

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4472-02
Bill No.: Perfected SCS for SB 480
Subject: Motor Vehicles; Motor Carriers; Taxation and Revenue - Sales and Use
Type: Original
Date: March 5, 2012

Bill Summary: This proposal would expand the current sales and use tax exemption on motor vehicles and trailers used in the transportation of persons and property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Road Bond	(Unknown)	(Unknown)	(Unknown)
State Road	(Unknown)	(Unknown)	(Unknown)
State Transportation	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Department of Revenue** (DOR) assume this proposal would not have a fiscal impact to their organization but would reduce Total State Revenues by more than \$5 million per year. DOR officials stated that the proposal would broaden the sales tax exemption to any motor vehicles transporting persons or property in excess of 24,000 pounds. In FY 2011 approximately 12,000 commercial motor vehicles registered with 24,000 pound plates and paid more than \$8 million in state sales and use tax.

DOR officials stated that they could not provide an estimate of the revenue lost from the existing provision for common carriers.

Oversight notes that the DOR response would include the sales and use tax on all vehicles registered with plates that allowed them to carry more than 24,000 pounds. The DOR estimate of \$5 to \$8 million in sales taxes would include farm trucks and delivery vehicles in addition to the motor carriers which would be eligible for the proposed sales tax exemption.

Officials from the **Department of Transportation** (MODOT) deferred to the Department of Revenue for an estimate of the fiscal impact on this proposal; however, in response to a previous version of this proposal, MODOT officials estimated a slight (less than \$100,000) negative impact to sales tax revenue generated from such carriers.

Officials from the **Department of Transportation, Motor Carrier Services** (MCS), provided an estimate that approximately 60% of the 6,487 companies registered with their organization were common carriers, with the balance split between contract carriers and private carriers. MCS officials estimated that there were about the same number of contract carriers as private carriers.

Oversight assumes, based on the information provided by MCS, that this proposal would increase the current loss of revenue by about one-third.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would expand the sales tax exemption for motor vehicles or trailers licensed for a gross weight of twenty-four thousand pounds or more for all motor carriers. The proposal would also expand the sales tax exemption for materials, parts, and equipment for motor vehicles used by common carriers, to the same items as used by all motor carriers. BAP officials assume the expanded exemption would Reduce General and Total State Revenues, including highway and education funds, as well as local revenues, by an amount that could exceed \$5 million annually.

Oversight notes that current law provides for 50% of vehicle sales taxes to be distributed to the Road Bond Fund, 36.5% to the State Road Fund, 1% to the State Transportation Fund, and 12.5% to cities and counties. For fiscal note purposes an unknown revenue reduction will be indicated for those state funds and for local governments.

Oversight assumes this proposal would also reduce revenues to the School District Trust Fund by an unknown amount, and that the revenue reduction to the Conservation Commission Fund and the Parks, and Soil and Water Fund, would be less than \$100,000 per year.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
ROAD BOND FUND			
<u>Revenue reduction - Sales tax exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON ROAD BOND FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
STATE ROAD FUND			
<u>Revenue reduction - Sales tax exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

STATE TRANSPORTATION FUND

Revenue reduction - Sales tax exemption (Unknown) (Unknown) (Unknown)

**ESTIMATED NET EFFECT ON
STATE TRANSPORTATION FUND** (Unknown) (Unknown) (Unknown)

SCHOOL DISTRICT TRUST FUND

Revenue reduction - Sales tax exemption (Unknown) (Unknown) (Unknown)

**ESTIMATED NET EFFECT ON
SCHOOL DISTRICT TRUST FUND** (Unknown) (Unknown) (Unknown)

**CONSERVATION COMMISSION
FUND**

Revenue reduction - Sales tax exemption (Less than
\$100,000) (Less than
\$100,000) (Less than
\$100,000)

**ESTIMATED NET EFFECT ON
CONSERVATION COMMISSION
FUND** (Less than
\$100,000) (Less than
\$100,000) (Less than
\$100,000)

**PARKS, AND SOIL AND WATER
FUND**

Revenue reduction - Sales tax exemption (Less than
\$100,000) (Less than
\$100,000) (Less than
\$100,000)

**ESTIMATED NET EFFECT ON
PARKS, AND SOIL AND WATER
FUND** (Less than
\$100,000) (Less than
\$100,000) (Less than
\$100,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL GOVERNMENTS			
<u>Revenue reduction - Sales tax exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which own or operate qualifying motor vehicles or trailers.

FISCAL DESCRIPTION

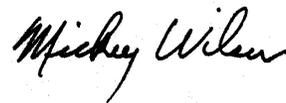
This proposal would expand the current sales and use tax exemption on motor vehicles and trailers used in the transportation of persons and property.

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

L.R. No. 4472-02
Bill No. Perfected SCS for SB 480
Page 8 of 8
March 5, 2012

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Department of Transportation



Mickey Wilson, CPA
Director
March 5, 2012