

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5185-01
Bill No.: Perfected SB 693
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use
Type: Original
Date: March 25, 2014

Bill Summary: This proposal would exempt motor vehicles older than ten years, with a sales price of \$15,000 or less, from sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$53,691)	(\$27,738)	(\$27,738)
Total Estimated Net Effect on General Revenue Fund	(\$53,691)	(\$27,738)	(\$27,738)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
School District Trust	(Less than \$4,012,474)	(Less than \$4,814,969)	(Less than \$4,814,969)
Conservation Commission	(Less than \$1,002,324)	(Less than \$1,202,790)	(Less than \$1,202,790)
Parks, and Soil and Water	(Less than \$801,456)	(Less than \$961,746)	(Less than \$961,746)
State Road Bond	(Less than \$12,014,645)	(Less than \$14,417,574)	(Less than \$14,417,574)
State Transportation	(Less than \$320,476)	(Less than \$384,572)	(Less than \$384,572)
State Road	(Less than \$11,694,169)	(Less than \$14,033,002)	(Less than \$14,033,002)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$29,845,544)	(Less than \$35,814,653)	(Less than \$35,814,653)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(Less than \$21,707,471)	(Less than \$26,048,965)	(Less than \$26,048,965)

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

This proposal would exempt motor vehicles older than ten years from sales tax due on titling. BAP officials assume this would reduce Total State Revenues, including those for schools, and assumes the Department of Revenue may have more detailed information.

BAP officials also assume this proposal would impact the revenue limit calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would exempt from sales tax vehicles or ATV's that are ten years old or older.

Administrative impact

DOR officials assume the Department would create a new state and local tax exemption code for vehicles with a model year ten years old or older from the year of titling. For example, if titling in 2014, vehicles with a model year of 2004 and prior would be exempt. This exemption code would be included on the printed title to indicate no sales tax due. The purchase date and purchase price would still need to be collected to assess any applicable title penalties and to meet record keeping requirements.

DOR officials included an estimate of \$2,136 for employee overtime in reviewing and implementing procedures for this proposal. DOR officials also noted this proposal could potentially result in an increase in the number of motor vehicles sold that are ten years old or older, resulting in an unknown increase in the number of title applications processed by the Department. DOR officials assumed this could result in additional FTE being requested.

Oversight assumes this proposal could be implemented with existing DOR resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$30,576 based on 1,120 hours of programming to make changes to DOR systems.

Oversight will include the DOR cost estimate in this fiscal note.

Fiscal impact

DOR officials provided the following estimate of revenue losses for this proposal.

Projected Loss in Sales Tax
 (Motor Vehicles)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
<u>State Funds</u>			
Conservation Fund	\$1,001,361	\$1,201,634	\$1,201,634
Soil & Water Fund	\$400,342	\$480,410	\$480,410
State Park Fund	\$400,342	\$480,410	\$480,410
State Road Bond Fund	\$12,014,645	\$14,417,574	\$14,417,574
State Transportation Fund	\$320,476	\$384,572	\$384,572
State Road Fund	\$11,694,169	\$14,033,002	\$14,033,002
School District Trust Fund	\$4,004,769	\$4,805,723	\$4,805,723

Local Governments

Cities	\$2,403,064	\$2,883,677	\$2,883,677
Counties	\$1,602,043	\$1,922,451	\$1,922,451

Projected Loss in Sales Tax
 (All-Terrain Vehicles)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Conservation Fund	\$963	\$1,156	\$1,156
Soil & Water Fund	\$386	\$463	\$463
State Park Fund	\$386	\$463	\$463
General Revenue	\$23,115	\$27,738	\$27,738
School District Trust Fund	\$7,705	\$9,246	\$9,246

ASSUMPTION (continued)

DOR officials noted in 2013 there was \$21,242,837 in local sales tax collected on motor vehicles that were ten years old or older, and assume this proposal would result in a loss of that revenue to local taxing jurisdictions.

Oversight will use the DOR estimates of revenue losses for this proposal; however, Oversight is unable to verify this information due to the Department of Revenue's interpretation of confidentiality laws regarding their department.

In addition, DOR officials stated that delinquent fees currently total \$1,585,714 in uncollected local sales tax that the Department would otherwise attempt to assess and collect from the applicant. If this proposal were to pass it is assumed this uncollected tax would be waived, resulting in a potential loss to local taxing jurisdictions.

Oversight assumes that a waiver of uncollected revenues would not be considered a loss to the state or local governments for fiscal note purposes since those revenues are not available for budget support or expenditure.

Officials from the **Department of Transportation** deferred to the Department of Revenue for an estimate of the revenue reduction that would result if this proposal was implemented.

Officials from **Cole County** assume this proposal would have an unknown negative impact on their organization.

Officials from **Pettis County** assume that exempting vehicles over ten years old from sales tax on titling would result in revenue reductions of \$24,000 for FY 2015 and \$48,000 for FY 2016 and for FY 2017.

Officials from the **City of Columbia** assume this proposal would have a significant but unknown negative impact on sales tax revenues for their organization.

Officials from the **Joint Committee on Administrative Rules, Francis Howell School District,** and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact their organizations.

ASSUMPTION (continued)

Not responding

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard, St. Joseph, St. Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

ASSUMPTION (continued)

Amendment 1

This amendment would limit the sales tax exemption to motor vehicles with a sales price of \$15,000 or less.

Officials from the **Department of Revenue (DOR)** provided the following response.

In order to accurately determine the fiscal impact, OA-ITSD (DOR) must generate a report from the Titling and Registration Intranet Processing System, and the completed report must be validated for accuracy. DOR officials assume amended proposal could have a fiscal impact for state funds as much as \$29,901,271 for FY 2015 and as much as \$35,842,391 in FY 2016 and FY 2017. The estimate fiscal impact for local government revenue could be as much as \$23,028,900 in FY 2015 and as much as \$27,634,679 in FY 2016 and FY 2017.

Oversight assumes this amendment would reduce the impact of the proposal but is not able to independently estimate the impact of the amendment and for fiscal note purposes, will indicate an impact less than the previous Department of Revenue estimates.

Oversight assumes it is unlikely an ATV over ten years old would sell for more than \$15,000 and will not adjust the previous DOR estimates for sales tax on ATV's.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Computer programming Section 144.030	(\$30,576)	\$0	\$0
<u>Revenue reduction - DOR</u>			
Sales tax on ATV's Section 144.030	<u>(\$23,115)</u>	<u>(\$27,738)</u>	<u>(\$27,738)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$53,691)</u>	<u>(\$27,738)</u>	<u>(\$27,738)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction - DOR</u>			
Sales tax on vehicles			
Section 144.030	(Less than \$4,004,769)	(Less than \$4,805,723)	(Less than \$4,805,723)
<u>Revenue reduction - DOR</u>			
Sales tax on ATV's			
Section 144.030	<u>(\$7,705)</u>	<u>(\$9,246)</u>	<u>(\$9,246)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Less than \$4,012,474)</u>	<u>(Less than \$4,814,969)</u>	<u>(Less than \$4,814,969)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - DOR</u>			
Sales tax on vehicles			
Section 144.030	(Less than \$1,001,361)	(Less than \$1,201,634)	(Less than \$1,201,634)
<u>Revenue reduction - DOR</u>			
Sales tax on ATV's			
Section 144.030	<u>(\$963)</u>	<u>(\$1,156)</u>	<u>(\$1,156)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Less than \$1,002,324)</u>	<u>(Less than \$1,202,790)</u>	<u>(Less than \$1,202,790)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction - DOR</u>			
Sales tax on vehicles Section 144.030	(Less than \$800,684)	(Less than \$960,820)	(Less than \$960,820)
<u>Revenue reduction - DOR</u>			
Sales tax on ATV's Section 144.030	(<u>\$772</u>)	(<u>\$926</u>)	(<u>\$926</u>)
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	(Less than <u>\$801,456</u>)	(Less than <u>\$961,746</u>)	(Less than <u>\$961,746</u>)
STATE ROAD BOND FUND			
<u>Revenue reduction - DOR</u>			
Sales tax on vehicles Section 144.030	(Less than <u>\$12,014,645</u>)	(Less than <u>\$14,417,574</u>)	(Less than <u>\$14,417,574</u>)
ESTIMATED NET EFFECT ON STATE ROAD BOND FUND	(Less than <u>\$12,014,645</u>)	(Less than <u>\$14,417,574</u>)	(Less than <u>\$14,417,574</u>)
STATE TRANSPORTATION FUND			
<u>Revenue reduction - DOR</u>			
Sales tax on vehicles Section 144.030	(Less than <u>\$320,476</u>)	(Less than <u>\$384,572</u>)	(Less than <u>\$384,572</u>)
ESTIMATED NET EFFECT ON TRANSPORTATION FUND	(Less than <u>\$320,476</u>)	(Less than <u>\$384,572</u>)	(Less than <u>\$384,572</u>)

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
(Continued)	(10 Mo.)		

STATE ROAD FUND

<u>Revenue reduction - DOR</u>			
Sales tax on vehicles	(Less than	(Less than	(Less than
Section 144.030	<u>\$11,694,169)</u>	<u>\$14,033,002)</u>	<u>\$14,033,002)</u>
ESTIMATED NET EFFECT ON	(Less than	(Less than	(Less than
STATE ROAD FUND	<u>\$11,694,169)</u>	<u>\$14,033,002)</u>	<u>\$14,033,002)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015	FY 2016	FY 2017
	(10 Mo.)		

LOCAL GOVERNMENTS

<u>Revenue reduction - DOR</u>			
Sales tax on vehicles	(Less than	(Less than	(Less than
Section 144.030	<u>\$21,707,471)</u>	<u>\$26,048,965)</u>	<u>\$26,048,965)</u>
ESTIMATED NET EFFECT ON	(Less than	(Less than	(Less than
LOCAL GOVERNMENTS	<u>\$21,707,471)</u>	<u>\$26,048,965)</u>	<u>\$26,048,965)</u>

FISCAL IMPACT - Small Business

This proposal would result in a reduction in sales tax for a small business which purchases a vehicle or ATV more than ten years old and valued at \$15,000 or less.

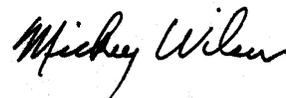
FISCAL DESCRIPTION

This proposal would exempt from sales tax the motor vehicles which have a model year of at least ten years prior to the year in which the motor vehicle is being titled and a sales price of \$15,000 or less.

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 the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Department of Transportation
Cole County
Pettis County
City of Columbia
Francis Howell School District
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
March 25, 2014

Ross Strope
Assistant Director

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