

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0935-07
Bill No.: Perfected SCS for SB 182
Subject: Cities, Towns and Villages; Motor Vehicles; Taxation and Revenue - Sales and Use
Type: Original
Date: February 13, 2013

Bill Summary: This proposal would eliminate the local use tax on motor vehicles, boats, trailers, and outboard motors, and would impose local sales tax on those items whether the purchase was made in or out of the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	More than \$100,000	More than \$100,000	More than \$100,000

FISCAL ANALYSIS

ASSUMPTION

Sections 32.087 and 144.757, RSMo - Local Sales and Use Tax

Officials from the **Office of the Secretary of State** did not respond to our request for information.

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 **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, if enacted, impose local sales taxes on motor vehicle sales by an out-of-state seller to a Missouri buyer. This proposal would have no impact on state revenues, because of the existing state use tax. However, this proposal would increase local revenues for subdivisions that do not currently impose a use tax. The Department of Revenue may have data on any estimated increases. BAP officials noted that this proposal may impact the limit imposed in Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would impose local sales taxes on all sales of motor vehicles, trailers, boats, and outboard motors, regardless of whether the sale of such motor vehicles, trailers, boats, and outboard motors occurred within the state of Missouri or in any other state.

For local sales tax purposes, sales of motor vehicles, trailers, boats, and outboard motors, would be considered to have been consummated at the residence of the purchaser and not at the place of business of the retailer, nor the place of business from which the retailer's agent or employee works.

A local government may, if approved by the voters, repeal the taxing entity's local sales tax on any retail sale of motor vehicles, trailers, boats, and outboard motors; however, the voters of that local government could not repeal the application of any state sales or use tax.

The proposal would also eliminate the imposition of any local use tax on sales of motor vehicles, trailers, boats, and outboard motors.

ASSUMPTION (continued)

Fiscal impact

DOR officials assume it is unknown whether additional "in state" sales will be made as a result of this proposal, but the proposal would likely increase local revenues.

IT Impact

DOR officials provided an estimate of the IT impact to implement this proposal of \$10,495 based on 388 hours of programming to make changes to DOR systems.

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

Oversight notes that DOR officials did not include an estimate of any other costs associated with implementing this proposal and assumes this proposal could be implemented with existing resources.

Officials from the **Department of Conservation** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Natural Resources (DNR)** stated that this proposal would eliminate the local use tax on motor vehicles, boats, trailers, and outboard motors, and would impose a local sales tax on those items whether the purchase was made in or out of state.

DNR officials noted that the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent state sales and use tax pursuant to the Missouri Constitution. This proposal would appear to only affect local sales and use tax issues. Therefore, the department would not anticipate a direct fiscal impact.

Officials from the **Department of Transportation (MoDOT)** noted that a previous version of this proposal would not change the state sales and use tax on the sale of motor vehicles; therefore, MoDOT officials assume there would be no fiscal impact on their organization.

ASSUMPTION (continued)

In response to a previous version of this proposal, officials from the **City of Kansas City** noted that their organization has a local use tax; therefore, this proposal would not increase their revenues.

Officials from the **City of Cape Girardeau** assume reinstatement of the sales tax on motor vehicle sales would increase their sales tax revenue by \$278,000 for FY 2014, \$284,000 for FY 2015, and \$290,000 for FY 2016.

Officials from the **Special School District of St. Louis County** assumed a previous version of this proposal would have a positive fiscal impact on their organization.

Officials from the **Parkway School District** assume this proposal would have an unknown impact to their organization.

Oversight assumes this proposal would have a positive fiscal impact on local governments which currently have a sales tax but no local use tax, and are no longer able to enforce the local use tax on purchases of motor vehicles, boats, and motors outside the state of Missouri.

This proposal includes a requirement for local governments (except those in which voters have previously approved a local use tax) to hold an election to approve the repeal of the local sales tax to sales which are not subject to state sales tax. The election may be held as early as the November 2014 general election but must be held no later than the November 2016 general election. If the local government does not hold the election or if the voters approve the repeal of the local sales tax, the sales tax shall not be applied to subsequent sales.

Oversight assumes that the number and aggregate amount of underlying sales transaction would indicate a fiscal impact greater than \$100,000 for local governments and will include that impact in this fiscal note. Oversight has no information as to which governments would be subject to the election requirement and will indicate unknown costs for local government elections in FY 2015 and FY 2016. Oversight assumes the cumulative amount of revenue that will be realized by local political subdivisions will be greater than the election expenses incurred.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014	FY 2015	FY 2016
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LOCAL GOVERNMENTS

<u>Revenue - sales tax</u> Section 32.087, RSMo	More than \$100,000	More than \$100,000	More than \$100,000
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<u>Costs - elections</u> Section 32.087, RSMo	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>More than \$100,000</u>	<u>More than \$100,000</u>	<u>More than \$100,000</u>
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FISCAL IMPACT - Small Business

Small businesses, in areas of the state that do not have a local use tax, that sell motor vehicles, trailers, boats, and/or outboard motors could be positively impacted by this proposal.

FISCAL DESCRIPTION

This proposal would prohibit counties and municipalities from imposing a local use tax on the sale of motor vehicles, trailers, boats, or outboard motors. Local sales taxes would be imposed on the sale of all such items, regardless of whether the item was purchased in Missouri. The residence of the purchaser would be used to determine what local tax rate would apply.

The rate of tax for motor vehicles, trailers, boats, or outboard motors sold at retail would be the sum of the state sales tax and the local sales tax. The rate of tax for all other sales of such items would be the sum of the state highway use tax and the local sales tax.

Local governments that have not previously approved a local use tax must submit to the voters a proposition whether to discontinue collecting sales tax on non-retail sales of motor vehicles. If a local government does not hold such a vote before November 2016, the local government could no longer collect the sales tax. Local governments may submit a proposition to the voters at any time to repeal the tax. The proposal would require a repeal vote of the people any time 15% of the registered voters in a taxing jurisdiction sign a petition requesting such election.

The proposal would make these provisions nonseverable, and includes 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

Office of Administration - Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Transportation
Department of Revenue
City of Kansas City
Parkway School District
Special District of St. Louis County



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Acting Director
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