

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1015S.02P  
 Bill No.: Perfected SS for SB 23  
 Subject: Motor Vehicles; Department of Revenue; Taxation and Revenue - Sales and Use;  
 Transportation  
 Type: Original  
 Date: February 15, 2023

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Bill Summary: This proposal requires motor vehicle dealers to collect and remit sales tax on motor vehicles the dealer sells.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Conservation Commission Fund**	Up to (\$123,406)	Up to (\$246,811)	Up to (\$246,811)
Parks, Soils and Water Fund**	Up to (\$98,725)	Up to (\$197,449)	Up to (\$197,449)
School District Trust Fund**	Up to (\$493,623)	Up to (\$987,246)	Up to (\$987,246)
State Road Bond Fund**	Up to (\$1,480,868)	Up to (\$2,961,737)	Up to (\$2,961,737)
State Road Fund**	Up to (\$1,974,491)	Up to (\$3,948,982)	Up to (\$3,948,982)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>Up to (\$4,171,113)</b>	<b>Up to (\$8,342,225)</b>	<b>Up to (\$8,342,205)</b>

\*\* Current law allows (may) motor vehicle dealers to collect and remit sales taxes (dealers already have this ability). This proposal requires motor vehicle dealers to collect and remit sales tax. This may increase the amount of sales taxes collected on car purchases above \$250,000 (assuming currently some individuals are not actually paying sales tax and registering their vehicles). However, dealers would be allowed to retain the 2% timely-filed discount (which are the estimates above).

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

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

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Local Government</b>	<b>Up to (\$3,900,219)</b>	<b>Up to (\$7,800,438)</b>	<b>Up to (\$7,800,438)</b>

**FISCAL ANALYSIS**

## ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal, beginning January 1, 2024, requires all Missouri licensed dealers to collect and remit the sales tax on all motor vehicles that the dealer sells. When collecting and with timely remittance the dealer gets to keep two percent of taxes collected.

### Administrative Impact

#### Motor Vehicle Bureau

The implementation of this legislation will be coordinated with the integration of the Department's Motor Vehicle and Driver Licensing software system approved and passed by the General Assembly in 2020 (Senate Bill 176). Dealers collecting tax is a part of the new system requirements. The administrative impact for this bill is inclusive within the Department's development and implementation of the new system.

#### Compliance and Investigations Bureau (CIB)

The proposal will have an impact on CIB as well. If dealers are collecting and remitting sales tax, this will increase the responsibilities of CIB to ensure appropriate tax collection. Additional resources will be requested through the appropriations process, if needed.

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

### Revenue Impact

The following estimates have been made using data from FY 2022 state and local sales tax collected on motor vehicles if the 2% timely discount is allowed for dealers that remit sales tax.

Total amount of **state** sales tax collected for motor vehicles sold by dealers in FY 2022  
= \$417,111,230 x 2% = **\$8,342,225** - Estimated Loss in MV State Sales Tax

Total amount of **local** sales tax collected for motor vehicles sold by dealers in FY 2022  
= \$340,659,669 x 2% = **\$6,813,193** - Estimated Loss MV Local Sales/Use Tax

Estimated loss of revenue annually = \$15,155,418 (\$757,770,899 x 2%)

This would be a decrease to state, city, and county funds.

Dealers collecting sales tax at the time of purchase should result in an unknown increase in Motor Vehicle sales tax collections. This increase should mitigate/offset the loss in sales tax collections resulting from the 2% collection fee dealers will be able to retain.

	<b>FY 2024 (6 months)</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Conservation</b>	(\$123,406)	(\$246,811)	(\$246,811)
<b>Parks, Soils &amp; Water</b>	(\$98,725)	(\$197,449)	(\$197,449)
<b>School District Trust Fund</b>	(\$493,623)	(\$987,246)	(\$987,246)
<b>State Road Bond Fund</b>	(\$1,480,868)	(\$2,961,737)	(\$2,961,737)
<b>State Road Fund</b>	(\$1,480,868)	(\$2,961,737)	(\$2,961,737)
<b>Locals</b>	(\$493,623)	(\$987,245)	(\$987,245)
<b>Total</b>	<b>(\$4,171,113)</b>	<b>(\$8,342,225)</b>	<b>(\$8,342,225)</b>

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the revenue loss estimates as provided by the DOR. In addition, Oversight will reflect an “Unknown” increase in revenue as indicated by DOR for the potential increase in sales tax collections due to motor vehicle dealers having the ability to collect the sales tax at the time of sale.

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

Section 144.070

This proposal would require motor vehicle dealers to apply for authority to collect and remit sales taxes beginning January 1, 2024, rather than applying the sales tax to the purchaser at the time of titling a vehicle.

B&P notes that this proposal only requires dealers to “apply for authority to collect and remit”; it does not require dealerships to actually collect and remit such sales tax. Therefore, some dealerships may apply for authority, as required, but may choose to not collect and remit the sales tax. In which case the sales tax would still have to be applied at the time of titling.

B&P notes that motor vehicle dealers would be eligible for the 2% timely filing discount under Section 144.140. Therefore, B&P estimates that this provision may reduce revenues to state and local taxing jurisdictions.

B&P also notes that the 3% tax on motor vehicles is deposited into the State Road Bond Fund (50%); the State Road Fund (36.5%); the State Transportation Fund (1%); and the Fuel Local Deposit Fund (FLOYD) (12.5%) which is then distributed to local jurisdictions.

In addition to the 3% general tax, a tax of 1% is levied for education, 0.125% for Conservation, and 0.1% for Parks, Soil and Water.

In FY 2022, state 3% MV sales tax collections were \$365,264,400. Based on the 3% amount, B&P estimates that total taxable sales were \$12,175,480,006. Therefore, B&P estimates that granting the 2% timely filing discount to MV dealers would reduce state tax collections by up to \$9,070,733 (includes state sales tax minus FLOYD distributions) annually. In addition, B&P estimates that this would reduce local sales tax collections by up to \$11,128,389 (includes both local sales tax plus FLOYD distributions annually).

Table 1 shows the impact by fiscal year by impacted fund. B&P notes that the estimated impact is “up to” the amounts shown as not all MV businesses may choose to actually collect and remit the sales tax and not all businesses may qualify for the timely filing discount throughout a full fiscal year.

Table 1: Impact by Fund and Fiscal Year

	FY 2024	FY 2025+
<u>State Funds</u>		
Education	Up to (\$608,774)	Up to (\$1,217,548)
Conservation	Up to (\$152,194)	Up to (\$304,387)
DNR	Up to (\$121,755)	Up to (\$243,510)
State Road Bond Fund	Up to (\$1,826,322)	Up to (\$3,652,644)
State Road Fund	Up to (\$1,777,620)	Up to (\$3,555,240)
State Transportation Fund	Up to (\$48,702)	Up to (\$97,404)
Loss to All State Funds	Up to (\$4,535,366)	Up to (\$9,070,733)
<u>Local Funds</u>		
Fuel Local Deposit (FLOYD)	Up to (\$608,774)	Up to (\$1,217,548)
Sales Tax	Up to (\$4,955,420)	Up to (\$9,910,841)
Loss to All Local Funds	Up to (\$5,564,194)	Up to (\$11,128,389)

For fiscal note purposes, **Oversight** will utilize the estimates provided by DOR as DOR based their estimates on sales from licensed motor vehicle dealers while B&P based their estimates on total motor vehicle sales, regardless of who sold the vehicle. Oversight will reflect the loss estimate as “Up to...” as not all dealerships would collect the sales tax and therefore, receive the 2% timely discount.

Officials from the **Missouri Highway Patrol** 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 the Missouri Highway Patrol.

In response to a previous version, officials from the **Missouri Department of Transportation** deferred to the DOR for the potential fiscal impact of this proposal.

#### Rule Promulgation

In response to a previous version, officials from the **Joint Committee on Administrative Rules** assumed this proposal was not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (6 Mo.)	FY 2025	FY 2026
<b>CONSERVATION COMMISSION FUND (0609)</b>			
<u>Revenue</u> – potential increase in sales tax collection due to dealers having the ability to collect sales tax at the time of sale (p. 4)	Unknown	Unknown	Unknown
<u>Loss</u> – 2% timely fee possibly being retained by dealerships (p. 4)	<u>Up to (\$123,406)</u>	<u>Up to (\$246,811)</u>	<u>Up to (\$246,811)</u>
<b>ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND</b>	<b><u>Up to (\$123,406)</u></b>	<b><u>Up to (\$246,811)</u></b>	<b><u>Up to (\$246,811)</u></b>
<b>PARKS, SOIL AND WATER FUND (0613 &amp; 0614)</b>			
<u>Revenue</u> – potential increase in sales tax collection due to dealers having the ability to collect sales tax at the time of sale (p. 4)	Unknown	Unknown	Unknown
<u>Loss</u> – 2% timely fee possibly being retained by dealerships (p. 4)	<u>Up to (\$98,725)</u>	<u>Up to (\$197,449)</u>	<u>Up to (\$197,449)</u>
<b>ESTIMATED NET EFFECT ON THE PARKS, SOIL AND WATER FUND</b>	<b><u>Up to (\$98,725)</u></b>	<b><u>Up to (\$197,449)</u></b>	<b><u>Up to (\$197,449)</u></b>
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024 (6 Mo.)	FY 2025	FY 2026

<b>SCHOOL DISTRICT TRUST FUND (0688)</b>			
<u>Revenue</u> – potential increase in sales tax collection due to dealers having the ability to collect sales tax at the time of sale (p. 4)	Unknown	Unknown	Unknown
<u>Loss</u> – 2% timely fee possibly being retained by dealerships (p. 4)	<u>Up to (\$493,623)</u>	<u>Up to (\$987,246)</u>	<u>Up to (\$987,246)</u>
<b>ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND</b>	<b><u>Up to (\$493,623)</u></b>	<b><u>Up to (\$987,246)</u></b>	<b><u>Up to (\$987,246)</u></b>
<b>STATE ROAD BOND FUND (0319)</b>			
<u>Revenue</u> – potential increase in sales tax collection due to dealers having the ability to collect sales tax at the time of sale (p. 4)	Unknown	Unknown	Unknown
<u>Loss</u> – 2% timely fee possibly being retained by dealerships (p. 4)	<u>Up to (\$1,480,868)</u>	<u>Up to (\$2,961,737)</u>	<u>Up to (\$2,961,737)</u>
<b>ESTIMATED NET EFFECT ON THE STATE ROAD BOND FUND</b>	<b><u>Up to (\$1,480,868)</u></b>	<b><u>Up to (\$2,961,737)</u></b>	<b><u>Up to (\$2,961,737)</u></b>
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024 (6 Mo.)	FY 2025	FY 2026

<b>STATE ROAD FUND (0320)</b>			
<u>Revenue</u> – potential increase in sales tax collection due to dealers having the ability to collect sales tax at the time of sale (p. 4)	Unknown	Unknown	Unknown
<u>Loss</u> – 2% timely fee possibly being retained by dealerships (p. 4-5)	<u>Up to (\$1,974,491)</u>	<u>Up to (\$3,948,982)</u>	<u>Up to (\$3,948,982)</u>
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND</b>	<b><u>Up to (\$1,974,491)</u></b>	<b><u>Up to (\$3,948,982)</u></b>	<b><u>Up to (\$3,948,982)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (6 Mo.)	FY 2025	FY 2026
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue</u> – potential increase in sales tax collection due to dealers having the ability to collect sales tax at the time of sale (p. 4)	Unknown	Unknown	Unknown
<u>Loss</u> – (FLOYD) - 2% timely fee possibly being retained by dealerships (p.4)	Up to (\$493,623)	Up to (\$987,245)	Up to (\$987,245)
<u>Loss</u> – (local sales tax only) - 2% timely fee possibly being retained by dealerships (p.3)	<u>Up to (\$3,406,596)</u>	<u>Up to (\$6,813,193)</u>	<u>Up to (\$6,813,193)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Up to (\$3,900,219)</u></b>	<b><u>Up to (\$7,800,438)</u></b>	<b><u>Up to (\$7,800,438)</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

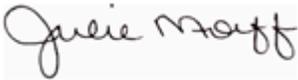
This act requires licensed motor vehicle dealers to collect and remit to the Department of Revenue the sales tax on all motor vehicles the dealer sells, beginning January 1, 2024.

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

SOURCES OF INFORMATION

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



Julie Morff  
Director  
February 15, 2023



Ross Strobe  
Assistant Director  
February 15, 2023