

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0374-01
Bill No.: HB 56
Subject: Boats and Watercraft; Taxation and Revenue - General, Sales and Use
Type: Original
Date: January 21, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$2,151,833	\$2,582,200	\$2,582,200
Total Estimated Net Effect on General Revenue Fund	\$2,151,833	\$2,582,200	\$2,582,200

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
School District Trust	\$1,235,000	\$1,482,000	\$1,482,000
Conservation	\$154,375	\$185,250	\$185,250
Parks and Soil	\$123,500	\$148,200	\$148,200
Highway Fund	(\$5,876)	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$1,506,999	\$1,815,450	\$1,815,450

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$1,852,500	\$2,223,000	\$2,223,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety, Missouri State Water Patrol** and the **Secretary of State** assume this proposal would not fiscally impact their agencies.

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

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 \$5,796 for procedures revisions, titling manual revisions, postage and envelopes.

ASSUMPTION (continued)

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, DOR does not know how many vessels were purchased in excess of \$200,000 during FY02. Therefore, the top end purchase price used is \$250,000. DOR assumes this number could be high or low depending on the actual purchase price of the watercraft.

Increments of In Lieu of Tax	Number of documented vessels during FY02	Amount of In Lieu of Tax collected.	Top end of In Lieu of Tax Increments	Taxable dollar amount	State tax collectible @ 4.225%
\$650	884	\$574,600	\$50,000	\$44,200,000	\$1,867,450
\$1,250	567	\$708,750	\$100,000	\$56,700,000	\$2,395,575
\$1,850	152	\$281,200	\$150,000	\$22,800,000	\$963,300
\$2,450	35	\$85,750	\$200,000	\$7,000,000	\$295,750
\$3,050	70	\$213,500	\$250,000	\$17,500,000	\$739,375
	1708	\$1,863,800			\$6,261,450

Based on the above table, DOR estimates this legislation would increase revenue by \$4,397,650, 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 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Income</u> - General Revenue Fund			
Elimination of sales tax exception for Coast Guard registered vessels	\$3,705,000	\$4,446,000	\$4,446,000
<u>Loss</u> - General Revenue Fund			
In lieu watercraft tax	<u>(\$1,553,167)</u>	<u>(\$1,863,800)</u>	<u>(\$1,863,800)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$2,151,833</u>	<u>\$2,582,200</u>	<u>\$2,582,200</u>
OTHER STATE FUNDS			
<u>Income</u> - School District Trust Fund			
Elimination of sales tax exception for Coast Guard registered vessels	\$1,235,000	\$1,482,000	\$1,482,000
<u>Income</u> - Conservation Fund			
Elimination of sales tax exception for Coast Guard registered vessels	\$154,375	\$185,250	\$185,250
<u>Income</u> - Parks and Soil Fund			
Elimination of sales tax exception for Coast Guard registered vessels	\$123,500	\$148,200	\$148,200
<u>Cost</u> - Highway Fund (DOR)			
Programming, Postage, Form Revisions	<u>(\$5,876)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON ALL OTHER STATE FUNDS	<u>\$1,506,999</u>	<u>\$1,815,450</u>	<u>\$1,815,450</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
LOCAL FUNDS			
<u>Income - Cities</u>			
Elimination of sales tax exception for Coast Guard registered vessels	\$1,111,500	\$1,333,800	\$1,333,800
<u>Income - Counties</u>			
Elimination of sales tax exception for Coast Guard registered vessels	<u>\$741,000</u>	<u>\$889,200</u>	<u>\$889,200</u>
ESTIMATED NET EFFECT TO LOCAL FUNDS	<u>\$1,852,500</u>	<u>\$2,223,000</u>	<u>\$2,223,000</u>

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 proposal removes the in lieu tax for certain watercraft that are documented with the United States Coast Guard. These watercraft will then be subject to all state and local sales and use taxes.

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

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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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