

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1961-02  
Bill No.: HB 979  
Subject: Motor Vehicles; Licenses - Miscellaneous; Revenue Department  
Type: Original  
Date: April 22, 2013

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Bill Summary: This proposal modifies provisions relating to motor vehicle, trailer and boat dealers.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$33,974)	(\$10,274)	(\$10,274)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$33,974)</b>	<b>(\$10,274)</b>	<b>(\$10,274)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Highway Fund	(\$218,977)	(\$262,773)	(\$262,773)
Motor Vehicle Commission Fund	\$168,739	\$132,414	\$132,414
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$50,238)</b>	<b>(\$130,359)</b>	<b>(\$130,359)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>(\$72,992)</b>	<b>(\$87,590)</b>	<b>(\$87,590)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety - Missouri Highway Patrol, Office of Prosecution Services, Office of the State Public Defender, Office of the State Courts Administrator, Administrative Hearing Commission and Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations.

#### § 301.119

Officials from the **Department of Revenue (DOR)** state this section gives the Director the ability to impose a monetary penalty for violations, up to \$1000 per violation. If and when the Department imposes a monetary penalty, there will be a slight revenue increase. The increase is expected to be minimal.

#### § 301.210

Officials from DOR state this section requires the seller to record the sale price, trade-in amount if applicable, and net price in the assignment area of a motor vehicle, vessel, or outboard motor title.

#### Motor Vehicle Bureau (MVB)

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$1,206 in FY 14.
- The Department's web site will need to be updated. This will require 10 hours of overtime for an Administrative Analyst III, at a cost of \$325 in FY 14.
- The Missouri Titling Manual will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$1,206 in FY 14.

In summary, DOR assumes a cost of \$2,737 (\$1,206 + \$325 + \$1,206) in FY 2014 to provide for the implementation of the changes in this section of this proposal.

#### § 301.280

DOR assumes this provision requires that all motor vehicle, (adds trailer dealers) and boat dealers shall electronically file weekly sales reports on or before the Thursday of the succeeding week.

- Changes all references to monthly sales reports to weekly.
- Changes all references to sales report as electronic.
- Deletes reference requiring a dealer selling 20 or more vehicle in a month to file an electronic sales report.

ASSUMPTION (continued)

§ 301.550

DOR assumes this provision changes the definition of a "motor vehicle dealer" or "dealer" by changing references from 6 to 12 or more motor vehicles sold in a calendar year and by stating that on or after January 1, 2014, any licensed motor vehicle dealer shall be required to meet the minimum calendar year sales of twelve or more motor vehicles per calendar year, or the equivalent of one sale every month for any months the dealer was in business.

§ 301.560

DOR assumes this provision increases the bond requirement for a new motor vehicle franchise dealer, a used motor vehicle dealer, a powersport dealer, a wholesale motor vehicle dealer, trailer dealer, or boat dealer from \$25,000 to \$50,000. Allows fees collected for the issuance of dealer plates or certificates of number to be credited to the Motor Vehicle Commission Fund. Allows a dealer to display their dealer license plates on any vehicle owned by a motor vehicle dealer while hauling any vehicle owned by the motor vehicle dealer.

§ 301.566

DOR assumes this legislation changes provisions related to off-site sales/shows.

- For off-site sales of inventory, requires an invitation to all local dealers within the same class.
- For off-site sales of vehicles used for the business, changes the notification and invitation provisions.

§ 301.570

DOR assumes this provision increases the sales threshold requiring a motor vehicle dealer license from 6 to 12 or more motor vehicles sold in a calendar year (see comment section).

Impacts below are reflected for Section 301.280, 301.550, 301.560, 301.562, 301.566, 301.570, RSMo.

Motor Vehicle Bureau

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$1,206 in FY 14.
- The Dealer Licensing Manual will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 14.
- The Department's web site will need to be updated. This will require 10 hours of overtime for an Administrative Analyst III, at a cost of \$325 in FY 14.

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ASSUMPTION (continued)

In summary, DOR assumes a cost of \$2,737 (\$1,206 + \$325 + \$1,206) in FY 2014 to provide for the implementation of the changes in this section of this proposal.

The IT portion of the fiscal impact is estimated with a level of effort valued at \$19,938 calculated on 726 FTE hours.

In summary, DOR assumes a cost of \$25,412 (\$2,737 + \$2,737 + \$19,938) in FY 2014 to provide for the implementation of the changes in this proposal.

§ 301.280

DOR assumes this provision requires motor vehicle, trailer and boat dealers to file weekly electronic sales reports - 720 hours.

§ 301.550

DOR assumes this provision increases the minimum sales for dealers from 6 sales per year to 12 sales per year and establishes a prorated minimum sales requirement for dealer licensed less than one year - 6 hours.

**Revenue Impact**

§ 301.570

DOR states currently, this section requires any person, partnership, corporation, company or association that sells or displays with an intent to sell 6 or more motor vehicles to be registered as a dealer unless otherwise exempt under Section 301.570, RSMo. This proposal changes the requirement from 6 sales to 12 sales per year, potentially removing the requirement of 973 dealers to be licensed. It's unknown as to how many dealers will exercise their option to no longer license; however, for purposes of this fiscal response, the Department is showing the potential loss in revenue if all 973 dealers do not renew their license.

Dealer Sales

If these dealers could not or do not renew, the revenue loss is as follows:

- 973 license fees (\$150 each) = \$145,950
- 946 initial motor vehicle, trailer, dealer plate fees (\$50 each) = \$47,300
- 27 initial boat dealer plate fees (\$100 each per Section 301.560, RSMo, of this proposal) = \$2,700
- 2,228 additional motor vehicle and trailer dealer plate fees (\$10.50) = \$23,394

ASSUMPTION (continued)

- 57 additional boat dealer plate fees (\$15 each per Section 301.560, RSMo, of this proposal) = \$855

The total potential revenue loss to the Motor Vehicle Commission Fund is \$220,199.

Dealer Plate Fees

The proposed changes in section 301.560.1(4) will shift the revenue received from dealer plates from highway funds to the Motor Vehicle Commission Fund. In CY 2012, the Department distributed \$340,089 to the Highway Fund. For purposes of this fiscal note, the Department will use CY 2012 revenue to show the increase to the Motor Vehicle Commission Fund.

Note: The analysis was performed on all dealer types (i.e. motor vehicle, powersport, trailer, boat, etc.).

Boat Dealer Certificate of Number Fees

There are currently 189 licensed boat dealers. Assuming 27 boat dealers do not renew due to the new sale requirements, increasing the certificate of number fee from \$50 to \$100 would result in an increase of \$8,100 to the Motor Vehicle Commission Fund.

In 2012 the Department issued 540 additional plates and certificates of number to licensed boat dealers. Assuming 27 boat dealers (57 additional plates) do not renew due to the new sale requirements, increasing the fee for additional plates and certificates of number from \$10.50 to \$15 would result in an increase of \$2,174 to the Motor Vehicle Commission Fund.

Off-Site Sale Fees

In FY 12 there were 5 off-site sale permits issued. Increasing the off-site sale permit fee from \$550 to \$1,000 would result in an increase of \$2,250 to the Motor Vehicle Commission Fund.

The net positive fiscal impact to the Motor Vehicle Commission Fund is as follows:

<b>FY 2014</b>		<b>FYs 2015 and 2016</b>	
Dealer plate fees	\$340,089	Dealer plate fees	\$340,089
Boat dealer plates	\$10,274	Boat dealer plates	\$10,274
Off- Site Sale Permit	+ \$1,875	Off- Site Sale Permit	+ \$2,250
	<u>\$352,238</u>		<u>\$352,613</u>
Dealer Sales	<u>-\$183,499</u>	Dealer Sales	<u>-\$220,199</u>
Net Positive Impact	<b>\$168,739</b>	Net Positive Impact	<b>\$132,414</b>

ASSUMPTION (continued)

The negative fiscal impact to highways, cities and counties due to change in distribution of motor vehicle dealer plate revenue is as follows:

<u>FY 14</u>	<u>(10 Months)</u>
Highways -	(\$218,977)
Cities -	(\$43,795)
Counties -	(\$29,197)

<u>FY15 &amp; 16</u>	
Highways -	(\$262,773)
Cities -	(\$52,554)
Counties -	(\$35,036)

The negative fiscal impact to the General Revenue Fund due to change in distribution of boat dealer plate revenue is as follows:

<u>FY 14 (10 Months)</u>	<u>FY15</u>	<u>FY16</u>
(\$8,562)	(\$10,274)	(\$10,274)

Requiring all dealers to file weekly sales reports online will effectively allow for timelier sales reports submitted by dealers and reduce the possibility of incorrect data. Currently, the Department utilizes this data to identify purchase price fraud. The timelier filing may increase the ability of the Department to identify tax fraud, thus increasing sales and use tax collected on motor vehicles.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE</b>			
<u>Cost - DOR</u>			
Administrative Cost	(\$25,412)	\$0	\$0
<u>Loss - DOR</u>	<u>(\$8,562)</u>	<u>(\$10,274)</u>	<u>(\$10,274)</u>
Change in distribution of motor vehicle dealer plate revenue			
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$33,974)</u></b>	<b><u>(\$10,274)</u></b>	<b><u>(\$10,274)</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>HIGHWAY FUND</b>			
<u>Loss - DOR</u>			
Change in distribution of motor vehicle dealer plate revenue	<u>(\$218,977)</u>	<u>(\$262,773)</u>	<u>(\$262,773)</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY FUND</b>	<b><u>(\$218,977)</u></b>	<b><u>(\$262,773)</u></b>	<b><u>(\$262,773)</u></b>
<b>MOTOR VEHICLE COMMISSION FUND</b>			
<u>Revenue - DOR</u>			
Dealer Plate and Off-Site Sale Fees	<u>\$168,739</u>	<u>\$132,414</u>	<u>\$132,414</u>
<b>ESTIMATED NET EFFECT TO THE MOTOR VEHICLE COMMISSION FUND</b>	<b><u>\$168,739</u></b>	<b><u>\$132,414</u></b>	<b><u>\$132,414</u></b>
<b>FISCAL IMPACT - Local Government</b>			
	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss - Cities</u>	(\$43,795)	(\$52,554)	(\$52,554)
Change in distribution of motor vehicle dealer plate revenue			
<u>Loss - Counties</u>	(\$29,197)	(\$35,036)	(\$35,036)
Change in distribution of motor vehicle dealer plate revenue			
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$72,992)</u></b>	<b><u>(\$87,590)</u></b>	<b><u>(\$87,590)</u></b>

### FISCAL IMPACT - Small Business

Small motor vehicle, trailer and boat dealers who sell between 6 and 11 units per year will no longer be able to obtain a dealer license. They may continue selling vehicles at that volume but without the regulation of licensure requirements. They will also lose access to dealer plates and other tools available to licensed dealers.

### FISCAL DESCRIPTION

Currently, a person is prohibited from conducting business to obtain a certificate of ownership for a motor vehicle unless licensed by the Department of Revenue. This bill expands the prohibition to include the ownership or registration of an all-terrain vehicle or trailer or watercraft. The eligibility requirements to issue a certificate of ownership or title for a motor vehicle is changed to include the title or registration of an all-terrain vehicle or trailer or watercraft. A person selling or transferring ownership of a motor vehicle or trailer is required to record the sale price, trade-in amount, and net price on the title assignment. Currently, motor vehicle and boat dealers have to file a monthly sales report with the department. The bill adds trailer dealers to those required to file a report and requires the report to be filed weekly in an electronic format. Currently, a dealer must sell six or more vehicles in a year to be considered a dealer. The bill raises it to 12 vehicles per year. A motor vehicle dealer is allowed to use dealer plates on any vehicle he or she owns while hauling a vehicle owned by the dealer.

Currently a majority of dealers must be invited to participate in an off-site sale. The bill requires that all dealers in a city or town where the sale is taking place to be invited. Currently the department must receive a 10-day notice of an off-site sale. The bill extends it to 30 days, and participants must be invited 60 days in advance. Currently, it is a class D felony for a person to sell six or more vehicles in a calendar year without meeting specified criteria. The bill increases the number of vehicles to 12.

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  
Office of Prosecution Services  
Office of the State Public Defender  
Office of the State Courts Administrator  
Administrative Hearing Commission  
Office of the State Treasurer



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