fuel tax refunds due to eliminating certain required p. information (§142.822)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Loss – increased motor fuel tax refunds due to the elimination of the weight limit for vehicles to claim refunds (§142.822) p. 26	($11,512,714 to $76,751,429)	($11,512,714 to $76,751,429)	($14,802,061 to $98,680,408)	($16,446,735 to $109,644,898)
Loss – taxpayers claiming the standard refund vs. the itemized refund p. 32	($82,660,178)	($106,277,371)	($153,511,758)	($177,128,952)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	**(Unknown, could exceed $95,186,004 to $172,732,753)**	**(Unknown, could exceed $117,961,122 to $187,302,515)**	**(Unknown, could exceed $168,484,856 to $256,465,881)**	**(Unknown, could exceed $193,575,690 to $286,773,850)**

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY Unknown)
LOCAL POLITICAL SUBDIVISIONS				
Costs – Counties – §137.115 - to administer the changes in assessment from this proposal p. 5-8	$0	$0	(Unknown)	(Unknown)

#Revenue Loss - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method p. 6	$0	#Up to ($562,586,245)	#Up to ($562,586,245)	#Up to ($562,586,245)
#Revenue Change - §137.115.9 – farm machinery - reduction in property taxes p. 6	$0	#(Unknown)	#(Unknown)	#(Unknown)
Cash Flow – (Cities and Counties) timing of the motor fuel tax refunds (§142.822) p. 11 & 13	($189,781 to $4,742,068)	($63,261 to $1,580,690)	($63,261 to $1,580,690)	$0
Loss – (Cities and Counties) increase in fuel tax refunds due to eliminating certain required information (§142.822)	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Loss – taxpayers claiming the standard refund vs. the itemized refund	($30,572,942)	($39,308,069)	($56,778,322)	($65,513,488)
Loss – increase in motor fuel tax refunds due to eliminating the weight limit restriction p.26	($4,258,127 to $28,387,515)	($4,258,127 to $28,387,515)	($5,474,735 to $36,498,233)	($6,083,039 to $40,553,593)
#ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Could exceed ($35,020,850 to $63,702,525)**	**Could exceed ($606,215,702 to $631,862,519)**	**Could exceed ($624,902,563 to $657,443,490)**	**Could exceed ($634,182,772 to $668,653,326)**

FISCAL IMPACT – Small Business

Small businesses could be positively impacted by several provision in the bill.

FISCAL DESCRIPTION

§137.115 – Motor Vehicle Assessment Valuations
This legislation modifies provisions relating to motor vehicle assessment valuations.

§§142.815, 142.822 & 142.824 – Motor Fuel Tax Exemption
This proposal modifies provisions relating to motor fuel tax exemption.

§§143.011, 143.071 & 143.125
Currently, the rate of tax imposed on the highest bracket of income is 4.95%. Beginning January 1, 2024, this bill lowers the top rate to 4.5%.

Currently, there is a 4% rate of tax imposed on corporate income. Beginning January 1, 2024, this bill lowers the rate of taxation on corporate income to 2%.

Beginning 2025, a further reduction of 1% to corporate income tax may be made if the amount of revenue from corporate income tax collected in the immediately preceding fiscal year exceeds the highest amount of revenue from corporate income tax collected in any fiscal year prior to the immediately preceding fiscal year by at least $50 million. Such a reduction shall only be made once and shall continue in effect for all subsequent years.

Beginning January 1, 2024, any Social Security benefits received by a taxpayer, regardless of age, including retirement, disability, survivors, and supplemental benefits shall be entitled to the maximum exemption available regardless of the taxpayer's filing status or the amount of the taxpayer's Missouri adjusted gross income.

Sections 137.073, 137.115 & 138.060 of the proposal have an emergency clause.

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

City of Kansas City
Department of Revenue
Missouri Department of Transportation
City of Springfield
Department of Natural Resources
Missouri Highway Patrol
Office of Administration
Platte County Board of Elections

NM:LR:OD

St. Louis County Board of Elections
Joint Committee on Administrative Rules
State Tax Commission
Office of the Secretary of State
Newton County Health Department
Jackson County Board of Elections
Lincoln County Assessor
Office of Administration - Budget and Planning
Department of Social Services
Cape Girardeau County Assessor
County Employees' Retirement Fund
Missouri Department of Conservation
Department of Commerce and Insurance
Jackson County

Julie Morff
Director
May 3, 2023

Ross Strope
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May 3, 2023