

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3738-02  
Bill No.: SB 999  
Subject: Boats and Watercraft; Taxation and Revenue - Sales and Use  
Type: Original  
Date: February 18, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$2,071,166	\$2,492,450	\$2,492,450
School District Trust	\$1,193,333	\$1,432,000	\$1,432,000
Conservation	\$149,167	\$179,000	\$179,000
Parks and Soil	\$119,333	\$143,200	\$143,200
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$3,532,999</b>	<b>\$4,246,650</b>	<b>\$4,246,650</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$1,790,000</b>	<b>\$2,148,000</b>	<b>\$2,148,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety, Missouri State Water Patrol (DWP)** assume this proposal would not fiscally impact DWP. However, Section 306.016 (2) referring to the repealed section, to the knowledge of the Missouri State Water Patrol, DWP has not received any of the designated funds mentioned.

**Secretary of State (SOS)** officials assume this proposal would not fiscally impact their agency.

Officials from the **Department of Highway and Transportation (DHT)** assume this legislation repeals the boat sales tax exemption. There should be no fiscal impact to DHT.

Officials from the **Department of Revenue (DOR)** state this bill will eliminate the provision for payment of an in lieu tax when registering a vessel documented with the United States Coast Guard. The statute will now require the payment of all applicable state and local taxes as provided by law in effect on the date the vessel was documented or proof that all applicable taxes have been paid in this or another state. This proposal will increase the amount of sales tax collected.

The Division of Motor Vehicle and Drivers Licensing assume this proposal will require revisions to policies, forms and procedures including Titling Manual Updates and will require mailing to approximately 12,600 entities utilizing this manual. The Driver and Vehicle Services Bureau will incur costs in the amount of \$4,919 for procedures revisions, titling manual revisions, postage and envelopes.

The Information Technology Bureau assumes this proposal will also require programming changes to the Uniform Field Office System to no longer allow in lieu of tax. The estimated cost for programming changes is \$957.

DOR assumes this proposal eliminates the in lieu of tax that is currently being paid for all documented vessels and now requires all documented vessels to pay state and local sales tax. The following table indicates the current number of documented vessels, the increments of in-lieu of tax that was paid. However, because the Department of Revenue system does not capture the purchase price of the watercraft, the figures shown for the amount of state sales tax that would be collected is based on the maximum purchase price of the watercraft in each category. In addition, the department does not know how many vessels were purchased in excess of \$200,000 during FY01. Therefore, the top end purchase price used is \$250,000. (This number could be high or low depending on the actual purchase price of the watercraft.

ASSUMPTION (continued)

Increments of In Lieu of Tax	Number of documented vessels during FY01	Amount of In Lieu of Tax collected.	Top end of In Lieu of Tax Increments	Taxable dollar amount	State tax collectible @ 4%
\$650	918	\$596,700	\$50,000	\$45,900,000	\$1,939,275
\$1,250	558	\$697,500	\$100,000	\$55,800,000	\$2,357,550
\$1,850	131	\$242,350	\$150,000	\$19,650,000	\$830,213
\$2,450	43	\$105,350	\$200,000	\$8,600,000	\$363,350
\$3,050	53	\$161,650	\$250,000	\$13,250,000	\$559,813
	<b>1703</b>	<b>\$1,803,550</b>			<b>\$0</b>

Based on the above table, DOR estimates this legislation would increase revenue by \$4,246,650, annually. (Amount of state sales tax that could have been collected less the amount of in lieu of tax collected.)

**This legislation will result in an increase in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>GENERAL REVENUE FUND</b>			
<u>Income - General Revenue Fund</u>			
Elimination of sales tax exception for Coast Guard registered vessels	\$3,580,000	\$4,296,000	\$4,296,000
<u>Loss - General Revenue Fund</u>			
In lieu watercraft tax	(\$1,502,958)	(\$1,803,550)	(\$1,803,550)
<u>Cost - Dept. of Revenue</u>			
Programming, Postage, Form Revisions	(\$5,876)	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$2,071,166</u></b>	<b><u>\$2,492,450</u></b>	<b><u>\$2,492,450</u></b>

**VARIOUS STATE FUNDS**

Income - School District Trust Fund

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Elimination of sales tax exception for Coast Guard registered vessels	\$1,193,333	\$1,432,000	\$1,432,000
<u>Income - Conservation Fund</u>			
Elimination of sales tax exception for Coast Guard registered vessels	\$149,167	\$179,000	\$179,000
<u>Income - Parks and Soil Fund</u>			
Elimination of sales tax exception for Coast Guard registered vessels	<u>\$119,333</u>	<u>\$143,200</u>	<u>\$143,200</u>
<b>ESTIMATED NET EFFECT ON ALL STATE FUNDS</b>	<b><u>\$3,532,999</u></b>	<b><u>\$4,246,650</u></b>	<b><u>\$4,246,650</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Income - Cities</u>			
Elimination of sales tax exception for Coast Guard registered vessels	\$1,074,000	\$1,288,800	\$1,288,800
<u>Income - Counties</u>			
Elimination of sales tax exception for Coast Guard registered vessels	<u>\$716,000</u>	<u>\$859,200</u>	<u>\$859,200</u>
<b>ESTIMATED NET EFFECT TO LOCAL FUNDS</b>	<b><u>\$1,790,000</u></b>	<b><u>\$2,148,000</u></b>	<b><u>\$2,148,000</u></b>

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they were exempt from state sales tax for coast guard registered vessels.

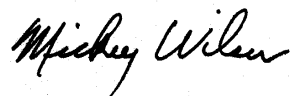
DESCRIPTION

This act repeals the exemption from state and local sales taxes for Coast Guard registered vessels.

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  
Department of Public Safety  
Missouri State Water Patrol  
Secretary of State  
Department of Highway and Transportation



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Acting Director  
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